

CENTRALINA REGIONAL COUNCIL

FINANCIAL STATEMENTS AND COMPLIANCE REPORTS

As of and for the Year Ended June 30, 2022

And Reports of Independent Auditor

CENTRALINA REGIONAL COUNCIL

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JUNE 30, 2022

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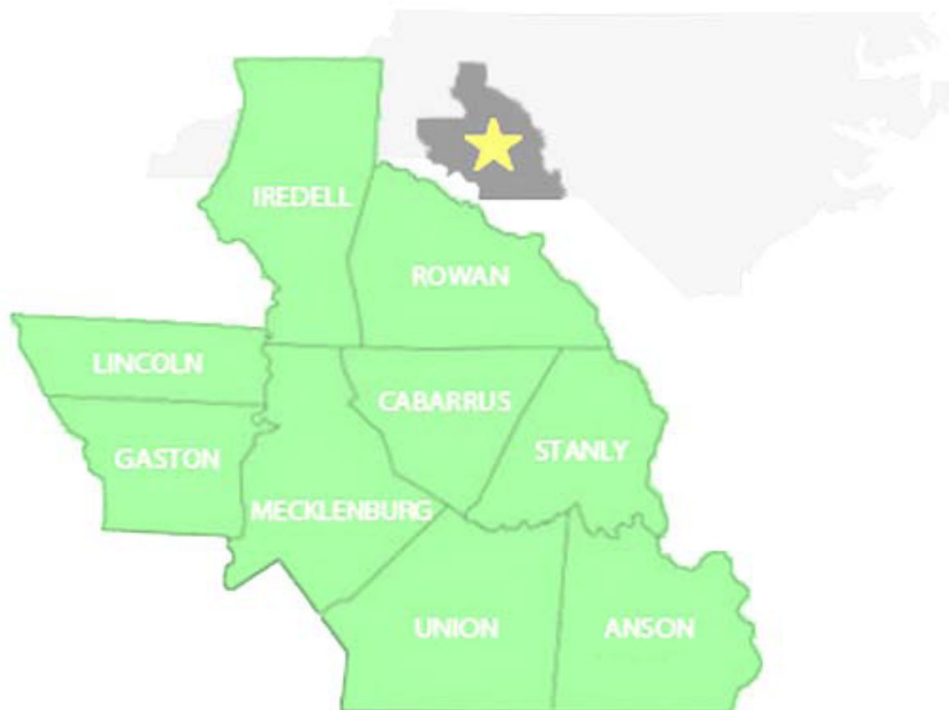
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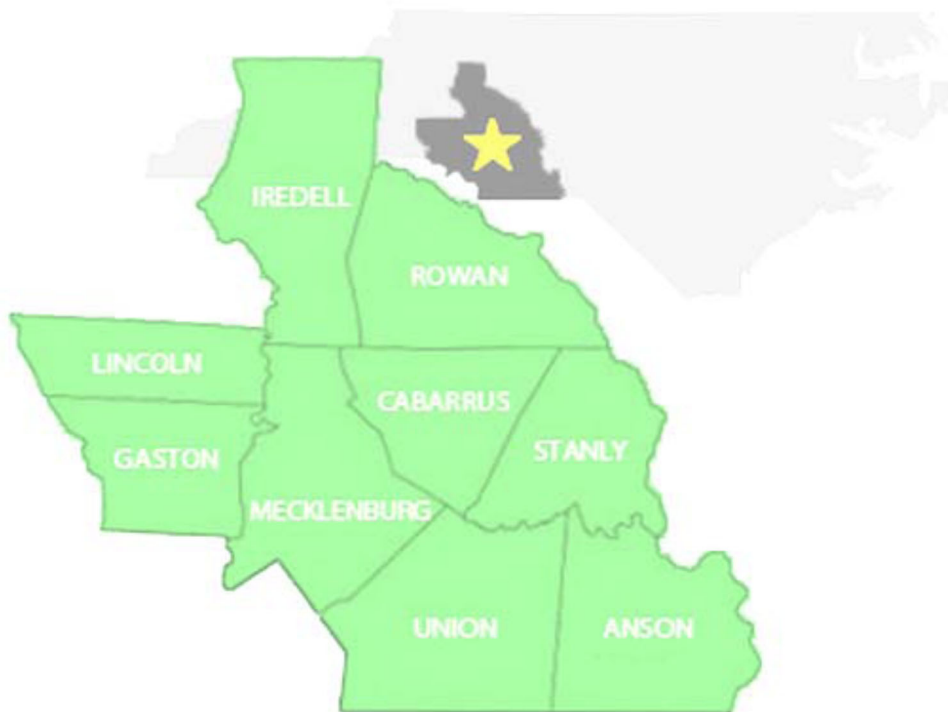
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Financial Section



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Report of Independent Auditor

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit and each major fund of Centralina Regional Council (“Centralina”) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively, comprise Centralina’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit and each major fund of Centralina Regional Council, as of June 30, 2022, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Centralina, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Centralina’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Centralina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Centralina's basic financial statements. The accompanying individual fund schedules and 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 State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 individual fund schedules and the schedule of expenditures of federal and State awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, 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 solely 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 the effectiveness of Centralina's 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.

Cherry Bekaert LLP

Charlotte, North Carolina
October 31, 2022

CENTRALINA REGIONAL COUNCIL MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

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, 2022. 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.

Over the last year, Centralina developed a three-year Strategic Plan that serves as a roadmap for organizational growth and fiscal stability in service of our mission and in line with our core values. The plan was informed by robust engagement with our staff, Board and regional stakeholders.

Through this strategic planning process, we imagined a vision for Centralina that is rooted in regional trust, collaboration and hope for a thriving, prosperous future. Our vision anchors the goals, strategies and annual actions that we will undertake over the next three years. The plan is flexible, but demonstrates our firm commitment to organizational excellence, fiscal responsibility and service.

Vision: Centralina is a collaborative organization and trusted partner leading the region, communities and individuals towards a thriving future.

Mission: 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.

Goals:

1. Lead regional engagement to prepare, plan and act on issues that respond to today's needs and tomorrow's opportunities.
2. Build local government capacity, efficiency and innovation in service to Centralina communities and the region.
3. Grow our portfolio of person-centered services that enhance an individual's ability to thrive in their careers and in their communities.
4. Strive for organizational excellence by investing in our employees, promoting our work and building efficient systems.

Centralina delivers programs and services in support of these goals through the work of our 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 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 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 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 REGIONAL COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2022

- **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.

The following summary of activities for the year ended June 30, 2022; 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.

Organization Wide Accomplishments

- Completed or initiated 93% or 126 of the planned 136 activities in our FY22 workplan.
- Launched a regional dialogue series to inform our strategic planning process. The series engaged over 300 stakeholders via a region-wide survey, 11 focus group and 6 briefings.
- Proactively engaged our members about the American Rescue Plan Act and provided a range of supports to aid local governments in implementing their ARPA funds. Assisted 12 communities with developing spending plans, facilitating ARPA discussions and monitoring reporting requirements.
- Completed the pilot year of the Regional Resilience Collaborative to build capacity in our regional emergency management so that we can better recover from future disasters. RRC created
- Created and managed a regionwide COVID-19 vaccine outreach campaign to engage older and disabled adults. Over two million people were reached by the campaign, including over one million billboard views, thousands of online portal visits and 10,000+ materials (masks, hand sanitizers and COVID test kits) distributed. Overall there was a vaccine increase of 47% in the African American community; 52% in the Latinx community
- Got creative in our approaches to connecting our workforce and businesses to fill our talent pipeline and address the changing nature of work due to the pandemic, including developing a workforce app for smart phones.
- Supported over 35 local governments with a range of technical assistance services from HR and strategic planning to code enforcement, planning and grants administration.
- Brought on two new local government members: the Towns of Norwood and Stanfield, both in Stanly County.
- Led nationally recognized programs that received awards for the CONNECT Beyond Regional Mobility Initiative, the Pride in Care Initiative lead by Centralina Area Agency on Aging, Regional Dialogues Series, Regional Resilience Collaborative and the Centralina Workforce App.

Service Reach for Workforce and Aging

- 1,788 employers provided with 26,015 services
- 15,010 career seekers served with 147,465 services and 79,303 job referrals (27% increase from last year)
- 284 individuals attended 482 workshops (60% increase from last year)
- 12,296 individuals visited Centralina WDB NCWorks Career Centers (a 35% traffic increase from last year)
- 49 adult and NextGen work experiences and 43 adult and NextGen on-the-job trainings at local employers
- 14 aging health and wellness webinars held with 1400+ participants (28% increase from last year)
- 49 evidence-based health and wellness workshops with 70 new leaders
- 50 Family Caregiver Support Program clients helped by utilizing \$135,000 in CARES relief funds
- 887 services given to residents and families, 339 complaints addressed, 276 cases completed and 855 facility visits and consultations conducted by Centralina Area Agency on Aging Ombudsman

CENTRALINA REGIONAL COUNCIL MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

Centralina Operations & Services Highlights

Centralina invested significant resources and time into additional enhancements to our internal systems and operations during the year. The organization undertook a pay and classification study to review its compensation structure for market competitiveness and internal equity. Segal Associates led the study that included a detailed review and evaluation of each position in the workforce and assessment of salaries from ten peer organizations. The Centralina Board approved a two phased implementation approach that will continue into FY22-23. The most significant investment was in the planning and upfit of the new office space at 10735 David Taylor Drive. The new facility is a smaller, more efficient footprint for in-person work, meetings and operations. The building is less than 25 years old, is well maintained and has benefited by recent multi-million dollar investment by the owner in a tenant amenity center. The Centralina space includes offices for directors, staff work stations organized into department "neighborhoods" and conference/meeting rooms of various sizes. Due to the important of hybrid meetings, Centralina invested in new audio-visual systems to enable video and audio participation and screen sharing.

Overview of the financial statements

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

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

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

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

Government-Wide Statements

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

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

June 30, 2022

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, 2022

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 Governmental Activities
As of June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 4,874,736	\$ 5,375,731
Noncurrent assets	2,693,972	159,308
Total Assets	<u>7,568,708</u>	<u>5,535,039</u>
Deferred outflows of resources	<u>964,064</u>	<u>856,037</u>
Current Liabilities	4,205,840	4,320,735
Noncurrent Liabilities	3,129,491	1,940,345
Total Liabilities	<u>7,335,331</u>	<u>6,261,080</u>
Unearned Revenue	-	444
Pension deferrals	845,823	4,063
OPE deferrals	145,166	92,535
Total deferred inflows of resources	<u>990,989</u>	<u>97,042</u>
Net Investment in capital assets	290,739	66,360
Restricted	688,475	1,512,412
Unrestricted net position	(772,762)	(1,545,819)
Total net position	<u>\$ 206,452</u>	<u>\$ 32,953</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. Assets and deferred outflows exceeded liabilities and deferred inflows by \$206,452 as of June 30, 2022. As of June 30, 2021, the liabilities and deferred inflows exceeded assets and deferred outflows by \$32,953. Centralina's net position increased \$173,499 and \$259,541 for the fiscal years ended June 30, 2022 and 2021, respectively. The net position increase year over year is due to decrease in net pension liability.

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

June 30, 2022

	<u>2022</u>	<u>2021</u>
Revenue		
Restricted intergovernmental revenues	\$ 18,592,069	\$ 18,351,198
Technical assistance contracts	1,180,164	2,341,384
Other program revenue	618,663	703,852
Interest and other earnings	1,851	60,137
Member dues and contributions	908,409	897,901
Total revenues	<u>21,301,156</u>	<u>22,354,472</u>
Expenses		
General government	472,427	303,019
Transportation	577,351	1,818,422
Environmental protection	137,728	103,129
Economic and physical development	1,636,427	1,551,107
Human services	17,474,988	17,367,960
Workforce development	828,736	951,294
Total expenses	<u>21,127,657</u>	<u>22,094,931</u>
Increase in net position	173,499	259,541
Beginning net position	32,953	(226,588)
Ending net position	<u>\$ 206,452</u>	<u>\$ 32,953</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, 2022

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 \$523,138, while total fund balance amounted to \$1,298,180. 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 2022 represents 13.66% of total General Fund expenditures which is a decrease over fiscal year ending 2021 which was 17.88%.

General fund budgetary highlights: During the fiscal year, 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, 2022 totals \$2,693,972 (net of accumulated depreciation and amortization). These assets include the financial software system, vehicles, furniture, fixtures and equipment, leasehold improvements and operating leases.

Next Year's Roadmap

Next fiscal year, FY2022-FY2023, will be initial implementation year of the new strategic plan approved by the Board in August 2022. The Board-approved FY22-23 workplan outlines specific actions related to each of the new strategic plan goals. 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.

Key Initiatives for FY2022-2023

- Continuing to implement key recommendations of CONNECT Beyond, regional mobility initiative.
- Completing the update to the five year regional Comprehensive Economic Development strategy.
- Continued regional response to and support of COVID-19 relief and recovery, including planning and implementation of specific projects funded by American Rescue Plan Act State and Local Fiscal Recovery Funds.
- 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 and ARPA funding.
- Supporting dislocated workers, career seekers and businesses in need of workforce services.
- Developing and submitting applications for federal competitive grants to support work in economic development, transportation, resilience, and other areas.
- Implementing the Pay and Classification Study to update job classification, assess market competitiveness of salaries, review benefit and create pathways for growth within the organization.

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
10735 David Taylor Drive, Suite 250
Charlotte, North Carolina 28262

Basic Financial Statements



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Government-Wide Financial Statements

CENTRALINA REGIONAL COUNCIL
STATEMENT OF NET POSITION
June 30, 2022

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
Current assets:		
Cash and cash equivalents	\$ 2,462,504	\$ -
Accounts Receivables	42,528	-
Due from other governments	2,320,804	316,152
Due from primary government unit	-	21,265
Prepaid items	48,900	-
Total current assets	<u>4,874,736</u>	<u>337,417</u>
Noncurrent assets:		
Capital assets:		
Right to use leased assets, net of amortization	2,403,233	-
Furniture, fixtures and equipment, net of depreciation and disposition	<u>290,739</u>	<u>-</u>
Total noncurrent assets	<u>2,693,972</u>	<u>-</u>
Total assets	<u>7,568,708</u>	<u>337,417</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan in current fiscal year	329,958	-
Contributions to OPEB plan in current fiscal year	209	-
Pension deferrals	604,729	-
OPEB deferrals	<u>29,168</u>	<u>-</u>
Total deferred outflows of resources	<u>964,064</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	\$ 3,261,948	\$ 337,417
Due to component unit	21,265	-
Current portion of long term liabilities	591,617	-
Accrued Payroll	239,763	-
Unearned revenue	91,247	-
Total current liabilities	4,205,840	337,417
Noncurrent liabilities:		
Net pension liability	590,128	-
Total OPEB liability	282,938	-
Noncurrent portion of long-term liabilities	2,256,425	-
	3,129,491	-
Total liabilities	7,335,331	337,417
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	845,823	-
OPEB deferrals	145,166	-
Total deferred inflows of resources	990,989	-
NET POSITION		
Net investment in capital assets	290,739	-
Restricted:		
Stabilization by State Statute	688,475	-
Unrestricted	(772,762)	-
Total net position	\$ 206,452	\$ -

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

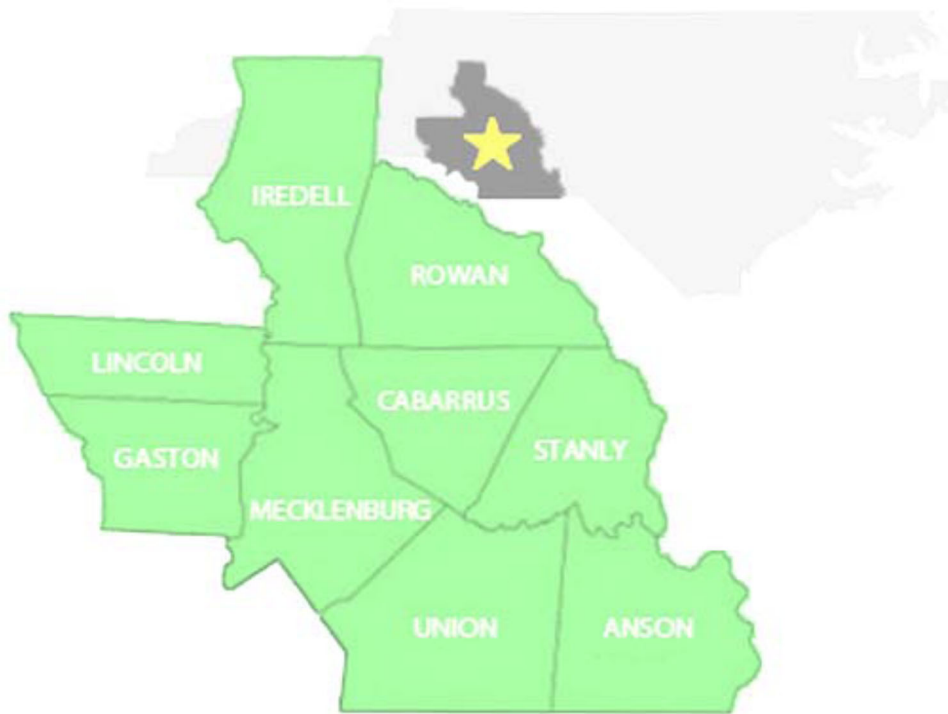
**CENTRALINA REGIONAL COUNCIL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>
PRIMARY GOVERNMENT		
Governmental activities:		
General government	\$ 2,007,023	\$ (1,534,596)
Transportation	484,256	93,095
Environmental protection	91,465	46,263
Economic and physical development	1,220,890	415,537
Human services	16,760,550	714,438
Workforce development	563,473	265,263
	<u>21,127,657</u>	<u>-</u>
Total primary government	<u>\$ 21,127,657</u>	<u>\$ -</u>
COMPONENT UNIT		
Workforce Development Consortium	\$ 3,119,460	\$ -
	<u>3,119,460</u>	<u>-</u>
Total component unit	<u>\$ 3,119,460</u>	<u>\$ -</u>

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

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
\$ 91,406	\$ -	\$ (381,021)	\$ -
400,929	91,323	(85,099)	-
47,421	72,243	(18,064)	-
840,987	561,874	(233,566)	-
416,576	17,039,401	(19,011)	-
1,508	827,228	-	-
<u>\$ 1,798,827</u>	<u>\$ 18,592,069</u>	<u>(736,761)</u>	<u>-</u>
\$ -	\$ 3,119,460	-	-
<u>\$ -</u>	<u>\$ 3,119,460</u>	<u>-</u>	<u>\$ -</u>
General revenues			
Member dues and contributions		908,409	-
Unrestricted investment earnings		1,851	-
Total general revenues		910,260	-
Change in net position		173,499	-
Net position - beginning		32,953	-
Net position - ending		<u>\$ 206,452</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, 2022**

EXHIBIT C

	Major Funds		Total Governmental Funds
	General	Special Revenue Fund	
ASSETS			
Cash and investments	\$ 2,462,504	\$ -	\$ 2,462,504
Receivables	42,528	-	42,528
Due from other governments	645,947	1,674,857	2,320,804
Due from general fund	-	1,223,820	1,223,820
Prepayments	86,567	-	86,567
Total assets	<u>\$ 3,237,546</u>	<u>\$ 2,898,677</u>	<u>\$ 6,136,223</u>
LIABILITIES			
Accounts and grants payable	\$ 363,280	\$ 2,898,668	\$ 3,261,948
Due to special revenue fund	1,223,820	-	1,223,820
Due to component unit	21,265	-	21,265
Accrued Payroll	239,763	-	239,763
Unearned revenue	91,238	9	91,247
Total liabilities	<u>1,939,366</u>	<u>2,898,677</u>	<u>4,838,043</u>
FUND BALANCES			
Nonspendable:			
Prepayments	86,567	-	86,567
Restricted:			
Stabilization by State Statute	688,475	-	688,475
Unassigned	523,138	-	523,138
Total fund balances	<u>1,298,180</u>	<u>-</u>	<u>1,298,180</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,237,546</u>	<u>\$ 2,898,677</u>	<u>\$ 6,136,223</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, 2022**

EXHIBIT D

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

Ending fund balance - governmental funds		\$	1,298,180
Prepaid lease deposits recognized as a leased asset in governmental activities			(37,667)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			2,693,972
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.			329,958
Contributions to OPEB plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.			209
Pension related deferrals			(241,094)
OPEB related deferrals			(115,998)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Net pension liability	(590,128)		
Total OPEB liability	(282,938)		
Compensated absences	(418,847)		
Lease liability	(2,361,753)		
Other long-term liability	<u>(67,442)</u>		(3,721,108)
Net position of governmental activities		\$	<u>206,452</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, 2022**

EXHIBIT E

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue Fund</u>	
REVENUES			
Restricted intergovernmental revenues	\$ 4,356,601	\$ 14,235,468	\$ 18,592,069
Technical assistance contracts	1,180,164	-	1,180,164
Other program revenue	618,663	-	618,663
Interest and other	1,851	-	1,851
Member dues and contributions	908,409	-	908,409
Total revenues	<u>7,065,688</u>	<u>14,235,468</u>	<u>21,301,156</u>
EXPENDITURES			
General government	3,080,379	-	3,080,379
Transportation	577,351	-	577,351
Environmental protection	137,728	-	137,728
Economic and physical development	1,636,427	-	1,636,427
Human services	3,239,520	14,235,468	17,474,988
Workforce development	828,736	-	828,736
Total expenditures	<u>9,500,141</u>	<u>14,235,468</u>	<u>23,735,609</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,434,453)</u>	<u>-</u>	<u>(2,434,453)</u>
OTHER FINANCING SOURCES (USES):			
Lease liability issued	<u>2,361,753</u>	<u>-</u>	<u>2,361,753</u>
Net change in fund balance	(72,700)	-	(72,700)
FUND BALANCES - JULY 1	<u>1,370,880</u>	<u>-</u>	<u>1,370,880</u>
FUND BALANCES - JUNE 30	<u>\$ 1,298,180</u>	<u>\$ -</u>	<u>\$ 1,298,180</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, 2022

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

Net change in fund balances - total governmental funds	\$	(72,700)
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.		
Capital Outlay		2,657,372
Amortization expense		(24,991)
Depreciation expense		(98,086)
Gain on disposal, net of outstanding liability		<u>55,650</u>
		2,589,945
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		329,958
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.		(284,894)
OPEB benefit payments made in current fiscal year are not included on the Statement of Activities		209
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.		(7,583)
The incurrence of lease liability provides current financial resources to governmental funds, while the repayment of the principal of lease liability consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This is the amount by which lease liabilities incurred exceed total principal payments made under those lease liabilities		(2,361,753)
Recording of the net adjustment to the obligation for compensated absences		(24,683)
Payment on accrued litigation		5,000
Change in net position of governmental activities	<u>\$</u>	<u>173,499</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 - NON-GAAP - GENERAL FUND
For the Year Ended June 30, 2022

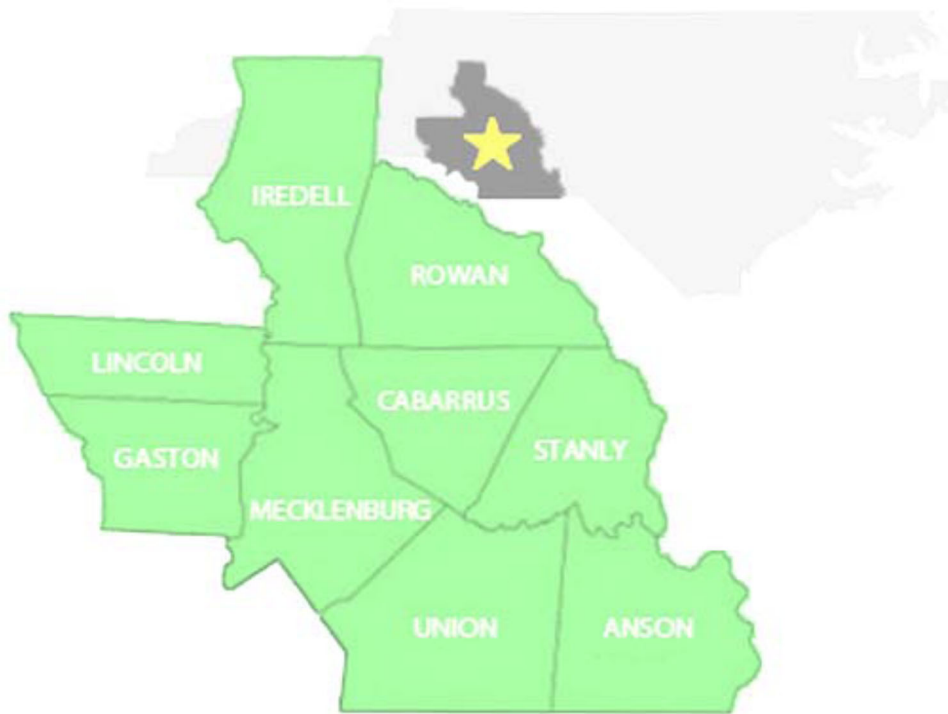
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Restricted intergovernmental revenues	\$ 3,525,000	\$ 5,032,542	\$ 4,356,601	\$ (675,941)
Technical assistance contracts	1,500,000	1,307,233	1,180,164	(127,069)
Other program revenue	750,000	718,543	618,663	(99,880)
Fund Balance Appropriated and Transferred	-	270,000	-	(270,000)
Interest and other	3,000	3,000	1,851	(1,149)
Member dues and contributions	890,000	910,000	908,409	(1,591)
Total revenues	<u>6,668,000</u>	<u>8,241,318</u>	<u>7,065,688</u>	<u>(1,175,630)</u>
EXPENDITURES				
Current				
General government				
Member services, Board and committees	350,000	349,070	310,185	38,885
Management and business operations	1,900,000	2,012,836	1,856,295	156,541
Information technology and data service	160,000	179,338	158,047	21,291
Indirect costs representation	(1,891,000)	(1,655,361)	(1,605,901)	(49,460)
Total general government	<u>519,000</u>	<u>885,883</u>	<u>718,626</u>	<u>167,257</u>
Transportation				
Planning assistance and administration	832,205	587,083	577,351	9,732
Total transportation	<u>832,205</u>	<u>587,083</u>	<u>577,351</u>	<u>9,732</u>
Environmental protection				
Planning assistance and administration	231,883	163,583	137,728	25,855
Total environmental protection	<u>231,883</u>	<u>163,583</u>	<u>137,728</u>	<u>25,855</u>
Economic and physical development				
Planning assistance and administration	844,912	596,047	557,326	38,721
Economic program initiative	990,000	1,214,068	1,079,101	134,967
Total economic and physical development	<u>1,834,912</u>	<u>1,810,115</u>	<u>1,636,427</u>	<u>173,688</u>
Human services				
Area agency on aging	2,300,000	3,843,178	3,239,520	603,658
Workforce development				
Total expenditures	<u>6,668,000</u>	<u>8,241,318</u>	<u>7,138,388</u>	<u>1,102,930</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(72,700)</u>	<u>\$ (72,700)</u>
FUND BALANCES - JULY 1			<u>1,370,880</u>	
FUND BALANCES - JUNE 30			<u>\$ 1,298,180</u>	
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS:				
Right to Use Asset Capital Outlay			\$ (2,361,753)	
Lease Liability Issued			2,361,753	
FUND BALANCES - JUNE 30			<u>\$ 1,298,180</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, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Restricted intergovernmental revenues				
Aging pass-through funds				
HCC Block Grant	\$ 9,850,000	\$ 11,992,458	\$ 10,741,279	\$ (1,251,179)
USDA/NSIP Supplement	650,000	650,000	597,301	(52,699)
Title III-B legal	85,000	188,405	121,102	(67,303)
Family Caregiver	520,000	555,020	486,415	(68,605)
Disease Prevention/Health Promotion	40,000	55,000	29,385	(25,615)
State Senior Center General Purpose	120,000	119,835	114,550	(5,285)
Heat Fan Relief	15,000	14,363	14,354	(9)
Families First	-	78,983	78,983	-
CARES HCC Block Grant	250,000	1,338,653	1,335,356	(3,297)
Supplemental Nutrition	-	763,729	716,743	(46,986)
Total Aging Revenue	<u>11,530,000</u>	<u>15,756,446</u>	<u>14,235,468</u>	<u>(1,520,978)</u>
EXPENDITURES				
Grant-related expenditures				
Aging pass-through funds				
HCC Block Grant	9,850,000	11,992,458	10,741,279	1,251,179
USDA/NSIP Supplement	650,000	650,000	597,301	52,699
Title III-B legal	85,000	188,405	121,102	67,303
Family Caregiver	520,000	555,020	486,415	68,605
Disease Prevention/Health Promotion	40,000	55,000	29,385	25,615
State Senior Center General Purpose	120,000	119,835	114,550	5,285
Heat Fan Relief	15,000	14,363	14,354	9
Families First	-	78,983	78,983	-
CARES HCC Block Grant	250,000	1,338,653	1,335,356	3,297
Supplemental Nutrition	-	763,729	716,743	46,986
Total Aging Expenditures	<u>11,530,000</u>	<u>15,756,446</u>	<u>14,235,468</u>	<u>1,520,978</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES - JULY 1			<u>-</u>	
FUND BALANCES - JUNE 30			<u>\$ -</u>	

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



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CENTRALINA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

Notes to the Basic 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 55 elected officials.

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 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.

CENTRALINA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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, other program revenues, 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, 2022

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 and Special Revenue 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.

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.

CENTRALINA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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	5-10 years
Computer equipment and software	3 - 5 years
Vehicles	5 years

Right to use assets

The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are presented under capital assets and are amortized on a straight-line basis over the life of the related lease.

Long-term obligations

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

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

Compensated absences

The vacation policy of 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 REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

Vacation leave is fully vested when earned. Centralina's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. Centralina has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

Centralina's sick leave policy provides for an unlimited accumulation of earned sick leave. Unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. 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 several items that meet the criterion for this category, contributions made subsequent to the measurement date for the pension and OPEB plans and other pension and OPEB deferrals. 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 other deferred pension and OPEB deferrals.

Net position/fund balances

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

In the governmental fund financial statements, fund balance is composed of three classifications designed to disclose the hierarchy of constraints placed on how the fund balance can be spent. The governmental fund types classify fund balances as follows:

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

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

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

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

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

The General Fund's fund balance was \$1,298,180 at June 30, 2022, of which was \$762,901 was restricted leaving \$448,712 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.

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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.

Pension and OPEB

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.

Centralina also participates in a postemployment benefit plan ("OPEB"), for health insurance (the "Plan"). Centralina currently finances the Plan following a pay-as-you-go approach, paying an amount each year equal to the premiums related to the coverage. For purposes of measuring the total OPEB liability, deferred inflows and inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

New Accounting Pronouncement

As of July 1, 2021, Centralina adopted the provisions of GASB 87, *Leases*, which amended the existing accounting standards for lease reporting. The new guidance requires lessees in a leasing arrangement recognize a right to use asset and a lease liability for most leases (other than leases that meet the definition of a short-term lease) at lease commencement. The liability will be equal to the present value of lease payments. Additionally, the new guidance requires lessors in a leasing arrangement to recognize a lease receivable and a deferred inflow of resources for most leases (other than leases that meet the definition of a short-term lease) at lease commencement. The liability (lessees) or deferred inflow (lessors) will be equal to the present value of lease payments.

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, 2022, Centralina's deposits had a carrying amount of \$412,435 and a bank balance of \$445,451. 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, 2022, Centralina had \$2,050,069 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAA 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, 2022:

	Due from Other Governments	Other
Government activities:		
General	\$ 645,947	\$ 42,528
Special Revenue	1,674,857	-
	<u>\$ 2,320,804</u>	<u>\$ 42,528</u>
Workforce Development Consortium	<u>\$ 316,152</u>	<u>\$ -</u>

Due from other governments consisted of the following at June 30, 2022:

	Governmental Activities	Workforce Development Consortium
Receivables under expenditure-driven grants	\$ 2,236,649	\$ 316,152
Technical assistance contracts	84,155	-
	<u>\$ 2,320,804</u>	<u>\$ 316,152</u>

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5. Capital Assets

Centralina has recorded four right to use lease assets. The assets are right to use assets for leased office space, leased AV equipment and leased office equipment. The related leases are discussed in the Leases subsection of the Liabilities section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Capital asset and depreciation expense activity for the Primary Government for the year ended June 30, 2022 was as follows:

	Balance			Balance
	June 30, 2021	Increased	Decreases	June 30, 2022
Computers and equipment	\$ 437,496	\$ -	\$ (328,349)	\$ 109,147
Vehicles	191,693	-	(107,338)	84,355
Furniture, fixtures and lease hold improvements	129,961	292,393	(129,961)	292,393
Leased office space	-	2,274,189	-	2,274,189
Leases audio/visual equipment	-	76,072	-	76,072
Leased office equipment	306,944	52,385	(281,366)	77,963
	<u>1,066,094</u>	<u>2,695,039</u>	<u>(847,014)</u>	<u>2,914,119</u>
Accumulated depreciation and amortization	906,786	123,077	(809,716)	220,147
Government activities capital assets, net	<u>\$ 159,308</u>	<u>\$ 2,571,962</u>	<u>\$ (37,298)</u>	<u>\$ 2,693,972</u>

6. Accounts and Grants Payable

Accounts and grants payable at the government-wide level consisted of the following at June 30, 2022:

	Vendors	Subrecipients	Total
Government activities:			
General	\$ 363,280	\$ -	\$ 363,280
Special revenue	-	2,898,668	2,898,668
	<u>\$ 363,280</u>	<u>\$ 2,898,668</u>	<u>\$ 3,261,948</u>
Workforce Development Consortium	<u>\$ -</u>	<u>\$ 337,417</u>	<u>\$ 337,417</u>

Accrued liabilities for governmental activities and the General Fund at June 30, 2022 consisted of accrued salaries and salary related accounts in the amount of \$239,763.

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 (LEO) 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.

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The LGERS is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The state's "" includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

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

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, 2022, was 11.35% 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 \$329,958 for the year ended June 30, 2022.

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, 2022, Centralina reported a liability of \$590,128 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, utilizing update procedures incorporating the actuarial assumptions. Centralina's proportion of the net pension liability 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, 2021 (measurement date), Centralina's proportion was 0.03848%, which was an increase of 0.00034% from its proportion measured as of June 30, 2020.

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For the year ended June 30, 2022, Centralina recognized pension expense of \$284,894. At June 30, 2022, 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	\$ 187,741	\$ -
Changes of assumptions	370,751	-
Net difference between projected and actual earnings		-
on pension plan investments	-	843,115
Changes in proportion and differences between Council	-	2,708
contributions and proportionate share of contributions	46,237	-
Total contributions subsequent to the measurement date	329,958	-
Total	<u>\$ 934,687</u>	<u>\$ 845,823</u>

\$329,958 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, 2023. 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:

2023	\$ 78,441
2024	(837)
2025	(60,699)
2026	<u>(257,999)</u>
Total	<u>\$ (241,094)</u>

Actuarial assumptions. The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.25% to 8.25%, including inflation and productivity factor
Investment rate of return	6.50%, 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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, 2021 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 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 6.50%. 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 6.50%, 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 (5.50%) or one percentage point higher (7.50%) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Centralina's proportionate share of the net pension liability (asset)	<u>\$ 2,290,827</u>	<u>\$ 590,128</u>	<u>\$ (809,449)</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ACFR 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, 2022, amounted to \$192,366.

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, 2022 amounted to \$17,205.

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”).

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.

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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, 2021, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	1
Active plan members	42
Total	43

Total OPEB liability

Centralina’s total OPEB liability of \$282,938 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021.

Actuarial assumptions and other inputs. The total OPEB liability on the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increases, including wage inflation:	
General Employees	3.25% to 8.41%
Municipal Bond Index Rate:	
Prior Measurement Date	2.21%
Measurement Date	2.16%

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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, 2020	<u>\$ 334,215</u>
Changes for the year	
Service cost	24,363
Interest	7,922
Changes of benefit terms	-
Differences between expected and actual experience	(68,409)
Changes in assumptions or other inputs	(14,950)
Benefit payments	<u>(203)</u>
Total OPEB Liability	<u>(51,277)</u>
Balance at June 30, 2021	<u><u>\$ 282,938</u></u>

There was a change in the Total OPEB Liability arising from the change in the Discount Rate from 2.21% on the Prior Measurement Date to 2.16% on the Current Measurement Date.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2021 valuation.

Sensitivity of the total OPEB liability to changes in the discount rate. The following exhibit presents the total OPEB liability of Centralina’s Plan, calculated using the discount rate of 2.16%, 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 (1.16%) or 1-percentage-point higher (3.16%) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 308,988	\$ 282,938	\$ 258,832

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:

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	<u>Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	\$ 247,408	\$ 282,938	\$ 325,054

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

For the year ended June 30, 2022, Centralina recognized OPEB expense of \$7,584. At June 30, 2022, 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	\$ 2,260	\$ 115,771
Changes of assumptions	26,908	29,395
Benefit payments made subsequent to the measurement	209	-
Total	<u>\$ 29,377</u>	<u>\$ 145,166</u>

\$209 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

<u>Years Ending June 30:</u>	
2023	\$ (24,701)
2024	(23,118)
2025	(19,328)
2026	(17,754)
2027	(15,348)
Thereafter	(15,749)
	<u>\$ (115,998)</u>

11. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are comprised of contributions to the pension plan and OPEB of \$329,958 and \$209, respectively, and other pension and OPEB deferrals in the current fiscal year in the amount of \$604,729 and \$29,168, respectively.

The following is a summary of deferred inflows of resources at June 30, 2021:

	<u>Governmental Activities</u>
Pension deferrals	\$ 845,823
OPEB deferrals	145,166
	<u>\$ 990,989</u>

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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 \$5 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 Finance Director and any employees acting in the course and scope of their employment that have access to \$100 or more at any given time of Centralina's funds are bonded under Public Officials Liability through Interlock Risk Financing Fund of North Carolina. Centralina's Public Officials Liability coverage limit is up to \$5 million per claim.

13. Long-Term Obligations

Leases

The first lease agreement was executed on June 1, 2022, to lease office space and requires 91 monthly payments of \$28,804, increasing 2.5% annually and an annual 1 month rental abatement incentives on the July 1st of each year. The lease liability is measured at a discount rate of 4.51%, which is the average of US Department of Treasury long term rates and Bank of America estimated mortgage rate in July, 2022. As a result of the lease, Centralina has recorded a right to use asset with a net book value of \$2,249,293 at June 30, 2022. The right to use asset is also discussed in section 6.

The second agreement was executed on June 8, 2022, to lease AV equipment and requires 60 monthly payments of \$1,714. There are no variable payment components to the lease. The lease liability is measured at a discount rate of 4.51%, which is the average of US Department of Treasury long term rates and Bank of America estimated mortgage rate in July 2022. As a result of the lease, Centralina has recorded a right to use asset with a net book value of \$76,072 at June 30, 2022. The right to use asset is also discussed in section 6.

The third agreement was executed on June 27, 2022, to lease office equipment and requires 36 monthly payments of \$1,600. There are no variable payment components to the lease. The lease liability is measured at a discount rate of 4.51%, which is the average of US Department of Treasury long term rates and Bank of America estimated mortgage rate in July, 2022. As a result of the lease, Centralina has recorded a right to use asset with a net book value of \$52,385 at June 30, 2022. The right to use asset is also discussed in section 6.

The fourth agreement was executed on June 30, 2022, to lease office equipment and requires 26 monthly payments of \$1,0670. There are no variable payment components to the lease. The lease liability is measured at a discount rate of 4.51%, which is the average of US Department of Treasury long term rates and Bank of America estimated mortgage rate in July, 2022. As a result of the lease, Centralina has recorded a right to use asset with a net book value of \$25,483 at June 30, 2022. The right to use asset is also discussed in section 6.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 were as follows:

CENTRALINA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

Year Ending June 30	Principal Payment	Interest Payments	Total
2023	\$ 299,704	\$ 100,309	\$ 400,013
2024	288,893	87,684	376,577
2025	296,876	74,498	371,374
2026	299,907	61,186	361,093
2027	302,110	47,631	349,741
Thereafter	874,263	54,849	929,112
	<u>\$ 2,361,753</u>	<u>\$ 426,157</u>	<u>\$ 2,787,910</u>

Changes in long-term liabilities

	Balance 1, 2021	July Increased	Decreases	Balance June 30, 2022	Current Portion of Balance
Government activities:					
Net pension liability (LGRS)	\$ 1,362,905	\$ -	\$ (772,777)	\$ 590,128	\$ -
Total OPEB liability	334,215	-	(51,277)	282,938	-
Lease Liabilities	92,948	2,390,557	121,752	2,361,753	299,704
Accrued vacation and sick leave	394,164	311,596	286,913	418,847	286,913
Other liabilities	72,442	-	5,000	67,442	5,000
	<u>\$ 2,256,674</u>	<u>\$ 2,702,153</u>	<u>\$ (410,389)</u>	<u>\$ 3,721,108</u>	<u>\$ 591,617</u>

14. 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 \$827,228 and Centralina reported revenues in the General Fund of the same amount for the year ended June 30, 2022.

15. 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, 2022, 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.



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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 Council of Governments
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information
Last Five Fiscal Years*

Total OPEB Liability	2022	2021	2020	2019	2018
Service cost	24,363	18,275	18,979	19,542	22,933
Interest	7,922	10,327	13,038	11,719	10,363
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(68,409)	(5,545)	(80,795)	(6,094)	9,115
Changes of assumptions	(14,950)	36,220	(4,327)	(9,988)	(39,235)
Benefit payments	(203)	(3,596)	(7,002)	(11,347)	(25,107)
Other	-	-	-	-	-
Net change in total OPEB liability	(51,277)	55,681	(60,107)	3,832	(21,931)
Total OPEB liability - beginning	334,215	278,534	338,641	334,809	356,740
Total OPEB liability - ending	282,938	334,215	278,534	338,641	334,809
Covered payroll	2,497,113	2,536,424	2,536,424	2,580,488	2,580,488
Total OPEB liability as a percentage of covered payroll	11.33%	13.18%	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
Municipal Bond Index Rate at Prior Measurement Date	2.21%
Municipal Bond Index Rate at Measurement Date	2.16%

*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 Council of Governments
Schedule of Proportionate Share of the Net Pension Liability (Asset)
Local Government Employee's Retirement System
Required Supplementary Information
Last Nine Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Centralina's proportion of the net pension liability (asset) (%)	0.03848%	0.03814%	0.03541%	0.03846%	0.03761%
Centralina's proportion of the net pension liability (asset) (\$)	\$ 590,128	\$ 1,362,905	\$ 967,019	\$ 912,403	\$ 574,577
Centralina's covered-employee payroll	2,864,235	2,810,818	2,748,709	2,846,538	2,652,802
Centralina's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	20.60%	48.49%	35.18%	32.05%	21.66%
Plan fiduciary net position as a percentage of the total pension liability	95.51%	88.61%	90.86%	91.63%	94.18%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Centralina's proportion of the net pension liability (asset) (%)	0.0360%	0.0390%	0.0410%	0.0410%	
Centralina's proportion of the net pension liability (asset) (\$)	\$ 763,616	\$ 175,523	\$ (240,911)	\$ 490,591	
Centralina's covered-employee payroll	2,476,046	2,532,892	2,580,938	2,486,778	
Centralina's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	30.84%	6.93%	-9.33%	19.73%	
Plan fiduciary net position as a percentage of the total pension liability	91.47%	98.09%	102.64%	94.35%	

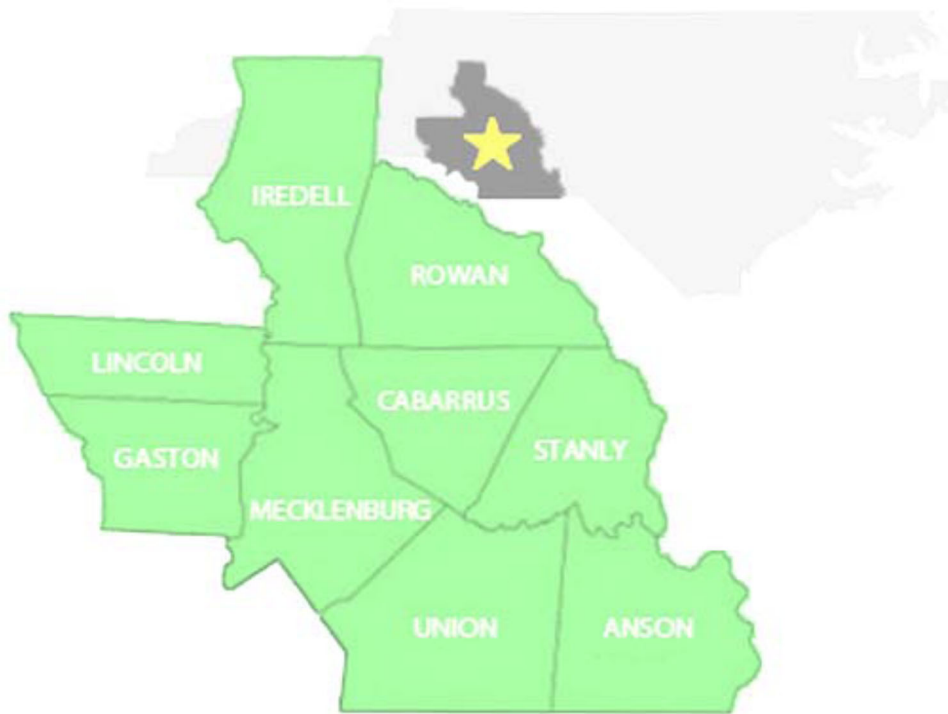
*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30 and will build to a ten year schedule as more information becomes available.

**Centralina Council of Governments
Schedule of Contributions
Local Government Employee's Retirement System
Required Supplementary Information
Last Nine Fiscal Years***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 329,958	\$ 290,720	\$ 251,568	\$ 213,024	\$ 213,490
Contributions in relation to the contractually required contribution	<u>329,958</u>	<u>290,720</u>	<u>251,568</u>	<u>213,024</u>	<u>213,490</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Centralina's covered employee payroll	\$ 2,907,190	\$ 2,864,235	\$ 2,810,818	\$ 2,748,709	\$ 2,846,538
Contributions as a percentage of covered employee payroll	11.35%	10.15%	8.95%	7.75%	7.50%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Contractually required contribution	\$ 192,329	\$ 165,153	\$ 181,071	\$ 182,472	
Contributions in relation to the contractually required contribution	<u>192,329</u>	<u>165,153</u>	<u>181,071</u>	<u>182,472</u>	
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Centralina's covered employee payroll	\$ 2,652,802	\$ 2,476,046	\$ 2,532,892	\$ 2,580,938	
Contributions as a percentage of covered employee payroll	7.25%	6.67%	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, 2022
With Comparative Totals for June 30, 2021**

SCHEDULE 1

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and investments	\$ 2,462,504	\$ 822,707
Receivables	42,528	20,595
Due from other governments	645,947	1,491,817
Prepayments	<u>86,567</u>	<u>62,250</u>
Total assets	<u>\$ 3,237,546</u>	<u>\$ 2,397,369</u>
LIABILITIES		
Liabilities:		
Accounts and grants payable	\$ 363,280	\$ 562,932
Due to special revenue fund	1,223,820	14,000
Due to component unit	21,265	70,860
Accrued Payroll	239,763	230,434
Unearned revenue	<u>91,238</u>	<u>147,819</u>
Total liabilities	<u>1,939,366</u>	<u>1,026,045</u>
Deferred Inflows of Resources:		
Deferred membership dues	-	444
Total deferred inflows of resources	<u>-</u>	<u>444</u>
Fund balances:		
Nonspendable		
Prepayments	86,567	62,250
Restricted:		
Stabilization by State Statute	688,475	1,512,412
Assigned		
Unassigned	<u>523,138</u>	<u>(203,782)</u>
Total fund balances	<u>1,298,180</u>	<u>1,370,880</u>
Total liabilities and fund balances	<u>\$ 3,237,546</u>	<u>\$ 2,397,369</u>

**CENTRALINA REGIONAL COUNCIL
GENERAL FUND**

SCHEDULE 2

INDIRECT COST CENTER - COMPUTATION OF INDIRECT COST ALLOCATION RATE

For the Year Ended June 30, 2022

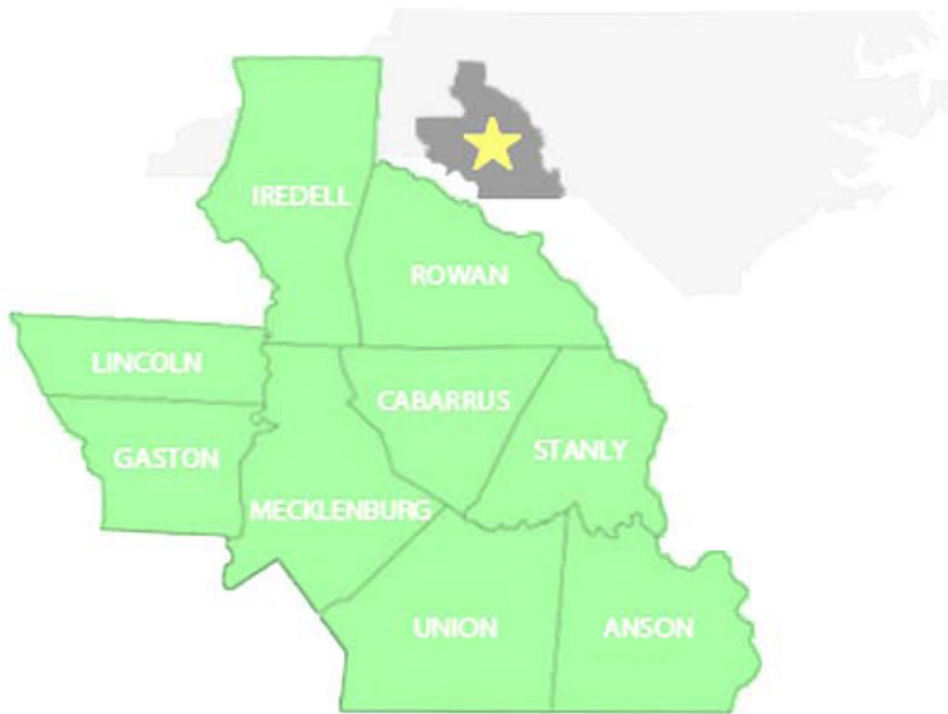
PERSONNEL EXPENDITURES	
Salaries	\$ 533,750
Fringe benefits	293,053
	<u>826,803</u>
OPERATING EXPENDITURES	
Contract Audit Fees	53,500
Contractual - Services	202,201
Legal Services	-
Training/Confirences/Travel	7,324
Meeting Related Expenditures	-
Mileage Reimb/Gas/Maint.	15,433
Auto and phone allowance	-
Materials & Supplies	22,909
Printing & Communications	-
Rent and office cleaning	292,186
Office equipment Lease	45,146
Insurance - liability/bonding/Auto	11,579
IT Computers/Accessories/Repairs	29,391
Maint & Repair - Equipment	4,079
Phone - Base Rate	30,666
Software/Website licensing & support	50,088
Postage	3,917
Dues & Subscriptions	27,681
	<u>796,100</u>
Total indirect costs - unadjusted	1,622,903
Adjustment for depreciation and amortization expense	88,053
	<u>1,710,956</u>
Total indirect costs - adjusted for depreciation expense	<u>\$ 1,710,956</u>
Total personnel expenditures	\$ 4,001,776
Less personnel expenditures in indirect cost pool	<u>826,803</u>
Total personnel expenditures earning indirect costs	<u>\$ 3,174,973</u>

**CENTRALINA REGIONAL COUNCIL
GENERAL FUND
INDIRECT COST CENTER - COMPUTATION OF INDIRECT COST ALLOCATION RATE**

**SCHEDULE 2
(Continued)**

For the Year Ended June 30, 2022

	<u>Adjusted</u>
ALLOCATION RATE COMPUTATION	
Direct Salaries and Fringes Base	<u>\$ 3,174,973</u>
Indirect Cost Rate	50.58%
Recoverable Indirect Costs	<u>\$1,605,901</u>
Indirect Actual Expense Cost	1,710,956
FY 2020 Carryforward to FY 2022	<u>(169,348)</u>
Adjusted Indirect Actual Expense Cost	1,541,608
Less: Recoverable Indirect Costs	(1,605,901)
Recoverable indirect cost (over)/under indirect cost pool	<u>\$ (64,293)</u>



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Special Revenue Fund

**CENTRALINA REGIONAL COUNCIL
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2022
With Comparative Totals for June 30, 2021**

SCHEDULE 3

	<u>2022</u>	<u>2021</u>
ASSETS		
Due from other governments	\$ 1,674,857	\$ 2,978,362
Due from general fund	<u>1,223,820</u>	<u>14,000</u>
Total assets	<u>\$ 2,898,677</u>	<u>\$ 2,992,362</u>
LIABILITIES		
Accounts and grants payable	<u>\$ 2,898,677</u>	<u>\$ 2,992,362</u>
Total liabilities	<u>\$ 2,898,677</u>	<u>\$ 2,992,362</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, 2022

REVENUES	Grant Award	Actual		Total to Date
		Prior Years	Current Year	
WIA / WIOA GRANTS				
WIOA 19-4050 Finish Line Grant 2019	86,528	61,485	25,043	86,528
WIOA 19-4050 NCWorks Innovation Fund	200,000	7,576	115,281	122,857
WIOA 20-4010 Administrative Cost Pool- 10% 2020	351,936	5,305	47,650	52,955
WIOA 20-4020 Adult Services 2020	1,514,591	1,268,027	-	1,268,027
WIOA 20-4030 Dislocated Worker 2020	564,274	497,145	-	497,145
WIOA 20-4040 Youth Services 2020	1,088,571	818,936	-	818,936
WIOA 20-4050 Youth Initiative Fund 2020	87,862	-	20,882	20,882
WIOA 20-4050 Employer Services Fund 2020	25,000	-	-	-
WIOA 20-3130 Dislocated Worker COVID-19 Funds	378,389	128,067	35,685	163,752
WIOA 21-4010 Administrative Cost Pool- 10% 2021	373,243	-	31,960	31,960
WIOA 21-4020 Adult Services 2021	1,429,615	-	1,235,962	1,235,962
WIOA 21-4030 Dislocated Worker 2021	757,269	-	595,193	595,193
WIOA 21-4040 Youth Services 2021	1,172,304	-	897,745	897,745
WIOA 21-4050 Infrastructure Costs 2021	96,108	-	96,108	96,108
WIOA 21-4050 Finish Line Grant 2021	126,821	-	17,950	17,950
Total revenues	<u>8,252,512</u>	<u>2,786,541</u>	<u>3,119,459</u>	<u>5,906,000</u>
EXPENDITURES				
WIA / WIOA GRANTS				
WIOA 19-4050 Finish Line Grant 2019	86,528	61,485	25,043	86,528
WIOA 19-4050 NCWorks Innovation Fund	200,000	7,576	115,281	122,857
WIOA 20-4010 Administrative Cost Pool- 10% 2020	351,936	5,305	47,650	52,955
WIOA 20-4020 Adult Services 2020	1,514,591	1,268,027	-	1,268,027
WIOA 20-4030 Dislocated Worker 2020	564,274	497,145	-	497,145
WIOA 20-4040 Youth Services 2020	1,088,571	818,936	-	818,936
WIOA 20-4050 Youth Initiative Fund 2020	87,862	-	20,882	20,882
WIOA 20-4050 Employer Services Fund 2020	25,000	-	-	-
WIOA 20-3130 Dislocated Worker COVID-19 Funds	378,389	128,067	35,685	163,752
WIOA 21-4010 Administrative Cost Pool- 10% 2021	373,243	-	31,960	31,960
WIOA 21-4020 Adult Services 2021	1,429,615	-	1,235,962	1,235,962
WIOA 21-4030 Dislocated Worker 2021	757,269	-	595,193	595,193
WIOA 21-4040 Youth Services 2021	1,172,304	-	897,745	897,745
WIOA 21-4050 Infrastructure Costs 2021	96,108	-	96,108	96,108
WIOA 21-4050 Finish Line Grant 2021	126,821	-	17,950	17,950
Total expenditures	<u>8,252,512</u>	<u>2,786,541</u>	<u>3,119,459</u>	<u>5,906,000</u>
Revenues over expenditures	-	-	-	-
FUND BALANCES - JULY 1	-	-	-	-
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Compliance Section

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

To the Board of Delegates
Centralina 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, 2022, and the related notes to the financial statements, which collectively comprise Centralina’s basic financial statements and have issued our report thereon dated October 31, 2022.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 statements. 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.

Cherry Bekaert LLP

Charlotte, North Carolina
October 31, 2022

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

Opinion on Each Major Federal Program

We have audited Centralina Regional Council's ("Centralina"), compliance with the types of compliance requirements identified as subject to audit 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, 2022. Centralina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and *Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance and State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Centralina and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Centralina's compliance with the compliance requirements referred to above

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Centralina's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Centralina's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Centralina's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Centralina's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Centralina's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Centralina's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as define above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Cherry Bekaert LLP

Charlotte, North Carolina
October 31, 2022

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

Opinion on Each Major State Program

We have audited Centralina Regional Council's ("Centralina"), compliance with the types of compliance requirements identified as subject to audit 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, 2022. Centralina's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance and State Single Audit Implementation Act are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Centralina and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of Centralina's compliance with the compliance requirements referred to above

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Centralina's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Centralina's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Centralina's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Centralina's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Centralina's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Centralina's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as define above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Cherry Bekaert LLP

Charlotte, North Carolina
October 31, 2022

CENTRALINA REGIONAL COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section I—Summary of Auditor’s Results

Financial Statements

Type of Auditor’s Report Issued on whether the financial statements were prepared in accordance with GAAP: 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:

Federal Assistance Listing Number

Program Name

Aging Cluster:

93.044	Special Programs for the Aging - Title III B
93.045	Special Programs for the Aging - Title III C
93.053	Nutrition Services Incentive Program
93.052	National Family Caregiver
11.307	Economic Adjustment Assistance

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, 2022

No findings were reported for the year ended June 30, 2021.

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2022

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ 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	\$ 42,678	\$ -	\$ -
Strategic Planning Grant	11.302	ED22ATL3020032	30,859	-	-
Diaster Relief Coordinator	11.307	04-79-07426	145,447	-	-
EDA Cares	11.307	ED20ATL3070094	249,124	-	-
Total U.S. Department of Commerce			<u>468,108</u>	-	-
U.S. DEPARTMENT OF LABOR					
Employment and Training Administration					
Passed through Senior Service America, Inc.					
Senior Community Service Employment Program	17.235	331	420,909	-	-
Total Senior Service America, Inc.			<u>420,909</u>	-	-
Passed through North Carolina Department of Commerce					
Division of Employment and Training					
Workforce Innnovation and Opportunity Act Cluster					
WIOA - Adult Programs	17.258,17.278	AA-34786-20-55-A-37	196,487	-	-
WIOA - Adult Programs	17.258,17.278	AA-36337-21-55-A-37	1,235,962	-	1,235,962
WIOA - Youth Activities	17.259	AA-34786-20-55-A-37	213,709	-	-
WIOA - Youth Activities	17.259	AA-36337-21-55-A-37	897,745	-	897,745
WIOA - Dislocated Workers	17.258,17.278	AA-34786-20-55-A-37	48,922	-	-
WIOA - Dislocated Workers	17.258,17.278	AA-36337-21-55-A-37	595,193	-	595,193
WIOA - Dislocated Workers Rapid Response	17.277	AA-34695-20-60-A-37	45,685	-	35,685
WIOA - Finish Line Grant	17.278	AA-32241-19-55-A-37	25,043	-	25,043
WIOA - Finish Line Grant	17.258,17.278	AA-36337-21-55-A-37	17,950	-	17,950
WIOA - Business Services	17.278	AA-34786-20-55-A-37	25,000	-	-
WIOA - NCWorks Innovation Fund	17.259,17.278	AA-33241-19-55-A-37	115,332	-	115,281
WIOA - Youth Initiative	17.278	AA-34786-20-55-A-37	25,296	-	20,882
WIOA - Administrative Cost Pool/Incentives/Capital and Special Grants	17.258,17.278	AA-34786-20-55-A-37	189,610	-	47,650
	17.258,17.278	AA-36337-21-55-A-37	218,645	-	31,960
Total U.S. Department of Labor			<u>4,271,488</u>	-	<u>3,023,351</u>
U.S. DEPARTMENT OF ENERGY					
Clean Cities Outreach, Education, and Performance Tracking	81.086	DE-EE0009572	79,676	-	-
Solutions for Curbside-Charging Electric Vehicles for Planned Urban Growth	81.086	DE-EE0008472	36,243	-	-
Developing Replicable, Innovative Variants for Engagement (DRIVE)	81.086	DE-EE0009228	14,775	-	-
Total U.S. Department of Energy			<u>130,694</u>	-	-

CENTRALINA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2022

SCHEDULE X
(CONTINUED)

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/Pass-Through Grantor Number	Federal (Pass-Through) Expenditures	State Expenditures	Pass-through to subrecipients
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	\$ 21,767	\$ 1,280	\$ -
Special Programs for the Aging, Title VII, Chapter 2					
Programs for Long-term Ombudsman Services for Older Individuals	93.042	NC-06	99,935	5,879	-
CARES Act Grant - Ombudsman	93.042	NC-06	32,999	-	-
Total Ombudsman			132,934	5,879	-
Social Service Block Grant					
In Home/Support SVC	93.667	NC-06	459,073	13,116	472,189
Special Programs for the Aging, Title III F					
Disease Prevention and Health Promotion Services	93.043	NC-06	131,981	7,764	29,385
Aging Cluster					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers					
Legal Services	93.044	NC-06	114,374	6,728	121,102
Ombudsman	93.044	NC-06	368,988	21,705	-
Access	93.044	NC-06	957,551	56,327	1,013,878
In Home Services	93.044	NC-06	2,590,744	151,824	2,551,061
CARES Act Grant Supportive Services - Title III B	93.044	NC-06	857,935	-	836,844
Expanding Access to COVID-19 Vaccines	93.044	NC-06	178,203	-	-
Special Programs for the Aging - Title III C					
Nutrition Services-Planning and Administration					
Congregate Nutrition	93.045	NC-06	444,073	25,118	206,033
Home Delivered Meals	93.045	NC-06	644,523	37,913	682,436
CARES Act Grant					
Congregate Nutrition - Title III C1	93.045	NC-06	180,761	-	-
Home Delivered Meals - Title III C2	93.045	NC-06	420,058	-	420,058
Families First Coronavirus Response Act Grant					
Home Delivered Meals	93.045	NC-06	78,983	-	78,983
Consolidated Appropriations Act, 2021 Supplemental Nutrition					
Home Delivered Meals - Title III C2	93.045	NC-06	754,924	12,727	716,743
Nutrition Services Incentive Program	93.053	NC-06	597,301	-	597,301
Total Aging Cluster			8,188,418	312,342	7,224,439
Special Programs for the Aging - Title III E					
National Family Caregiver Support Program	93.052	NC-06	857,041	56,022	486,415
CARES Act Grant Family Caregiver Support Program	93.052	NC-06	172,983	-	78,454
Total Family Caregiver Support Program			1,030,024	56,022	564,869
MIPPA					
MIPPA	93.071	2001NCMIAA-00/2001NCMIDR-00	50,395	-	-
MIPPA	93.071	2101NCMIAA-00/2101NCMIDR-00	67,692	-	-
			118,087	-	-
Senior Medicare Patrol	93.048	90MPPG00430-04-00	5,000	-	-
Communities RISE	93.011	1 U3SHS42187-01	58,500	-	-
Local Contact Agency	n/a	30-2019-009 DHB	1,540	-	-
At Home Vaccine Grant	n/a	30-2019-009 DHB	56,103	-	-
Total U.S. Department of Health and Human Services			10,203,427	396,403	8,290,882

CENTRALINA COUNCIL OF GOVERNMENTS
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 For the Year Ended June 30, 2022

SCHEDULE X
 (CONTINUED)

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	State/ Pass-Through Grantor Number	Federal (Pass-Through) Expenditures	State Expenditures	Pass-through to subrecipients
FEDERAL AWARDS (Continued)					
CASH PROGRAMS (Continued)					
U.S. DEPARTMENT OF TRANSPORTATION					
Passed through North Carolina Department of Transportation					
Charlotte UZA Grant	20.513	2020001137	\$ 16,891	\$ -	\$ -
Charlotte UZA Grant	20.513	2021000608	59,658	-	-
Passed through North Carolina State University					
Clean Fuels Advanced Technology 2014-2018	20.205	2021-2492-03	36,000	-	-
Total U.S. Department of Transportation			<u>112,549</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF THE TREASURY					
Passed through North Carolina Department of Environmental Quality					
American Rescue Plan Act - Housing Improvements	21.027		2,715	-	-
Total U.S. Department of Transportation			<u>2,715</u>	<u>-</u>	<u>-</u>
Total Federal Awards			<u>15,188,981</u>	<u>396,403</u>	<u>11,314,233</u>
STATE GRANTS					
CASH AWARDS					
N. C. Department of Health and Human Services					
Division of Aging					
90% State Funds - Ombudsman		NC-06	-	65,475	-
90% State Funds - Access		NC-06	-	170,749	170,749
90% State Funds - In Home Services		NC-06	-	3,092,597	3,092,597
90% State Funds - Home Delivered Meals		NC-06	-	2,490,227	2,490,227
90% State Funds - Congregate Nutrition		NC-06	-	22,493	22,493
AAA Plan & Administration		NC-06	-	48,261	-
Fans Programs		NC-06	-	14,363	14,363
Senior Center General Purpose		NC-06	-	114,550	114,550
Total N.C. Department of Health and Human Services			<u>-</u>	<u>6,018,715</u>	<u>5,904,979</u>
Total state awards			<u>-</u>	<u>6,018,715</u>	<u>5,904,979</u>
Total federal and state awards			<u>\$ 15,188,981</u>	<u>\$ 6,415,118</u>	<u>\$ 17,219,212</u>

CENTRALINA REGIONAL COUNCIL**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

Year Ended June 30, 2022

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, 2022. 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 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.