

CENTRALINA REGIONAL COUNCIL

FINANCIAL STATEMENTS AND COMPLIANCE REPORTS

As of and for the Year Ended June 30, 2021

And Reports of Independent Auditor

CENTRALINA REGIONAL COUNCIL

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JUNE 30, 2021

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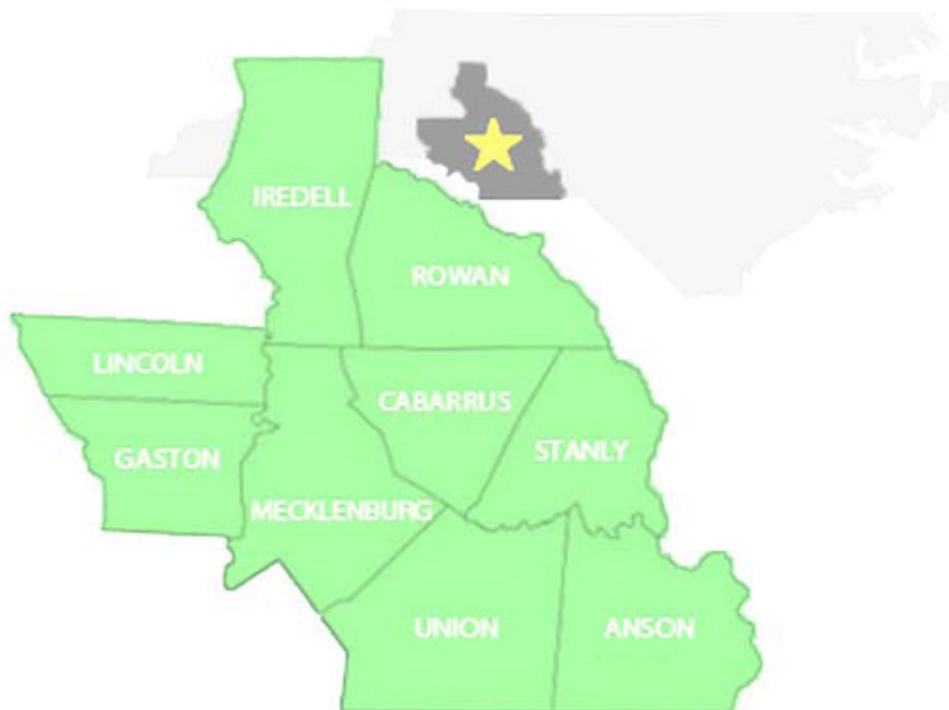
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Financial Section



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Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of the Centralina Regional Council (“Centralina”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively, comprise Centralina’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of Centralina as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General and Special Revenue Funds for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021, 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.

Cheryl Behant LLP

Charlotte, North Carolina
October 28, 2021

CENTRALINA REGIONAL COUNCIL MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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, 2021. This information should be read in conjunction with the audited financial statements included in this report.

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

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

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

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

The following summary of activities for the year ended June 30, 2021 is organized by these levels of impact; the organization's annual report includes additional details about case study projects, maps, and photos to further illustrate the impact of Centralina's work over the fiscal year.

The global coronavirus ("COVID-19") pandemic continued to deliver significant health and economic repercussions across our region, leaving no aspect of society untouched. Like all of our local governments across the region, we began the fiscal year by continuing to adapt our operations and service delivery in response to the COVID-19 global pandemic. While our offices remained largely closed, we continued to serve our local governments and our constituents by being agile in how we fulfilled our mission in a virtual environment.

CENTRALINA REGIONAL COUNCIL MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

Key FY21 Accomplishments

- Completed 94% or 138 of the planned 147 activities in our FY21 workplan.
- Launched our new brand, website and changed our name to Centralina Regional Council in August 2020.
 - Experienced a 3,000% increase in website traffic and a 300% increase in newsletter sign-ups after the rebrand.
- Reimagined member engagement to develop new opportunities for collaboration, sharing of best practices and the creation timely education content.
 - Responded to over 100 online information requests and completed over 250 outreach activities
 - Develop new content for the online Member Portal and create a new member liaison program.
- Moved Workforce Development services online held 11 virtual hiring events, 15 community webinars, and 7 donation drives.
- Transformed our aging services by expanding our scope to do more innovative things, including combating social isolation, with more flexible sources of funding from the federal government.
 - Served 6,8000 fresh food boxes, launched online learning platforms for seniors and caregivers and developed virtual learning content for existing programs.
- Completed the CONNECT Beyond Regional Mobility Plan, an 18-month, multi-agency efforts to create a vision for regional mobility.
- Led nationally recognized programs in Aging, Workforce Development and Planning and received NADO Innovation Awards for the CONNECT Beyond Regional Mobility Initiative and the Pride in Care Initiative lead by Centralina Area Agency on Aging.

In addition to these big accomplishments, we continued to deliver services, support our member governments and lead regional collaboration through the day to day work of the organization. Here are some highlights of our accomplishments by our levels of impact.

Leading the Region Highlights

- Managed over 25 boards, advisory committees and working groups that convene stakeholders to think and act regionally.
- Launched the Regional Resilience Collaborative to assist jurisdictions by increasing their capacity via coordinated regional resources to enhance local economic resiliency and disaster response systems.
- Completed the CONNECT Beyond Regional Mobility Plan.
- Implemented the annual Federal Action Plan to lead intergovernmental coordination and advocacy.
- Served as the regional liaison with the U.S. EDA and supported EDA grant applications that strengthen economic development, public Infrastructure, and disaster recovery via the Centralina Economic Development District.
- Reviewed the implementation of the CONNECT our Future Regional Growth strategy through a series of in-depth articles and data analysis.

Championing our Communities Highlights

- Managed 29 local government service and technical assistance contracts in meeting facilitation, HR services, planning services, code enforcement, and other areas.
- Create an online learning page within the Centralina Member Portal to
- Connected regional managers with state decision makers and other experts to discuss American Rescue Plan Act, COVID-19 response and recovery, and other pressing topics.
- Administered housing and community development grant programs for Mecklenburg, Union, Stanly, and Lincoln counties.

CENTRALINA REGIONAL COUNCIL MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

Caring for Constituents Highlights

- Held 10 webinars for caregivers, older adults, and professional staff reaching over 1,000 individuals.
- Held 44 virtual health and wellness workshops with over 300 participants.
- Provided 300 animatronic pets to older adults in the community to combat social isolation during the pandemic.
- Registered 91% more job seekers in NCWorks (10,795 registrants total).
- Offered 11% more job seekers workforce services (34,832 job seekers total).
- Engaged 25.78% more employers through NCWorks (2,145 employers total), and provided employers distinct services including talent recruitment and screening, employee upskilling, labor market and wage information, talent pipeline development, and for companies impacted by downsizing, on-site outplacement services.
- Completed 57,985 job referrals matching job seekers with employer needs, increasing the number of hired NCWorks referrals.

Centralina Operations and Services Highlights

Centralina invested significant resources and time into additional enhancements to our internal systems and operations during the year. Centralina completed an update to its Personnel Policies & Procedures manual, instituted a new Alternative Work Arrangements policy to support work from home options and completed a yearlong staff dialogue, and engagement series as part of Diversity Equity and Inclusion Initiative. Centralina completed a major IT purchase to upgrade aging computers and transition to laptop computers; this purchase was in line with the IT policies and procedures computer equipment replacement policy. Centralina also inventoried the new equipment, creating an organization wide computer asset inventory. Centralina invested in enhanced employee engagement activities and made minor modifications to the employee performance system based on feedback from the first year of us. These operational activities also facilitated the communications and marketing of Centralina services to the region. Lastly, the organization spent significant time this past fiscal year engaged in an office space analysis and location study to determine if Centralina would remain at its current location or move to a new location at the end of its lease term in March 2022.

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.

CENTRALINA REGIONAL COUNCIL MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021

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

Government-Wide Statements

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

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

The government-wide statements are divided into two categories:

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

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

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, 2021

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

Government-Wide Financial Analysis

**Table 1
Condensed Statement of Net Position for Governmental Activities
As of June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 5,375,731	\$ 2,508,414
Capital assets	159,308	214,621
Total Assets	<u>5,535,039</u>	<u>2,723,035</u>
Deferred outflows of resources	<u>856,037</u>	<u>639,703</u>
Current Liabilities	4,320,736	1,967,780
Noncurrent Liabilities	1,940,345	1,506,428
Total Liabilities	<u>6,261,081</u>	<u>3,474,208</u>
Unearned Revenue	444	1,958
Pension deferrals	4,063	6,198
OPE deferrals	92,535	106,962
Total deferred inflows of resources	<u>97,042</u>	<u>115,118</u>
Net Investment in capital assets	66,360	123,689
Restricted	1,512,412	861,720
Unrestricted net position	<u>(1,545,819)</u>	<u>(1,211,997)</u>
Total net position	<u>\$ 32,953</u>	<u>\$ (226,588)</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 \$32,953 as of June 30, 2021. Centralina's net position increased \$259,541 for the fiscal year ended June 30, 2021. The net position increase year over year is due to excess revenues over actual expenses with increases in CARES Act grants and technical assistance contracts.

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

June 30, 2021

**Table 2
Centralina Changes in Net Position for Governmental Activities
For the Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Revenue		
Restricted intergovernmental revenues	\$ 18,351,198	\$ 14,703,574
Technical assistance contracts	2,341,384	1,270,769
Contracts and fees	-	36,237
Other program revenue	703,852	815,455
Interest and other earnings	60,137	4,014
Member dues and contributions	897,901	870,095
Total revenues	<u>22,354,472</u>	<u>17,700,144</u>
Expenses		
General government	303,019	415,911
Transportation	1,818,422	944,439
Environmental protection	103,129	157,633
Economic and physical development	1,551,107	1,387,943
Human services	17,367,960	13,768,718
Workforce development	951,294	981,691
Total expenses	<u>22,094,931</u>	<u>17,656,335</u>
Increase in net position	259,541	43,809
Beginning net position	(226,588)	(270,397)
Ending net position	<u>\$ 32,953</u>	<u>\$ (226,588)</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.

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 (\$203,782), while total fund balance amounted to \$1,370,880. 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 2021 represents 17.88% of total General Fund expenditures which is an increase over fiscal year ending 2020 which was 14.56%.

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

June 30, 2021

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, 2021 totals \$159,308 (net of accumulated depreciation). These assets include the financial software system, vehicles, furniture, fixtures, and equipment and leasehold improvements.

Next Year’s Visions and Strategic Plan

Next fiscal year, FY2021-FY2022, will be the final year of the three-year strategic roadmap approved in 2019; the organization will continue to focus on the seven strategic goals established for this period (see below). The Board-approved workplan outlines specific actions related to each goal that will be pursued by each Centralina department. To ensure alignment of strategy and resources, department workplans, and budgets support the organizational workplan and budget. Progress on the workplan is reported quarterly, while success stories are document and shared throughout the year.

However, given that it is the final year of the current plan, Centralina will also be undertaking a new round of strategic planning for the FY2023-FY2026 time period. Concurrent with this activity will be the organization’s update to the 5-year Comprehensive Economic Development Strategy (CEDS). Both documents will share a set of regional goals and point to specific implementation activities for regional partner (CEDS) and the Centralina Regional Council (Strategic Plan). These complementary efforts will be a blueprint for additional organization development and focus for the coming years.

<p>Three-Year Strategic Goals</p> <p>Growth: Manage cross-jurisdictional collaboration for coordinated regional growth</p> <p>Mobility: Expand regional mobility choices and connections</p> <p>Health: Improve the health and resilience of individuals, communities and our region</p> <p>Economic Development: Facilitate business and infrastructure investments in our local communities and regional economy</p> <p>Talent: Provide talent Tactics and solutions for a qualified and competitive workforce</p> <p>Innovation: Support and champion our local governments</p> <p>Operations: Enhance Centralina operations, infrastructure, and partnerships</p>
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Key Initiatives for FY2021-2022

- Update to the Centralina Regional Council three-year strategic plan through stakeholder and Board engagement.
- 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.
- Implementing of CONNECT Beyond, regional mobility initiative.
- Updating the region’s Comprehensive Economic Development strategy.
- 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.
- Completing a Pay and Classification Study to update job classification, assess market competitiveness of salaries, review benefit, and create pathways for growth within the organization.

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

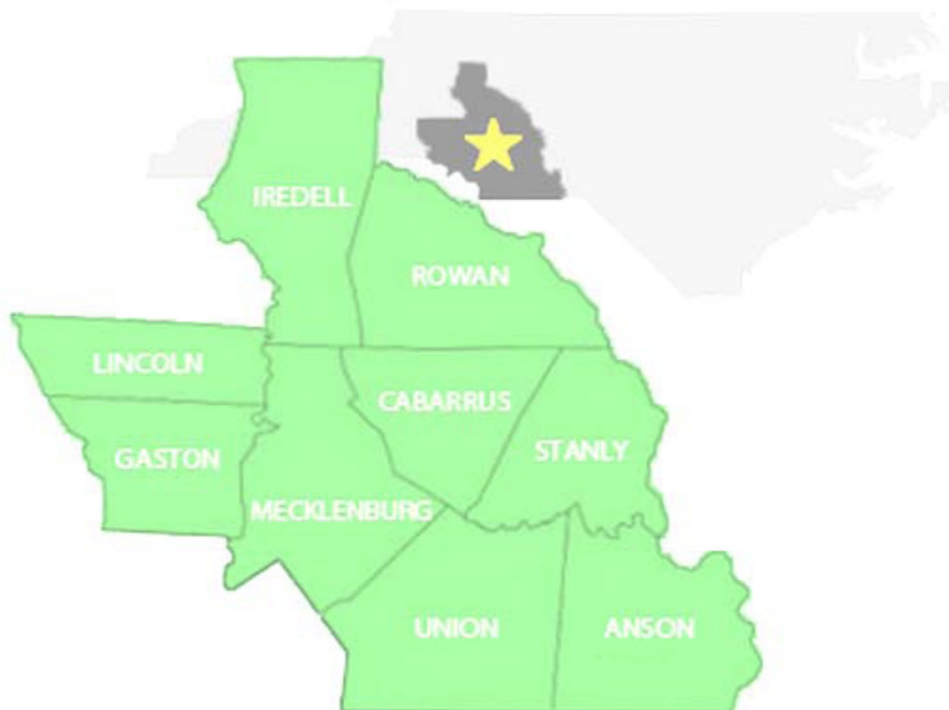
June 30, 2021

Request for Information

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

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

Basic Financial Statements



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Government-Wide Financial Statements

**CENTRALINA REGIONAL COUNCIL
STATEMENT OF NET POSITION
June 30, 2021**

	Primary Government	Component Unit
	Governmental Activities	Workforce Development Consortium
ASSETS		
Current assets:		
Cash and investments	\$ 822,707	\$ -
Receivables	20,595	-
Due from primary government	-	70,860
Due from other governments	4,470,179	287,068
Prepayments	62,250	-
Total current assets	<u>5,375,731</u>	<u>357,928</u>
Noncurrent assets:		
Capital assets:		
Equipment, net of depreciation	<u>159,308</u>	<u>-</u>
Total assets	<u>5,535,039</u>	<u>357,928</u>
DEFERRED OUTFLOWS OF RESOURCES		
Contributions to pension plan in current fiscal year	290,720	-
Contributions to OPEB plan in current fiscal year	202	-
Pension deferrals	529,920	-
OPEB deferrals	<u>35,195</u>	<u>-</u>
Total deferred outflows of resources	<u>856,037</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	\$ 3,555,294	\$ 357,928
Due to component unit	70,860	-
Accrued Payroll	230,434	-
Unearned revenue	147,819	-
Current portion of long-term obligations	316,329	-
Total current liabilities	4,320,736	357,928
Noncurrent liabilities:		
Net pension liability	1,362,905	-
Total OPEB liability	334,215	-
Noncurrent portion of long-term obligations	243,225	-
	1,940,345	-
Total liabilities	6,261,081	357,928
DEFERRED INFLOWS OF RESOURCES		
Deferred membership dues	444	-
Pension deferrals	4,063	-
OPEB deferrals	92,535	-
Total deferred inflows of resources	97,042	-
NET POSITION		
Net investment in capital assets	66,360	-
Restricted:		
Stabilization by State Statute	1,512,412	-
Unrestricted	(1,545,819)	-
Total net position	\$ 32,953	\$ -

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, 2021**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>
PRIMARY GOVERNMENT		
Governmental activities:		
General government	\$ 2,144,492	\$ (1,841,473)
Transportation	1,645,746	172,676
Environmental protection	64,479	38,650
Economic and physical development	1,076,560	474,547
Human services	16,523,001	844,959
Workforce development	640,653	310,641
	<u>\$ 22,094,931</u>	<u>\$ -</u>
COMPONENT UNIT		
Workforce Development Consortium	\$ 3,922,308	\$ -
	<u>\$ 3,922,308</u>	<u>\$ -</u>

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

EXHIBIT B

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Primary Government	Component Unit
Charges for Services	Operating Grants and Contributions	Governmental Activities	Workforce Development Consortium
\$ 56,780	\$ -	\$ (246,239)	\$ -
1,652,537	101,939	(63,946)	-
32,908	58,775	(11,446)	-
919,687	342,897	(288,523)	-
443,223	16,896,308	(28,429)	-
15	951,279	-	-
<u>\$ 3,105,150</u>	<u>\$ 18,351,198</u>	<u>(638,583)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 3,922,308</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 3,922,308</u>	<u>-</u>	<u>-</u>
General revenues			
Member dues and contributions		897,901	-
Unrestricted investment earnings		223	-
Total general revenues		898,124	-
Change in net position		259,541	-
Net position - beginning		(226,588)	-
Net position - ending		<u>\$ 32,953</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, 2021**

EXHIBIT C

	Major Funds		Total Governmental Funds
	General	Special Revenue Fund	
ASSETS			
Cash and investments	\$ 822,707	\$ -	\$ 822,707
Receivables	20,595	-	20,595
Due from other governments	1,491,817	2,978,362	4,470,179
Due from general fund	-	14,000	14,000
Prepayments	62,250	-	62,250
Total assets	\$ 2,397,369	\$ 2,992,362	\$ 5,389,731
LIABILITIES			
Accounts and grants payable	\$ 562,932	\$ 2,992,362	\$ 3,555,294
Due to special revenue fund	14,000	-	14,000
Due to component unit	70,860	-	70,860
Accrued Payroll	230,434	-	230,434
Unearned revenue	147,819	-	147,819
Total liabilities	1,026,045	2,992,362	4,018,407
DEFERRED INFLOWS OF RESOURCES			
Deferred membership dues	444	-	444
Total deferred inflows of resources	444	-	444
FUND BALANCES			
Nonspendable:			
Prepayments	62,250	-	62,250
Restricted:			
Stabilization by State Statute	1,512,412	-	1,512,412
Unassigned	(203,782)	-	(203,782)
Total fund balances	1,370,880	-	1,370,880
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,397,369	\$ 2,992,362	\$ 5,389,731

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, 2021**

EXHIBIT D

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

Ending fund balance - governmental funds	\$ 1,370,880
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	159,308
Contributions to pension plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	290,720
Contributions to OPEB plans in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	202
Pension related deferrals	525,857
OPEB related deferrals	(57,340)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Net pension liability	(1,362,905)
Total OPEB liability	(334,215)
Obligations under capital lease	(92,948)
Accrued vacation and sick leave	(394,164)
Other long-term liability	<u>(72,442)</u>
Net position of governmental activities	<u><u>\$ 32,953</u></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, 2021**

EXHIBIT E

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue Fund</u>	
REVENUES			
Restricted intergovernmental revenues	\$ 4,128,901	\$ 14,222,297	\$ 18,351,198
Technical assistance contracts	2,341,384	-	2,341,384
Other program revenue	703,852	-	703,852
Interest and other	60,137	-	60,137
Member dues and contributions	897,901	-	897,901
Total revenues	<u>8,132,175</u>	<u>14,222,297</u>	<u>22,354,472</u>
EXPENDITURES			
General government	95,386	-	95,386
Transportation	1,818,422	-	1,818,422
Environmental protection	103,129	-	103,129
Economic and physical development	1,551,107	-	1,551,107
Human services	3,145,663	14,222,297	17,367,960
Workforce development	951,294	-	951,294
Total expenditures	<u>7,665,001</u>	<u>14,222,297</u>	<u>21,887,298</u>
Revenues over expenditures and net change in fund balance	467,174	-	467,174
FUND BALANCES - JULY 1	<u>903,706</u>	<u>-</u>	<u>903,706</u>
FUND BALANCES - JUNE 30	<u>\$ 1,370,880</u>	<u>\$ -</u>	<u>\$ 1,370,880</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, 2021**

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

Net change in fund balances - total governmental funds	\$ 467,174
Governmental funds report capital outlays as expenditures, however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays and disposals in the current period.	(55,313)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	290,720
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.	(494,952)
OPEB benefit payments made in current fiscal year are not included on the Statement of Activities	202
OPEB expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(14,641)
The incurrence of long-term obligations provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This is the amount by which long-term obligations incurred exceed total principal payments made under long-term obligations.	30,741
Recording of the net adjustment to the obligation for compensated absences	30,610
Payment on accrued litigation	<u>5,000</u>
Change in net position of governmental activities	<u><u>\$ 259,541</u></u>

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

CENTRALINA REGIONAL COUNCIL

EXHIBIT G

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

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Restricted intergovernmental revenues	\$ 4,350,000	\$ 4,853,820	\$ 4,128,901	\$ (724,919)
Technical assistance contracts	624,000	2,379,532	2,341,384	(38,148)
Other program revenue	1,080,000	903,440	703,852	(199,588)
Fund Balance Appropriated and Transferred	-	-	-	-
Interest and other	10,000	63,544	60,137	(3,407)
Member dues and contributions	870,000	898,000	897,901	(99)
Total revenues	<u>6,934,000</u>	<u>9,098,336</u>	<u>8,132,175</u>	<u>(966,161)</u>
EXPENDITURES				
Current				
General government				
Member services, Board and committees	181,318	462,117	388,478	73,639
Management and business operations	1,762,682	1,849,303	1,462,239	387,064
Information technology and data service	110,000	235,650	179,739	55,911
Indirect costs representation	(1,800,000)	(2,082,891)	(1,935,070)	(147,821)
Total general government	<u>254,000</u>	<u>464,179</u>	<u>95,386</u>	<u>368,793</u>
Transportation				
Planning assistance and administration	1,434,313	1,893,411	1,818,422	74,989
Total transportation	<u>1,434,313</u>	<u>1,893,411</u>	<u>1,818,422</u>	<u>74,989</u>
Environmental protection				
Planning assistance and administration	137,125	181,016	103,129	77,887
Total environmental protection	<u>137,125</u>	<u>181,016</u>	<u>103,129</u>	<u>77,887</u>
Economic and physical development				
Planning assistance and administration	428,563	565,738	472,902	92,836
Economic program initiative	930,000	1,162,588	1,078,205	84,383
Total economic and physical development	<u>1,358,563</u>	<u>1,728,326</u>	<u>1,551,107</u>	<u>177,219</u>
Human services				
Area agency on aging	2,500,000	3,735,054	3,145,663	589,391
Workforce development				
Total expenditures	<u>6,934,000</u>	<u>9,098,336</u>	<u>7,665,001</u>	<u>1,433,335</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	467,174	<u>\$ 467,174</u>
FUND BALANCES - JULY 1			<u>903,706</u>	
FUND BALANCES - JUNE 30			<u>\$ 1,370,880</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 –
ANNUAL BUDGET AND ACTUAL – SPECIAL REVENUE FUND
For the Year Ended June 30, 2021

EXHIBIT H

	<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	\$ 10,000,000	\$ 10,103,219	\$ 9,823,948	\$ (279,271)
USDA/NSIP Supplement	650,000	650,000	539,843	(110,157)
Title III-B legal	85,000	188,497	101,524	(86,973)
Family Caregiver	520,000	555,020	534,171	(20,849)
Disease Prevention/Health Promotion	40,000	20,800	19,282	(1,518)
State Senior Center General Purpose	120,000	119,835	115,611	(4,224)
Heat Fan Relief	15,000	14,375	14,374	(1)
Families First	-	1,309,393	1,097,884	(211,509)
CARES HCC Block Grant	-	3,246,129	1,975,660	(1,270,469)
Total Aging Revenue	<u>11,430,000</u>	<u>16,207,268</u>	<u>14,222,297</u>	<u>(1,984,971)</u>
EXPENDITURES				
Grant-related expenditures				
Aging pass-through funds				
HCC Block Grant	10,000,000	10,103,219	9,823,948	279,271
USDA/NSIP Supplement	650,000	650,000	539,843	110,157
Title III-B legal	85,000	188,497	101,524	86,973
Family Caregiver	520,000	555,020	534,171	20,849
Disease Prevention/Health Promotion	40,000	20,800	19,282	1,518
State Senior Center General Purpose	120,000	119,835	115,611	4,224
Heat Fan Relief	15,000	14,375	14,374	1
Families First	-	1,309,393	1,097,884	211,509
CARES HCC Block Grant	-	3,246,129	1,975,660	1,270,469
Total Aging Expenditures	<u>11,430,000</u>	<u>16,207,268</u>	<u>14,222,297</u>	<u>1,984,971</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCES - JULY 1			-	
FUND BALANCES - JUNE 30			<u>\$ -</u>	

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



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CENTRALINA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting entity

Centralina Regional Council is a public authority which is governed by a Board of Delegates composed of 60 elected officials.

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 REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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.

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, 2021

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. A project ordinance is adopted for 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 under Uniform Grant Guidance. Indirect costs necessary to sustain overall operations are allocated as a percentage of total direct labor costs and employee benefits charged to cost centers.

Use of estimates

The preparation of financial statements in conformity with 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

CENTRALINA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Allowances for doubtful accounts

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

Prepayments

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

Capital assets

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

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

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

Long-term obligations

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

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

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. []

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, 2021

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

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Centralina has two items that meet the criterion for this category, contributions made to the pension and OPEB plan in the 2021 fiscal year. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. Centralina has three items that meet the criterion for this category, deferred membership dues which represent revenue that will be available for use during the next fiscal year and deferred pension and OPEB expense.

Net position/fund balances

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

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

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

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

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

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

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 \$1,370,880 at June 30, 2021, all of which was restricted leaving nothing available for appropriation.

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

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

CENTRALINA REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

Pensions

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

2. Deposits

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

At June 30, 2021, Centralina's deposits had a carrying amount of \$502,148 and a bank balance of \$596,944. Of the bank balance, \$250,000 was covered by federal depository insurance; any amounts in excess of \$250,000 were covered by collateral held under the pooling method.

3. Investments

At June 30, 2021, Centralina had \$320,559 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's and are reported at fair value using Level 1 measurement. Centralina has no policy on credit risk.

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

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

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

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

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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 consisted of the following at June 30, 2021:

	<u>Due from Other Governments</u>	<u>Other</u>
Government activities:		
General	\$ 1,491,817	\$ 20,595
Special Revenue	2,978,362	-
	<u>\$ 4,470,179</u>	<u>\$ 20,595</u>
Workforce Development Consortium	<u>\$ 287,068</u>	<u>\$ -</u>

Due from other governments consisted of the following at June 30, 2021:

	<u>Governmental Activities</u>	<u>Workforce Development Consortium</u>
Receivables under expenditure-driven grants	\$ 3,950,464	\$ 287,068
Technical assistance contracts	519,715	-
	<u>\$ 4,470,179</u>	<u>\$ 287,068</u>

5. Capital Assets

The following is a summary of capital asset activity for the year ended June 30, 2021:

	<u>Balance June 30, 2020</u>	<u>Increased</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
Capital assets being depreciated				
Furniture, fixtures, and equipment and leasehold improvements	\$ 1,066,093	\$ -	\$ -	\$ 1,066,093
Less accumulated depreciation	851,472	55,313	-	906,785
Government activities capital assets, net	<u>\$ 214,621</u>	<u>\$ (55,313)</u>	<u>\$ -</u>	<u>\$ 159,308</u>

Depreciation expense was charged to indirect cost in the amount of \$55,313.

CENTRALINA REGIONAL COUNCIL
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6. Accounts and Grants Payable

Accounts and grants payable at the government-wide level consisted of the following at June 30, 2021:

	<u>Vendors</u>	<u>Subrecipients</u>	<u>Total</u>
Government activities:			
General	\$ 561,813	\$ -	\$ 561,813
Special revenue	-	2,992,362	2,992,362
	<u>\$ 561,813</u>	<u>\$ 2,992,362</u>	<u>\$ 3,554,175</u>
Workforce Development Consortium	<u>\$ -</u>	<u>\$ 357,928</u>	<u>\$ 357,928</u>

Accrued liabilities for governmental activities and the General Fund at June 30, 2021 consisted of accrued salaries and salary related accounts in the amount of \$230,434.

7. Pension Plan Obligations

Local governmental employees' retirement system

Plan description. Centralina Regional Council is a participating employer in the statewide LGERS, a cost-sharing, multiple-employer, defined benefit pension plan administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The LGERS is included in the 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, 2021 was 10.15% 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 \$290,720 for the year ended June 30, 2021.

CENTRALINA REGIONAL COUNCIL
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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, 2021, Centralina reported a liability of \$1,362,905 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, 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, 2020 (measurement date), Centralina's proportion was 0.03814%, which was an increase of 0.00273% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, Centralina recognized pension expense of \$494,952. At June 30, 2021, 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	\$ 172,111	\$ -
Changes of assumptions	101,427	-
Net difference between projected and actual earnings on pension plan investments	191,792	-
Changes in proportion and differences between Council contributions and proportionate share of contributions	64,590	4,063
Total contributions subsequent to the measurement date	290,720	-
Total	<u>\$ 820,640</u>	<u>\$ 4,063</u>

\$290,720 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, 2022. 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:

2022	\$ 158,034
2023	194,848
2024	116,213
2025	<u>56,762</u>
Total	<u>\$ 525,857</u>

CENTRALINA REGIONAL COUNCIL
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Actuarial assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50% to 8.10%, including inflation and productivity factor
Investment rate of return	7.0%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CENTRALINA REGIONAL COUNCIL
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Sensitivity of Centralina’s proportionate share of the net pension liability to changes in the discount rate. The following presents Centralina’s proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what Centralina’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Centralina’s proportionate share of the net pension liability (asset)	\$ 2,765,185	\$ 1,362,905	\$ 197,511

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.

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, 2021 amounted to \$185,029.

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, 2021 amounted to \$22,385.

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).

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

- If the retiree has less than fifteen (15) years of service with Centralina, as of his/her retirement date, no Base Premium Supplement will be paid by Centralina;
- If the retiree has completed at least fifteen (15) years of service with Centralina, as of his/her retirement date, Centralina will pay the Base Premium Supplement; and
- If the retiree has completed more than fifteen (15) years of service with Centralina, as of his/her retirement date, the Base Premium Supplement will be increased by two (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.

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, 2020, the date of the latest actuarial valuation:

	General Employees
Retirees and dependents receiving benefits	4
Active plan members	43
Total	<u>47</u>

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Total OPEB liability

Centralina's total OPEB liability of \$334,215 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

Actuarial assumptions and other inputs. The total OPEB liability on the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5%
Real wage growth	1.0%
Wage inflation	3.5%
Salary increases, including wage inflation:	
General Employees	3.5% to 7.75%
Municipal Bond Index Rate:	
Prior Measurement Date	3.50%
Measurement Date	2.21%

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

Changes in the Total OPEB liability

	Total OPEB Liability
Balance at June 30, 2019	<u>\$ 278,534</u>
Changes for the year	
Service cost	18,275
Interest	10,327
Differences between expected and actual experience	(5,545)
Changes in assumptions or other inputs	36,220
Benefit payments	<u>(3,596)</u>
Total change	55,681
Total OPEB Liability at June 30, 2020	<u><u>\$ 334,215</u></u>

There was a change in the Total OPEB Liability arising from the change in the Discount Rate from 3.50% on the Prior Measurement Date to 2.21% on the Current Measurement Date.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increase used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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Sensitivity of the total OPEB liability to changes in the discount rate. The following exhibit presents the total OPEB liability of Centralina's Plan, calculated using the discount rate of 2.21%, 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 (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

Discount Rate Sensitivity

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 364,894	\$ 334,215	\$ 305,806

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

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 289,422	\$ 334,215	\$ 387,732

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

For the year ended June 30, 2021, Centralina recognized OPEB expense of \$14,641. At June 30, 2021, Centralina reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,631	\$ 68,203
Changes of assumptions	31,564	24,332
Benefit payments made subsequent to the measurement	202	
Total	<u>\$ 35,397</u>	<u>\$ 92,535</u>

\$202 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

Years Ending June 30:

2022	\$ (13,945)
2023	(13,945)
2024	(12,362)
2025	(8,572)
2026	(6,998)
Thereafter	1,518
	<u>\$ (54,304)</u>

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11. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are comprised of contributions to the pension plan and OPEB of \$290,720 and \$202, respectively, and other pension and OPEB deferrals in the current fiscal year in the amount of \$529,902 and \$35,195, respectively.

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

	Governmental Activities	General Fund
Deferred membership dues	\$ 444	\$ 444
Pension deferrals	4,063	-
Deferred OPEB	92,535	-
	<u>\$ 97,042</u>	<u>\$ 444</u>

12. Risk Management

Centralina is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Centralina also purchases general, auto, public officials, and employment practices liability coverage of \$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

Capital leases

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

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

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The following is a summary of assets recorded under capital leases at June 30, 2021:

	Accumulated Cost	Net Book Depreciation	Value
Copier	\$ 128,427	\$ 44,949	\$ 83,478
Copier	33,725	26,980	6,745
	<u>\$ 162,152</u>	<u>\$ 71,929</u>	<u>\$ 90,223</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

Year Ending June 30,

2022	\$ 35,080
2023	30,516
2024	30,516
2025	7,629
Total minimum lease payments	103,741
Less amount representing interest	(10,793)
Present value of minimum lease payments	<u>\$ 92,948</u>

Changes in long-term liabilities

	Balance July 1, 2020	Increased	Decreases	Balance June 30, 2021	Current Portion of Balance
Government activities:					
Net pension liability (LGERS)	\$ 967,019	\$ 395,886	\$ -	\$ 1,362,905	\$ -
Total OPEB liability	278,534	55,681	-	334,215	-
Capital leases	123,689	-	30,741	92,948	35,080
Accrued vacation and sick leave	424,774	245,639	276,249	394,164	276,249
Other liabilities	77,442	-	5,000	72,442	5,000
	<u>\$ 1,871,458</u>	<u>\$ 697,206</u>	<u>\$ 311,990</u>	<u>\$ 2,256,674</u>	<u>\$ 316,329</u>

14. Operating Leases

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

As of June 30, 2021, Centralina is not obliged to future minimum rent payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2021.

Total rental expenditures for all operating leases except those with terms of one month or less amounted to \$312,791 for the year ended June 30, 2021.

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15. Due to/from other funds

At June 30, 2021 the General fund has a balance due to the Special Revenue fund and the Workforce Development Consortium in the amount of \$14,000 and \$70,860, respectively, and the Special Revenue fund and the Workforce Development Consortium has a due from the General fund of \$14,000 and \$70,860 respectively. The balances were caused by a timing of cash deposits and disbursements at year end. The respective intercompany accounts have cleared after year-end.

16. 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 \$951,294 and Centralina reported revenues in the General Fund of the same amount for the year ended June 30, 2021.

17. Summary Disclosure of Significant Contingencies

Federal and State-assisted programs

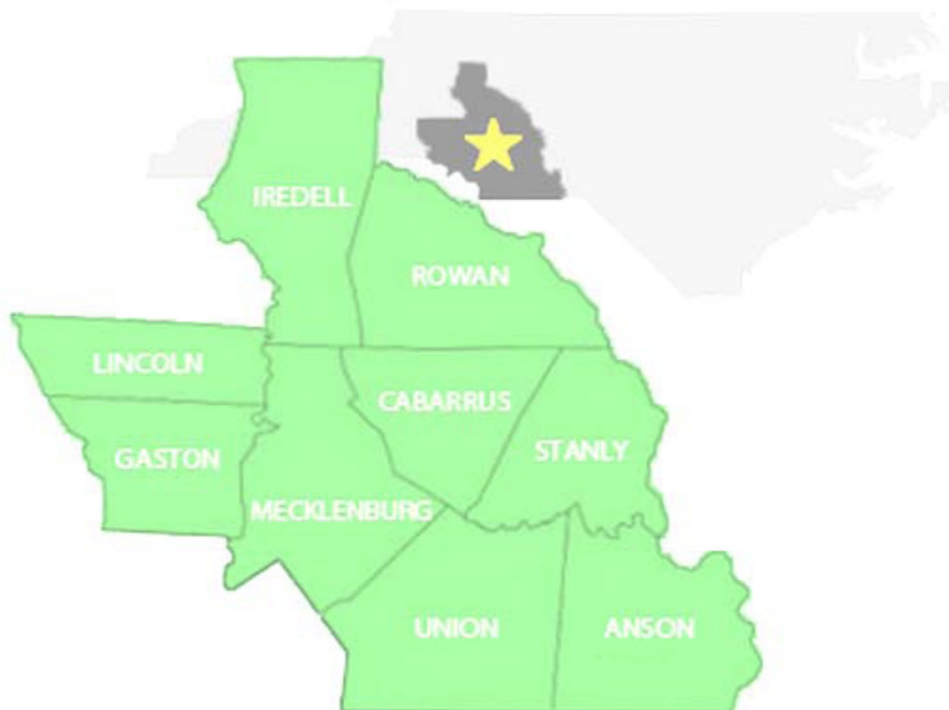
Centralina has received proceeds from several federal and state grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management 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, 2021, 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 Four Fiscal Years*

Total OPEB Liability	2021	2020	2019	2018
Service cost	\$ 18,275	\$ 18,979	\$ 19,542	\$ 22,933
Interest	10,327	13,038	11,719	10,363
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(5,545)	(80,795)	(6,094)	9,115
Changes of assumptions	36,220	(4,327)	(9,988)	(39,235)
Benefit payments	(3,596)	(7,002)	(11,347)	(25,107)
Other	-	-	-	-
Net change in total OPEB liability	55,681	(60,107)	3,832	(21,931)
Total OPEB liability - beginning	278,534	338,641	334,809	356,740
Total OPEB liability - ending	\$ 334,215	\$ 278,534	\$ 338,641	\$ 334,809
Covered payroll	\$ 2,536,424	\$ 2,536,424	\$ 2,580,488	\$ 2,580,488
Total OPEB liability as a percentage of covered payroll	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
2021 Municipal Bond Index Rate at Prior Measurement Date	3.50%
2021 Municipal Bond Index Rate at Measurement Date	2.21%

* 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 Eight Fiscal Years***

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 290,720	\$ 251,568	\$ 213,024	\$ 213,490	\$ 192,329
Contributions in relation to the contractually required contribution	<u>290,720</u>	<u>251,568</u>	<u>213,024</u>	<u>213,490</u>	<u>192,329</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Centralina's covered employee payroll	\$ 2,864,235	\$ 2,810,818	\$ 2,748,709	\$ 2,846,538	\$ 2,652,802
Contributions as a percentage of covered employee payroll	10.15%	8.95%	7.75%	7.50%	7.25%

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 165,153	\$ 181,071	\$ 182,472
Contributions in relation to the contractually required contribution	<u>165,153</u>	<u>181,071</u>	<u>182,472</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Centralina's covered employee payroll	\$ 2,476,046	\$ 2,532,892	\$ 2,580,938
Contributions as a percentage of covered employee payroll	6.67%	7.15%	7.07%

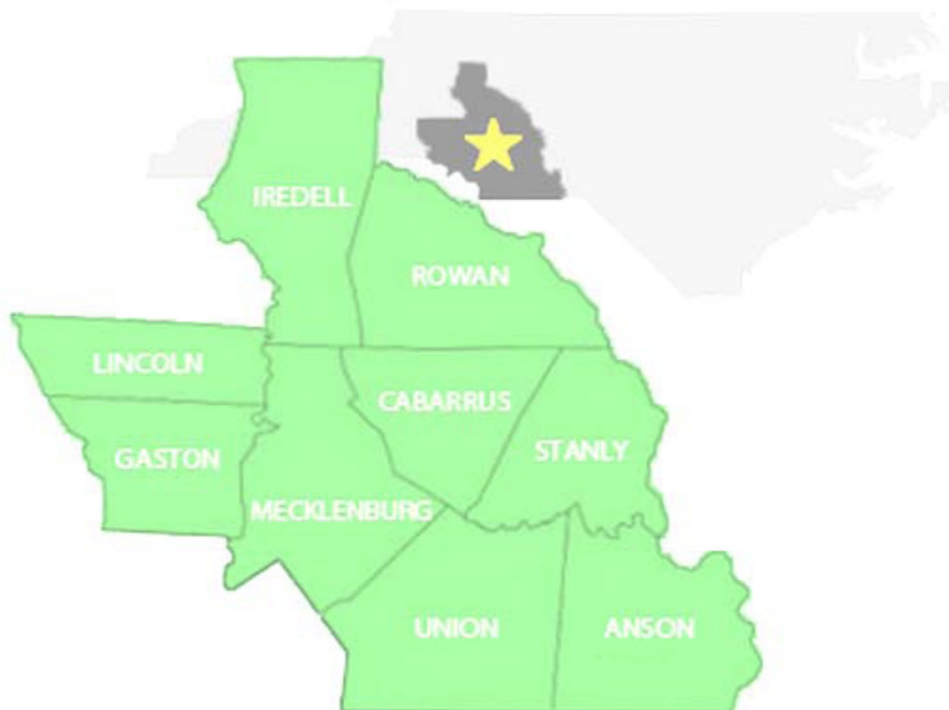
*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30 and will build to a ten-year schedule as more information becomes available.

Individual Fund Schedules



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General Fund



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**CENTRALINA REGIONAL COUNCIL
GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 2021
With Comparative Totals for June 30, 2020**

SCHEDULE 1

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and investments	\$ 822,707	\$ 796,976
Receivables	20,595	22,341
Due from other governments	1,491,817	839,379
Prepayments	<u>62,250</u>	<u>75,434</u>
Total assets	<u>\$ 2,397,369</u>	<u>\$ 1,734,130</u>
LIABILITIES		
Liabilities:		
Accounts and grants payable	\$ 562,932	\$ 327,440
Due to special revenue fund	14,000	-
Due to component unit	70,860	1,118
Accrued Payroll	230,434	190,047
Unearned revenue	<u>147,819</u>	<u>309,861</u>
Total liabilities	<u>1,026,045</u>	<u>828,466</u>
Deferred Inflows of Resources:		
Deferred membership dues	444	1,958
Total deferred inflows of resources	<u>444</u>	<u>1,958</u>
Fund balances:		
Nonspendable		
Prepayments	62,250	75,434
Restricted:		
Stabilization by State Statute	1,512,412	861,720
Assigned		
Unassigned	<u>(203,782)</u>	<u>(33,448)</u>
Total fund balances	<u>1,370,880</u>	<u>903,706</u>
Total liabilities and fund balances	<u>\$ 2,397,369</u>	<u>\$ 1,734,130</u>

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

SCHEDULE 2

For the Year Ended June 30, 2021

PERSONNEL EXPENDITURES	
Salaries	\$ 505,052
Fringe benefits	277,779
	<u>782,831</u>
OPERATING EXPENDITURES	
Audit	56,000
Auto expenditures	1,353
Contracted services	195,729
Equipment leases	42,865
Fleet maintenance	-
Insurance	10,927
Computers and software	44,000
Meeting related expenditures	-
Memberships and dues	26,903
Postage	6,835
Printing and publications	1,170
Repairs and maintenance	3,630
Rent	320,905
Retiree healthcare costs	202
Supplies	18,268
Telephone	32,551
Training	7,549
Travel	2,902
	<u>771,789</u>
Total indirect costs - unadjusted	1,554,620
Adjustment for depreciation expense	55,313
	<u>1,609,933</u>
Total personnel expenditures	\$ 3,925,397
Less personnel expenditures in indirect cost pool	<u>782,831</u>
Total personnel expenditures earning indirect costs	<u>\$ 3,142,566</u>

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

**SCHEDULE 2
(Continued)**

For the Year Ended June 30, 2021

	<u>Adjusted</u>
ALLOCATION RATE COMPUTATION	
Direct Salaries and Fringes Base	\$ 3,142,566
Indirect Cost Rate	<u>61.78%</u>
Recoverable Indirect Costs	<u>\$ 1,941,478</u>
Indirect Actual Expense Cost	\$ 1,609,933
FY 2019 Carryforward to FY 2021	<u>-</u>
Adjusted Indirect Actual Expense Cost	1,609,933
Less Recoverable Indirect Costs	<u>(1,941,478)</u>
Recoverable indirect cost (over)/under indirect cost pool	<u>\$ (331,545)</u>



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Special Revenue Fund

**CENTRALINA REGIONAL COUNCIL
SPECIAL REVENUE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2021
With Comparative Totals for June 30, 2020**

SCHEDULE 3

	<u>2021</u>	<u>2020</u>
ASSETS		
Due from other governments	\$ 2,978,362	\$ 774,284
Due from general fund	14,000	-
Total assets	<u>\$ 2,992,362</u>	<u>\$ 774,284</u>
LIABILITIES		
Accounts and grants payable	\$ 2,992,362	\$ 774,284
Total liabilities	<u>\$ 2,992,362</u>	<u>\$ 774,284</u>

Component Unit

CENTRALINA REGIONAL COUNCIL

SCHEDULE 4

COMPONENT UNIT

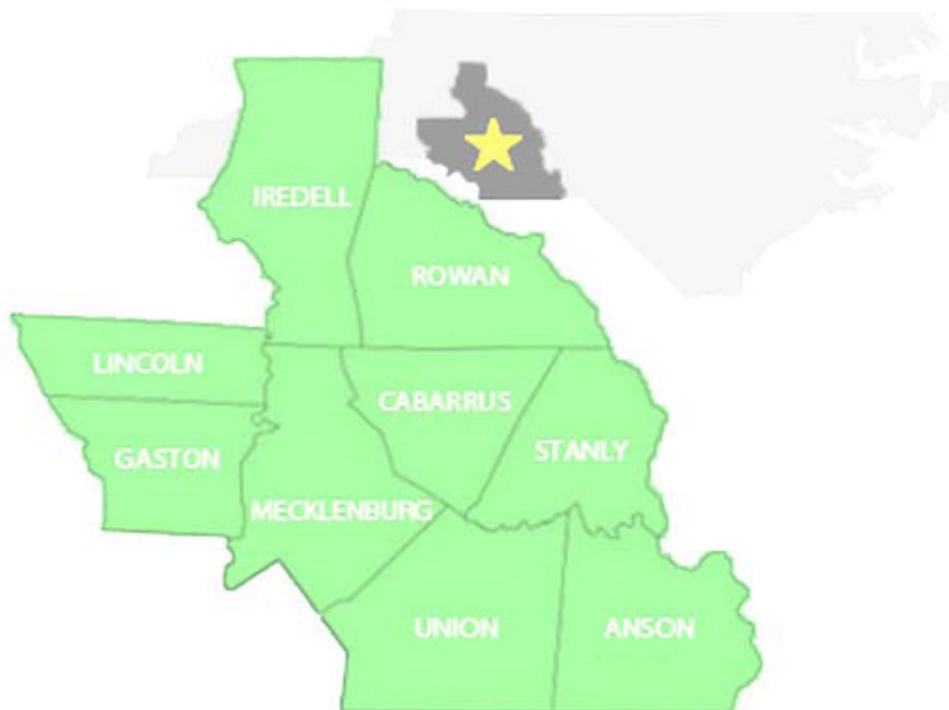
CENTRALINA WORKFORCE DEVELOPMENT CONSORTIUM

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL

From Inception and for the Year Ended June 30, 2021

	Grant Award	Actual		Total to Date
		Prior Years	Current Year	
REVENUES				
WIA / WIOA GRANTS				
WIOA 18-4050 Finish Line Grant 2018	\$ 69,693	\$ 45,880	\$ 23,813	\$ 69,693
WIOA 18-4050 Business Services 2018	75,000	30,541	44,459	75,000
WIOA 18-4050 NCWorks Innovation Fund	190,238	110,269	79,969	190,238
WIOA 19-4010 Administrative Cost Pool- 10% 2019	400,596	191,853	208,743	400,596
WIOA 19-4020 Adult Services 2019	2,033,106	1,909,713	123,393	2,033,106
WIOA 19-4030 Dislocated Worker 2019	304,349	288,471	15,878	304,349
WIOA 19-4040 Youth Services 2019	1,267,885	1,076,431	191,454	1,267,885
WIOA 19-4050 Finish Line Grant 2019	174,376	14,278	47,207	61,485
WIOA 19-4050 NCWorks Innovation Fund	200,000	-	17,525	17,525
WIOA 20-4010 Administrative Cost Pool- 10% 2020	351,936	-	162,326	162,326
WIOA 20-4020 Adult Services 2020	1,514,591	-	1,318,104	1,318,104
WIOA 20-4030 Dislocated Worker 2020	564,274	-	515,352	515,352
WIOA 20-4040 Youth Services 2020	1,088,571	-	874,862	874,862
WIOA 20-4050 Infrastructure Cost 2020	89,113	-	89,113	89,113
WIOA 20-4050 Business Services 2020	50,000	-	50,000	50,000
WIOA 20-3110 Admin COVID-19 Funds	32,043	-	32,043	32,043
WIOA 20-3130 Dislocated Worker COVID-19 Funds	288,389	-	128,067	128,067
Total revenues	<u>8,694,160</u>	<u>3,667,436</u>	<u>3,922,308</u>	<u>7,589,744</u>
EXPENDITURES				
WIA / WIOA GRANTS				
WIOA 18-4050 Finish Line Grant 2018	69,693	45,880	23,813	69,693
WIOA 18-4050 Business Services 2018	75,000	30,541	44,459	75,000
WIOA 18-4050 NCWorks Innovation Fund	190,238	110,269	79,969	190,238
WIOA 19-4010 Administrative Cost Pool- 10% 2019	400,596	191,853	208,743	400,596
WIOA 19-4020 Adult Services 2019	2,033,106	1,909,713	123,393	2,033,106
WIOA 19-4030 Dislocated Worker 2019	304,349	288,471	15,878	304,349
WIOA 19-4040 Youth Services 2019	1,267,885	1,076,431	191,454	1,267,885
WIOA 19-4050 Finish Line Grant 2019	174,376	14,278	47,207	61,485
WIOA 19-4050 NCWorks Innovation Fund	200,000	-	17,525	17,525
WIOA 20-4010 Administrative Cost Pool- 10% 2020	351,936	-	162,326	162,326
WIOA 20-4020 Adult Services 2020	1,514,591	-	1,318,104	1,318,104
WIOA 20-4030 Dislocated Worker 2020	564,274	-	515,352	515,352
WIOA 20-4040 Youth Services 2020	1,088,571	-	874,862	874,862
WIOA 20-4050 Infrastructure Cost 2020	89,113	-	89,113	89,113
WIOA 20-4050 Business Services 2020	50,000	-	50,000	50,000
WIOA 20-3110 Admin COVID-19 Funds	32,043	-	32,043	32,043
WIOA 20-3130 Dislocated Worker COVID-19 Funds	288,389	-	128,067	128,067
Total expenditures	<u>8,694,160</u>	<u>3,667,436</u>	<u>3,922,308</u>	<u>7,589,744</u>
Revenues over expenditures	-	-	-	-
FUND BALANCES - JULY 1	-	-	-	-
FUND BALANCES - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Compliance Section



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, and each major fund of Centralina Regional Council (“Centralina”), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Centralina’s basic financial statements and have issued our report thereon dated October 28, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Centralina’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Centralina’s internal control. Accordingly, we do not express an opinion on the effectiveness of Centralina’s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Cherry Behant LLP

Charlotte, North Carolina
October 28, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited the Centralina Regional Council (“Centralina”), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Centralina’s major federal programs for the year ended June 30, 2021. Centralina’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Centralina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

Cheryl Behant LLP

Charlotte, North Carolina
October 28, 2021

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

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

Report on Compliance for Each Major State Program

We have audited the Centralina Regional Council (“Centralina”), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Centralina’s major State programs for the year ended June 30, 2021. Centralina’s major State programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor’s Responsibility

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

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

Opinion on Each Major State Programs

In our opinion, Centralina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

Cheryl Behant LLP

Charlotte, North Carolina
October 28, 2021

CENTRALINA REGIONAL COUNCIL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

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

Noncompliance material to financial statements noted: yes no

Federal Awards

Internal control over major federal programs:

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

Noncompliance material to federal awards yes no

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

<u>Federal Assistance Listing</u>	<u>Program Name</u>
Aging Cluster:	
93.044	Special Programs for the Aging - Title III B
93.045	Special Programs for the Aging - Title III C
93.053	Nutrition Services Incentive Program

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

Auditee qualified as low-risk auditee? yes no

CENTRALINA REGIONAL COUNCIL
SUMMARY SCHEDULE OF PRIOR YEAR'S FINDINGS

Year Ended June 30, 2021

No findings were reported for the year ended June 30, 2020.

**CENTRALINA REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021**

Grantor/Pass-through Grantor/Program Title	Assistance Listing	State/ Pass-Through Grantor Number	Fed. (Direct & 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	\$ 62,322	\$ -	\$ -
Diaster Relief Coordinator	11.307	04-79-07426	51,658	-	-
EDA Cares	11.307	ED20ATL3070094	100,303	-	-
Total U.S. Department of Commerce			<u>214,283</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF LABOR					
Employment and Training Administration					
Passed through Senior Service America, Inc.					
Senior Community Service Employment Program	17.235	331	439,372	-	-
Total Senior Service America, Inc.			<u>439,372</u>	<u>-</u>	<u>-</u>
Passed through North Carolina Department of Commerce					
Division of Employment and Training					
Workforce Innovation and Opportunity Act Cluster					
WIOA - Adult Programs	17.258,17.278	AA-33241-19-55-A-37	123,393	-	-
WIOA - Adult Programs	17.258,17.278	AA-34786-20-55-A-37	1,318,104	-	1,268,027
WIOA - Youth Activities	17.259	AA-33241-19-55-A-37	191,454	-	-
WIOA - Youth Activities	17.259	AA-34786-20-55-A-37	874,862	-	818,936
WIOA - Dislocated Workers	17.258,17.278	AA-32191-18-55-A-37	15,878	-	-
WIOA - Dislocated Workers	17.258,17.278	AA-34786-20-55-A-37	515,352	-	497,145
WIOA - Dislocated Workers Rapid Response	17.277	AA-34695-20-60-A-37	160,110	-	128,067
WIOA - Finish Line Grant	17.259	AA-32191-18-55-A-37	23,813	-	23,813
WIOA - Finish Line Grant	17.278	AA-32241-19-55-A-37	47,207	-	47,207
WIOA - Infrastructure Cost	17.259	AA-34786-20-55-A-37	89,113	-	89,113
WIOA - Business Services	17.278	AA-32191-18-55-A-37	44,459	-	-
WIOA - Business Services	17.278	AA-34786-20-55-A-37	50,000	-	-
WIOA - Business Services	17.259	AA-32191-18-55-A-37	79,969	-	79,969
WIOA - NCWorks Innovation Fund	17.259,17.278	AA-33241-19-55-A-37	17,525	-	7,576
WIOA - Administrative Cost Pool/Incentives/Capital and Special Grants	17.258,17.278	AA-33241-19-55-A-37	208,743	-	5,871
	17.258,17.278	AA-34786-20-55-A-37	162,326	-	5,305
Total U.S. Department of Labor			<u>3,922,308</u>	<u>-</u>	<u>2,971,029</u>
Total U.S. Department of Labor			<u>4,361,680</u>	<u>-</u>	<u>2,971,029</u>
U.S. DEPARTMENT OF ENERGY					
Clean Cities Outreach, Education, and Performance Tracking	81.086	DE-EE0007448	83,178	-	-
Clean Cities Outreach, Education, and Performance Tracking	81.086	DE-EE0009572	19,136	-	-
Solutions for Curbside-Charging Electric Vehicles for Planned Urban Growth	81.086	DE-EE0008472	58,775	-	-
Total U.S. Department of Energy			<u>161,089</u>	<u>-</u>	<u>-</u>

**CENTRALINA REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)
For the Year Ended June 30, 2021**

Grantor/Pass-through Grantor/Program Title	Assistance Listing	State/ Pass-Through Grantor Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass-through to subrecipients
FEDERAL AWARDS (Continued):					
CASH PROGRAMS (Continued):					
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	\$ 21,735	\$ 1,279	\$ -
Special Programs for the Aging, Title VII, Chapter 2					
Programs for Long-term Ombudsman Services for Older Individuals					
COVID-19: CARES Act Grant - Ombudsman	93.042	NC-06	44,110	2,595	-
	93.042	NC-06	64,497	-	-
Total Ombudsman			108,607	2,595	-
Social Service Block Grant					
In Home/Support SVC	93.667	NC-06	442,763	12,650	455,413
Special Programs for the Aging, Title III F					
Disease Prevention and Health Promotion Services	93.043	NC-06	126,554	7,444	19,282
Aging Cluster					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers					
Legal Services	93.044	NC-06	95,884	5,640	101,524
Ombudsman	93.044	NC-06	376,783	22,164	-
Access	93.044	NC-06	697,512	41,030	738,542
In Home Services	93.044	NC-06	2,278,533	133,443	2,257,749
CARES Act Grant Supportive Services - Title III B	93.044	NC-06	1,008,680	-	915,046
Special Programs for the Aging - Title III C					
Nutrition Services-Planning and Administration					
Congregate Nutrition	93.045	NC-06	253,205	13,876	-
Home Delivered Meals	93.045	NC-06	1,993,454	117,262	2,110,716
CARES Act Grant					
Congregate Nutrition - Title III C1	93.045	NC-06	230,606	-	-
Home Delivered Meals - Title III C2	93.045	NC-06	965,879	-	965,879
Families First Coronavirus Response Act Grant					
COVID-19: Congregate Nutrition	93.045	NC-06	484,356	-	484,356
COVID-19: Home Delivered Meals	93.045	NC-06	613,527	-	613,527
Nutrition Services Incentive Program	93.053	NC-06	539,843	-	539,843
Total Aging Cluster			9,538,262	333,415	8,727,182
Special Programs for the Aging - Title III E					
National Family Caregiver Support Program					
COVID-19: CARES Act Grant Family Caregiver Support Program	93.052	NC-06	810,827	52,925	534,171
	93.052	NC-06	355,784	-	94,735
Total Family Caregive Support Program			1,166,611	52,925	628,906
MIPPA					
MIPPA	93.071	1801NCMIAA-01/1801NCMIDR-01	31,346	-	-
	93.071	2001NCMIAA-00/2001NCMIDR-00	27,099	-	-
			58,445	-	-
Senior Medicare Patrol	93.048	90MPPG0043	5,000	-	-
Local Contact Agency	n/a	30-2019-009 DHB	3,245	-	-
Total U.S. Department of Health and Human Services			11,471,222	410,308	9,830,783

**CENTRALINA REGIONAL COUNCIL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)
For the Year Ended June 30, 2021**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Assistance Listing</u>	<u>State/ Pass-Through Grantor Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to subrecipients</u>
FEDERAL AWARDS (Continued):					
CASH PROGRAMS (Continued):					
U.S. DEPARTMENT OF TRANSPORTATION					
Passed through North Carolina Department of Transportation					
Charlotte UZA Grant	20.513	2020001137	\$ 52,566	\$ -	\$ -
CMAQ-Regional Passenger Rail Promotion Project	20.205		49,373	-	-
Total U.S. Department of Transportation			<u>101,939</u>	<u>-</u>	<u>-</u>
Total Federal Awards			<u>16,310,213</u>	<u>410,308</u>	<u>12,801,812</u>
STATE GRANTS:					
CASH AWARDS:					
N. C. Department of Environment and Natural Resources					
Land Monitoring Services	N/A	6499	-	26,300	-
Total N. C. Department of Environment and Natural Resources			<u>-</u>	<u>26,300</u>	<u>-</u>
N. C. Department of Health and Human Services					
Division of Aging					
90% State Funds - Ombudsman		NC-06	-	135,637	-
90% State Funds - Access		NC-06	-	110,690	110,690
90% State Funds - In Home Services		NC-06	-	3,058,157	3,058,157
90% State Funds - Home Delivered Meals		NC-06	-	1,092,722	1,092,722
AAA Plan & Administration		NC-06	-	48,262	-
Fans Programs		NC-06	-	14,363	14,363
Senior Center General Purpose		NC-06	-	115,613	115,613
Total N.C. Department of Health and Human Services			<u>-</u>	<u>4,575,444</u>	<u>4,391,545</u>
Total state awards			<u>-</u>	<u>4,601,744</u>	<u>4,391,545</u>
Total federal and state awards			<u>\$ 16,310,213</u>	<u>\$ 5,012,052</u>	<u>\$ 17,193,357</u>

CENTRALINA REGIONAL COUNCIL

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2021

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, 2021. The information in this SEFSA is presented in accordance with the requirements of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles*, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of Centralina, it is not intended to and does not present the financial position, changes in net position, or cash flows of Centralina.

2. **Summary of Significant Accounting Policies**

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

3. **Indirect Cost Rate**

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