

Southwestern North Carolina Planning And Economic Development Commission

Financial Statements with Compliance Reports

Year Ended June 30, 2018



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Economic Development Commission**

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Independent Auditors' Report

Board Members of
Southwestern North Carolina Planning and
Economic Development Commission
Sylva, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Southwestern North Carolina Planning and Economic Development Commission (the "Commission") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Others Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 8 and the Local Governmental Employees' Retirement System Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages 28 and 29, 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 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Commission's basic financial statements. The budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. Code of Federal Regulations 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 budgetary schedules, other schedules and Schedule of Expenditures of Federal and State Awards are the responsibility of management, 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2019, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Asheville, North Carolina
March 28, 2019**

Management's Discussion and Analysis

This section of the Southwestern North Carolina Planning and Economic Development Commission (the Commission) financial report represents our discussion and analysis of the financial performance of the Commission for the year ended June 30, 2018. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The assets of the Commission exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,147,152.
- The Commission's total net position increased by \$16,887, primarily due to increased collection efforts in its revolving loan program.
- As of the close of the current fiscal year, the Commission's capital assets were fully depreciated.
- As of the close of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of \$1,002,096, an increase of \$148,945 in comparison with the prior year. Approximately 76% of this total amount, or \$767,600, is restricted for "Stabilization by State Statute" which represents the outstanding balances of receivables not deferred.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements which consist of three components as follows: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The basic financial statements present two different views of the Commission's finances through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Commission.

Basic Financial Statements

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

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

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Commission's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

Southwestern North Carolina Planning And Economic Development Commission Management's Discussion and Analysis

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Commission's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Commission's financial status as a whole.

The two government-wide statements report the Commission's net position and how they have changed. Net position is the difference between the Commission's total assets, total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Commission's financial condition.

Government-wide financial statements may be divided into as many as three categories: 1) governmental activities, 2) business-type activities, and 3) component units. However, the Commission does not have any business-type activities or component units. The governmental activities include all of the Commission's basic services such as general administration, public safety, transportation, economic and physical development, environmental protection, and human services. State and federal grants and contributions from local governments comprising the service area of the Commission finance most of these activities.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Commission's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Commission's budget ordinance. All of the funds of the Commission are of the governmental fund category.

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

The Commission adopts an annual budget for its General Fund and Special Revenue Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the constituent member local governments, the management of the Commission, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Commission to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund and major Special Revenue Fund demonstrates how well the Commission complied with the budget ordinance and whether or not the Commission succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges to appropriations, and ending balances in the General and major Special Revenue Fund, and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on Page 18 of this report.

**Southwestern North Carolina Planning And
Economic Development Commission
Management’s Discussion and Analysis**

Required Supplementary Information (“RSI”) - In addition to the basic financial statements and accompanying notes, this section of the report includes certain supplementary information concerning the Commission’s participation in the North Carolina Local Government Employees Retirement System (“LGERS”) as required under the newly adopted pension standard. RSI can be found beginning on Page 28 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information concerning the Commission’s Federal and State programs. Other information can be found beginning on Page 30 of this report.

Government-Wide Financial Analysis

**Table 1
Condensed Statements of Net Position
June 30, 2018 and 2017**

| | <u>Governmental Activities</u> | |
|---------------------------------------|--------------------------------|---------------------|
| | <u>2018</u> | <u>2017</u> |
| Assets: | | |
| Current assets | \$ 1,434,275 | \$ 1,271,248 |
| Noncurrent assets | 1,234,085 | 1,364,971 |
| Total assets | <u>2,668,360</u> | <u>2,636,219</u> |
| Deferred outflows of resources | <u>166,012</u> | <u>244,556</u> |
| Liabilities: | | |
| Current liabilities | 432,179 | 418,097 |
| Long-term liabilities | 243,820 | 315,299 |
| Total liabilities | <u>675,999</u> | <u>733,396</u> |
| Deferred inflows of resources | <u>11,221</u> | <u>17,114</u> |
| Net Position: | | |
| Restricted | 2,555,479 | 2,630,919 |
| Unrestricted | (408,327) | (500,654) |
| Total net position | <u>\$ 2,147,152</u> | <u>\$ 2,130,265</u> |

Net position may serve over time as one indicator of a government’s financial condition. On June 30, 2018, the Commission’s net position was \$2,147,152. This was an overall increase of \$16,887 from the previous year. The restricted portion of net position decreased \$75,440 due to a decrease in long-term liabilities primarily in the revolving loan program. The unrestricted portion of net position decreased its deficit position by \$92,327 which represents the residual net difference between the overall net difference and the other restricted components of net position. The unrestricted deficit of (\$408,327) represents the Commission’s long-term net pension liability and receivables that have not been converted to cash as of the end of the year.

**Southwestern North Carolina Planning And
Economic Development Commission
Management's Discussion and Analysis**

**Table 2
Condensed Statements of Activities
For the Fiscal Years Ended June 30, 2018 and 2017**

| | <u>Governmental Activities</u> | |
|------------------------------------|--------------------------------|--------------|
| | <u>2018</u> | <u>2017</u> |
| Revenues: | | |
| Program revenues: | | |
| Operating grants and contributions | \$ 6,009,263 | \$ 5,579,164 |
| General revenues: | | |
| Local government dues | 149,634 | 147,968 |
| Miscellaneous revenues | 71,778 | 60,876 |
| Investment earnings | 78,446 | 103,193 |
| | <hr/> | <hr/> |
| Total revenues | 6,309,121 | 5,891,201 |
| | <hr/> | <hr/> |
| Expenses: | | |
| Governmental activities: | | |
| General government | 46,870 | 39,542 |
| Public safety | 771,357 | 808,953 |
| Transportation | 141,922 | 123,850 |
| Technology | 331,553 | 315,447 |
| Economic and physical development | 449,437 | 467,557 |
| Human services | 3,044,282 | 2,617,394 |
| Workforce development | 1,506,813 | 1,443,790 |
| | <hr/> | <hr/> |
| Total expenses | 6,292,234 | 5,816,533 |
| | <hr/> | <hr/> |
| Change in net position | 16,887 | 74,668 |
| Net Position: | | |
| Beginning balance | 2,130,265 | 2,055,597 |
| | <hr/> | <hr/> |
| Ending balance | \$ 2,147,152 | \$ 2,130,265 |
| | <hr/> | <hr/> |

Governmental Activities - Governmental activities increased from 2017 as a result of increased collection efforts on notes receivable in the revolving loan program and an increase in the Commission's indirect cost reimbursement. The only significant change in grant programs was the Project Care Respite program in the Aging Department. This program introduction resulted in an increase of \$411,480.

Financial Analysis of the Commission's Funds

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

Governmental Funds - The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Specifically, fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund accounts for all unrestricted resources and provides the local matching share for all grant programs as well as transfers from the Special Revenue Fund (Revolving Loan Fund). At the end of the fiscal year,

Southwestern North Carolina Planning And Economic Development Commission Management's Discussion and Analysis

unassigned fund balance of the General Fund was \$(341,765), while total fund balance was \$234,496. The Commission's unassigned fund balance is negative due to uncollected receivable balances that are restricted by State Statute. Once collected, the restricted portion of fund balance is moved into "unassigned" and becomes available for appropriation. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures, \$6,230,973. Total fund balance represents 3.8% of General Fund expenditures. The Commission's primary sources of revenue are federal and state grants and, like other similar governments in North Carolina, its purpose is to provide services to the counties in its region and not accumulated resources. Therefore, the Commission maintains a low fund balance.

The Special Revenue Fund/Revolving Loan Fund is strictly for providing low interest loans to small business in the region. This fund originally funded primarily by federal funds from the Economic Development Administration and The Appalachian Regional Commission. However, the fund now is made up predominantly of loan repayments and interest. The interest is used for administration of the program. At the end of the fiscal year, the Commission had fund balance available of \$767,600 for new loans.

At June 30, 2018, the governmental funds of the Commission reported a total combined fund balance of \$1,002,096, representing a \$148,945 increase from the previous year. The Special Revenue Fund accounted for the majority of the increase (\$130,865) which is restricted for the revolving loan program. The General Fund accounted for the remainder of the increase of \$18,080.

Governmental Funds Budgetary Highlights - During the fiscal year, the Commission 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 to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues and other financing sources by \$1,626,680. The greatest portion of this increase was a result of increases for the Aging program of \$701,775 and increases in the WNCEDNET program by \$170,000 and the JCPC Funds program by \$150,000. The Special Revenue budget amendments did not increase or decrease and there were no new loans issued this year.

Capital Asset Administration

Capital Assets – As of June 30, 2018, the Commission's capital assets were fully depreciated. \$1,908 beginning net book value was expensed to depreciation during the year.

Economic Factors and Next Year's Budgets and Rates

- The Commission relies on funding from state and federal sources for the majority of its revenues in the both the General and Special Revenue Funds. The Commission receives federal and State distributions from various agencies. Local revenues are comprised of per capita contributions from constituent local governments served by the Commission and by in kind contributions of materials and volunteer services by advisory boards, local government agencies, and not-for-profit organizations.
- Budgetary highlights for the fiscal year ending June 30, 2019, include the continuation of a series of grants to be used to connect and better use broadband internet in all the schools within the region. Several new foundation funded projects are upcoming including one from Duke Energy. The OAA saw an increase in the number of various programs to serve a greater number of senior citizens with more diverse needs; one such grant is a caregiver respite program servicing the entire state with a budget of over \$400,000. Several new small grants focusing on rural foods and farms began. A new construction grant from ARC was signed to refurbish the Farmers' Market in Asheville. This is a collaborative effort between ARC and USDA. Economic and community development programs remained stable although there was no significant federal or state increase in funding. As a result, any salary increases or increased program costs were funded by increased local funds and fund balance appropriation. The budget for fiscal year 2018-2019 has been presented to the Board of Directors and represents a decrease of approximately \$973,650 when compared to the final budget for fiscal year 2017-2018.

**Southwestern North Carolina Planning And
Economic Development Commission
Management's Discussion and Analysis**

- As of May 2006, the Commission moved into their new office space at 125 Bonnie Lane in Sylva, NC. A lease agreement is currently in place. Due to recent legislative changes, the Commission will be able to borrow funds to purchase the building outright in the future. However, recent budgetary constraints have resulted in all major capital expenditures for the near future to be held in abeyance.

Requests for Information

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

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Southwestern North Carolina Planning and Economic Development Commission
125 Bonnie Lane
Sylva, NC 28779
Tel: 828-586-1962, Ext. 203
roger@regiona.org

**Southwestern North Carolina Planning And
Economic Development Commission
Statement of Net Position
June 30, 2018**

Exhibit "1"

| | Governmental Activities |
|---------------------------------------|------------------------------------|
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | \$ 112,881 |
| Restricted cash | 785,956 |
| Receivables | 535,438 |
| | <hr/> |
| Total current assets | 1,434,275 |
| | <hr/> |
| Noncurrent assets: | |
| Notes receivable | 1,234,085 |
| Capital assets: | |
| Equipment, net of depreciation | - |
| | <hr/> |
| Total assets | 2,668,360 |
| | <hr/> |
| Deferred outflows of resources | |
| Pension related deferrals | 166,012 |
| | <hr/> |
| Liabilities: | |
| Accounts payable and accrued expenses | 310,531 |
| Unearned revenue | 121,648 |
| | <hr/> |
| Long-term liabilities: | |
| Net pension liability | 175,994 |
| Compensated absences | 67,826 |
| | <hr/> |
| Total liabilities | 675,999 |
| | <hr/> |
| Deferred inflows of resources | |
| Pension related deferrals | 11,221 |
| | <hr/> |
| Net position: | |
| Restricted for: | |
| Stabilization by State Statute | 553,794 |
| Revolving loan | 2,001,685 |
| Unrestricted | (408,327) |
| | <hr/> |
| Total net position | \$ 2,147,152 |
| | <hr/> |

See accompanying notes.

**Southwestern North Carolina Planning And
Economic Development Commission
Statement of Activities
Fiscal Year Ended June 30, 2018**

Exhibit "2"

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues Operating Grants and Contributions</u> | <u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u> |
|-----------------------------------|---------------------|--|--|
| Governmental activities: | | | |
| General government | \$ 46,870 | \$ 15,583 | \$ (31,287) |
| Public safety | 771,357 | 771,357 | - |
| Transportation | 141,922 | 113,275 | (28,647) |
| Technology | 331,553 | 331,553 | - |
| Economic and physical development | 449,437 | 271,648 | (177,789) |
| Human services | 3,044,282 | 2,999,034 | (45,248) |
| Workforce development | 1,506,813 | 1,506,813 | - |
| | <u>\$ 6,292,234</u> | <u>\$ 6,009,263</u> | <u>(282,971)</u> |
| General revenues: | | | |
| | | | 149,634 |
| | | | 71,778 |
| | | | <u>78,446</u> |
| | | | Total general revenues <u>299,858</u> |
| | | | Change in net position 16,887 |
| Net Position: | | | |
| | | | <u>2,130,265</u> |
| | | | <u>\$ 2,147,152</u> |

See accompanying notes.

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**Southwestern North Carolina Planning And
Economic Development Commission
Balance Sheet—Governmental Funds
June 30, 2018**

Exhibit “3”

| | <u>Major Funds</u> | | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------------------|---|
| | <u>General Fund</u> | <u>Special Revenue Fund</u> | |
| Assets: | | | |
| Cash and cash equivalents | \$ 112,881 | \$ - | \$ 112,881 |
| Restricted cash | - | 785,956 | 785,956 |
| Receivables: | | | |
| Grants | 531,556 | - | 531,556 |
| Sales tax refund | 3,882 | - | 3,882 |
| Notes | - | 1,234,085 | 1,234,085 |
| Due from other funds | 18,356 | - | 18,356 |
| Total assets | <u>\$ 666,675</u> | <u>\$ 2,020,041</u> | <u>\$ 2,686,716</u> |
| Liabilities: | | | |
| Accounts payable and accrued liabilities | \$ 7,943 | \$ - | \$ 7,943 |
| Due to subcontractors | 302,588 | - | 302,588 |
| Due to other funds | - | 18,356 | 18,356 |
| Unearned revenue | 121,648 | - | 121,648 |
| Total liabilities | <u>432,179</u> | <u>18,356</u> | <u>450,535</u> |
| Deferred inflows of resources | <u>-</u> | <u>1,234,085</u> | <u>1,234,085</u> |
| Fund balances: | | | |
| Restricted: | | | |
| Stabilization by State Statute | 553,794 | - | 553,794 |
| Revolving loan programs | - | 767,600 | 767,600 |
| Committed: | | | |
| Special assessment—Mountain Alliance | 22,467 | - | 22,467 |
| Unassigned | (341,765) | - | (341,765) |
| Total fund balances | <u>234,496</u> | <u>767,600</u> | <u>1,002,096</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 666,675</u> | <u>\$ 2,020,041</u> | <u>\$ 2,686,716</u> |

| | | |
|---|--|---------------------|
| Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because: | | |
| Ending fund balances—governmental funds | | \$ 1,002,096 |
| Net pension liability | | (175,994) |
| Deferred outflows of resources are not available to satisfy current obligations in the fund statements. However, they are considered a consumption of net position that applies to a future period and are included in the Statement of Net Position. | | 166,012 |
| Notes receivable related to revolving loan activity in the governmental-wide statements do not provide current financial resources, and therefore are deferred in the fund statements. | | 1,234,085 |
| Deferred inflows of resources related to pensions are not available to satisfy obligations in the fund statements. However, they are considered economic resources and are included in the Statement of Net Position. | | (11,221) |
| Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds. | | (67,826) |
| Net position of governmental activities | | <u>\$ 2,147,152</u> |

See accompanying notes.

**Southwestern North Carolina Planning And
Economic Development Commission
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds
Fiscal Year Ended June 30, 2018**

Exhibit “4”

| | <u>Major Funds</u> | | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------------------|---|
| | <u>General Fund</u> | <u>Special Revenue Fund</u> | |
| Revenues: | | | |
| Federal: | | | |
| Grants | \$ 3,181,267 | \$ - | \$ 3,181,267 |
| Revolving loan repayments | - | 230,886 | 230,886 |
| State: | | | |
| Grants | 2,403,395 | - | 2,403,395 |
| County OJJ funds | 42,322 | - | 42,322 |
| Local funds: | | | |
| General assessments | 149,634 | - | 149,634 |
| Foundation funds | 331,553 | - | 331,553 |
| Contributions/fees | 50,726 | - | 50,726 |
| Interest | 298 | 78,148 | 78,446 |
| Miscellaneous | 71,778 | - | 71,778 |
| Total revenues | <u>6,230,973</u> | <u>309,034</u> | <u>6,540,007</u> |
| Expenditures: | | | |
| Local activities | 45,699 | - | 45,699 |
| Appalachian Regional Commission—Administration Grants #076A-02 and #076A-03 | 114,486 | - | 114,486 |
| Appalachian Regional Commission—#CWP-15 A | 55,000 | - | 55,000 |
| Mountain West Alliance | 5,523 | - | 5,523 |
| Appalachian Regional Commission-RLF Refunds | - | 32,434 | 32,434 |
| Appalachian Regional Commission-RLF Loans Made | - | 100,000 | 100,000 |
| Appalachian Regional Commission-RLF Admin. | 6,870 | 42 | 6,912 |
| Regional Mini-Grants | 11,150 | - | 11,150 |
| Regional Bike Project | 38,918 | - | 38,918 |
| N.C. Office of Juvenile Justice | 771,357 | - | 771,357 |
| WNCEDNET Technology | 331,553 | - | 331,553 |
| N.C. DOT—RPO Grant | 141,922 | - | 141,922 |
| Homegrown Leaders Project | 15,000 | - | 15,000 |
| Economic Development Administration—Planning Projects #04-83-04638-02 and #04-83-04638-03 | 108,196 | - | 108,196 |
| Economic Development Administration-RLF Loans Made | - | - | - |
| Economic Development Administration—RLF Refunds | - | - | - |
| Economic Development Administration—Revolving Loan Fund Administration | 38,372 | 451 | 38,823 |
| Rural Food Project | 221 | - | 221 |
| Workforce Investment Act—Administration—Fund 2010 | 22,772 | - | 22,772 |
| Workforce Investment Act—Adult—Fund 4010 | 132,303 | - | 132,303 |
| Workforce Investment Act—Youth—Fund 4020 | 490,843 | - | 490,843 |
| Workforce Investment Act—Dislocated Workers—Fund 4030 | 279,250 | - | 279,250 |
| Workforce Investment Act—In School—Fund 4040 | 69,250 | - | 69,250 |
| Workforce Investment Act—Out School—Fund 4040 | 310,449 | - | 310,449 |
| Workforce Innovation-Business Services | 26,366 | - | 26,366 |
| Haywood Youth Project | 198,353 | - | 198,353 |

(Continued)

**Southwestern North Carolina Planning And
Economic Development Commission
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds
Fiscal Year Ended June 30, 2018**

Exhibit “4”

| | Major Funds | | Total Governmental Funds |
|---|-------------------------|-------------------------------------|---|
| | General Fund | Special Revenue Fund | |
| Expenditures (continued): | | | |
| Division of Aging—Planning and Administration | \$ 173,792 | \$ - | \$ 173,792 |
| Division of Aging—Elder Abuse | 6,100 | - | 6,100 |
| Division of Aging—AAA Support | 48,261 | - | 48,261 |
| Division of Aging—Senior Center General Purpose | 61,986 | - | 61,986 |
| Division of Aging—Family Caregiver | 143,305 | - | 143,305 |
| Division of Aging—SMP | 7,000 | - | 7,000 |
| Division of Aging—MIPPAA | 25,890 | - | 25,890 |
| Division of Aging—Long-term Care Ombudsman | 99,344 | - | 99,344 |
| Division of Aging—Respite Care | 411,480 | - | 411,480 |
| Division of Aging—Evergreen Grant | 6,220 | - | 6,220 |
| Division of Aging—MFP | 29,597 | - | 29,597 |
| Division of Aging—Home Community Care Block Grant | 1,968,458 | - | 1,968,458 |
| Division of Aging—SHIP | 2,563 | - | 2,563 |
| Division of Aging—CRC | 28,148 | - | 28,148 |
| Division of Aging—Legal Services | 10,117 | - | 10,117 |
| Division of Aging—Title III D—Preventive Health | 19,750 | - | 19,750 |
| Division of Aging—Fan Project | 2,270 | - | 2,270 |
| | <u>6,258,135</u> | <u>132,927</u> | <u>6,391,062</u> |
| Total expenditures | | | |
| | <u>(27,162)</u> | <u>176,107</u> | <u>148,945</u> |
| Revenues over (under) expenditures | | | |
| Other financing sources (uses): | | | |
| Transfers from (to) other funds | 45,242 | (45,242) | - |
| Net change in fund balances | 18,080 | 130,865 | 148,945 |
| Fund balances: | | | |
| Beginning balances | 216,416 | 636,735 | 853,151 |
| Ending balances | <u>\$ 234,496</u> | <u>\$ 767,600</u> | <u>\$ 1,002,096</u> |

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

| | |
|---|------------------|
| Net change in fund balances—total governmental funds | \$ 148,945 |
| Revolving loan repayments and advances are current financial resources that are reported as revenues and expenditures in the governmental funds. However, advances are a receivable in the Statement of Activities and repayments reduce the receivable. Current year advances and repayments are as follows: | |
| Advances | 100,000 |
| Repayments | (230,886) |
| Contributions to the pension plan in the current fiscal year are within the plan’s actuarial measurement period and are reported as deferred outflows of resources in the Statement of Activities. | 68,819 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources in governmental funds: | |
| Pension expense | (69,363) |
| Compensated absences | (628) |
| Total changes in net position of governmental activities | <u>\$ 16,887</u> |

See accompanying notes.

**Southwestern North Carolina Planning And
Economic Development Commission
Statement of Revenues, Expenditures and Changes in Fund Balances—
Annual Budget and Actual—General and Annually Budgeted Major Special Revenue Fund
Fiscal Year Ended June 30, 2018**

| | General Fund | | | Variance With Final Budget Favorable (Unfavorable) |
|--|----------------------------|-------------------------|------------------|---|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| Federal: | | | | |
| Grants | \$3,503,665 | \$ 3,686,551 | \$3,181,267 | \$ (505,284) |
| Revolving loan payments | - | - | - | - |
| State | 1,898,783 | 2,760,172 | 2,403,395 | (356,777) |
| Local funds: | | | | |
| General assessments | 149,634 | 149,634 | 149,634 | - |
| Interest | 600 | 600 | 298 | (302) |
| Foundation funds | 250,000 | 420,000 | 346,598 | (73,402) |
| Miscellaneous | 12,000 | 15,228 | 11,793 | (3,435) |
| Contributed match (local) | 50,000 | 50,000 | 42,322 | (7,678) |
| Contributions/fees | 41,000 | 59,550 | 95,666 | 36,116 |
| Total revenues | 5,905,682 | 7,141,735 | 6,230,973 | (910,762) |
| Expenditures: | | | | |
| Local activities | 32,632 | 48,632 | 45,699 | 2,933 |
| Revolving loans made | - | - | - | - |
| Appalachian Regional Commission—Administration | | | | |
| Grants #076A-02 and #076A-03 | 116,111 | 116,111 | 114,486 | 1,625 |
| Appalachian Regional Commission—#CWP 207 | 57,772 | 55,000 | 55,000 | - |
| Appalachian Regional Commission-RLF Refunds | - | - | - | - |
| Appalachian Regional Commission-RLF Admin | 7,795 | 6,875 | 6,870 | 5 |
| Appalachian Regional Commission-Broadband | - | 20,000 | 15,000 | 5,000 |
| Regional Bike Plan | - | 50,000 | 38,918 | 11,082 |
| Rural Food Project | - | 30,000 | 22,772 | 7,228 |
| Homegrown Leaders Project | - | - | - | - |
| N.C. Office of Juvenile Justice | 650,000 | 800,000 | 771,357 | 28,643 |
| Mini Grant Project | - | 15,000 | 11,150 | 3,850 |
| Haywood Water Project | - | 500 | 221 | 279 |
| Mountain West Alliance | 10,000 | 10,000 | 5,523 | 4,477 |
| WNCEDNET Technology | 250,000 | 420,000 | 331,553 | 88,447 |
| N.C. DOT—Transportation RPO | 141,594 | 142,094 | 141,922 | 172 |
| Economic Development Administration—Planning | | | | |
| Project #04-83-04638-02 and #04-83-04638-03 | 100,000 | 110,000 | 108,196 | 1,804 |
| Economic Development Administration— | | | | |
| Revolving Loan Fund Administration | 11,000 | 38,547 | 38,372 | 175 |

| Special Revenue Fund | | | |
|-------------------------------|----------------------------|----------------------|--|
| <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget Favorable (Unfavorable)</u> |
| \$ - | \$ - | \$ - | \$ - |
| 75,000 | 140,000 | 230,886 | 90,886 |
| - | - | - | - |
| - | - | - | - |
| 82,500 | 89,500 | 78,148 | (11,352) |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| <u>157,500</u> | <u>229,500</u> | <u>309,034</u> | <u>79,534</u> |
| - | - | - | - |
| 138,705 | 138,705 | 100,000 | 38,705 |
| - | - | - | - |
| - | - | - | - |
| - | 44,773 | 32,434 | 12,339 |
| - | 100 | 42 | 58 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| - | 500 | 451 | 49 |

**Southwestern North Carolina Planning And
Economic Development Commission
Statement of Revenues, Expenditures and Changes in Fund Balances—
Annual Budget and Actual—General and Annually Budgeted Major Special Revenue Fund
Fiscal Year Ended June 30, 2018**

| | General Fund | | | Variance With Final Budget Favorable (Unfavorable) |
|--|--------------------|------------------|-------------------|---|
| | Original Budget | Final Budget | Actual | |
| Expenditures (continued): | | | | |
| Workforce Investment Act Admin.—Fund 2010 | \$ 225,000 | \$ 230,000 | \$ 132,303 | \$ 97,697 |
| Workforce Investment Act—Adult—Fund 4010 | 605,000 | 590,000 | 490,843 | 99,157 |
| Workforce Investment Act—Youth—Fund 4020 | 650,000 | 474,074 | 379,699 | 94,375 |
| Youth Project-Haywood County | 45,053 | 275,979 | 224,719 | 51,260 |
| Workforce Investment Act—Dislocated Workers Program—Fund 4030 | 520,000 | 550,000 | 279,250 | 270,750 |
| Division of Aging—Planning and Administration | 168,816 | 174,700 | 173,792 | 908 |
| Division of Aging—Elder Abuse | 7,250 | 6,100 | 6,100 | - |
| Division of Aging—Senate Bill 1559—AAA Support | 48,262 | 48,262 | 48,261 | 1 |
| Division of Aging—Senior Center General Purpose | 46,262 | 62,100 | 61,986 | 114 |
| Division of Aging—Family Caregiver | 140,555 | 143,305 | 143,305 | - |
| Division of Aging—SMP | 7,000 | 7,000 | 7,000 | - |
| Division of Aging—MIPPAA | 25,000 | 30,000 | 25,890 | 4,110 |
| Division of Aging—Fan Project | 2,275 | 2,500 | 2,270 | 230 |
| Division of Aging—Long-Term Care—Ombudsman | 106,000 | 99,492 | 99,344 | 148 |
| Division of Aging—Home Community Care Block Grant | 1,454,369 | 2,115,472 | 1,968,458 | 147,014 |
| Division of Aging—Evergreen Grant | - | 7,067 | 6,220 | 847 |
| Division of Aging—Project Care | 393,705 | 411,480 | 411,480 | - |
| Division of Aging—SHIP | 4,238 | 6,000 | 2,563 | 3,437 |
| Division of Aging—HCCBG Legal Services | 13,288 | 10,117 | 10,117 | - |
| Division of Aging—CRC Project | 30,000 | 30,000 | 28,149 | 1,851 |
| Division of Aging—Title IIID—Preventive Health | 24,500 | 19,750 | 19,750 | - |
| Division of Aging-MFP | 31,000 | 31,000 | 29,597 | 1,403 |
| Total expenditures | <u>5,924,477</u> | <u>7,187,157</u> | <u>6,258,135</u> | <u>929,022</u> |
| Revenues over (under) expenditures | <u>(18,795)</u> | <u>(45,422)</u> | <u>(27,162)</u> | <u>18,260</u> |
| Other financing sources(uses): | | | | |
| Transfers from (to) other funds | 18,795 | 45,422 | 45,242 | (180) |
| Appropriated fund balance | - | - | - | - |
| Total other financing sources | <u>18,795</u> | <u>45,422</u> | <u>45,242</u> | <u>(180)</u> |
| Net changes in fund balances | <u>\$ -</u> | <u>\$ -</u> | 18,080 | <u>\$ 18,080</u> |
| Fund balances—Beginning balances | | | <u>216,416</u> | |
| Fund balances—Ending balances | | | <u>\$ 234,496</u> | |

See accompanying notes.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of Southwestern North Carolina Planning and Economic Development Commission (the "Commission") conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity - Southwestern North Carolina Planning and Economic Development Commission a voluntary association of local governments, is one of eighteen multi-county planning districts in the State of North Carolina and is comprised of Cherokee, Clay, Graham, Haywood, Jackson, Macon and Swain Counties. The Commission provides a wide range of technical assistance and planning services to member governments upon request. The member governments are separate governmental entities whose financial statements are not included in the accompanying financial statements.

B. Basis of Presentation

Government-Wide Statements - The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements display the *governmental activities* of the Commission. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions.

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

Fund Financial Statements - The fund financial statements provide information about the Commission's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Commission reports the following major governmental funds:

- **General Fund**

The General Fund is the general operating fund of the Commission. 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 technical assistance contracts, contract and fees, and member dues. The primary expenditures are for area agency on aging, planning assistance and administration, workforce development and the regional initiatives group. A special revenue fund for future capital outlay has been consolidated into the General Fund in accordance with GASB Statement No. 54.

- **Special Revenue Fund**

The Special Revenue Fund accounts for specific revenue sources that are legally restricted to expenditures for specified purposes. The Revolving Loan Fund, established to meet the overall economic development goals for the area by encouraging the development of new industries and the expansion of established industries, is accounted for as a special revenue fund.

**Southwestern North Carolina Planning And
Economic Development Commission
Notes to the Financial Statements**

- C. Measurement Focus and Basis of Accounting** - In accordance with North Carolina General Statutes, all funds of the Commission 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 the Commission gives (or receives) value without directly receiving (or giving) equal in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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, and claims and judgments, 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.

The Commission considers all revenues available if they are collected within 60 days after year-end. Grant revenues which are unearned at year-end are recorded as unearned revenues.

Those revenues susceptible to accrual are member dues, 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.

- D. Budgetary Data** - The Commission's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the program level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any program within a fund and all amendments must be approved by the governing board. However, transfers from one appropriation to another within the same fund and program in any amount may be made by the finance officer but must be reported to the Board at its next regular meeting. The finance officer is also permitted to authorize expenditures from the contingency account, if any, provided that such expenditures are transferred to an existing appropriation on a budget line-item before the expenditure is made. All such transfers must be reported to the Board at its next meeting and duly recorded in the minutes. During the year, several amendments were necessary due to increased or decreased federal and State funding for various programs.

- E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances**

Cash and Cash Equivalents - The Commission pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Commission considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

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

**Southwestern North Carolina Planning And
Economic Development Commission
Notes to the Financial Statements**

State law [G.S. 159-30(c)] authorizes the Commission to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC registered mutual fund. The Commission's investments are stated at fair value as determined by quoted market prices.

Capital Assets - Capital assets are defined by the Commission as assets with an initial individual cost of more than a certain cost and an estimated useful life in excess of two years. The approved capitalization policy is \$5,000. 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 asset or materially extend assets' lives are not capitalized. Computer equipment is the Commission's only capital asset class and is depreciated using the straight-line method over the estimated useful life of three years.

Restricted Assets - Certain cash balances are restricted by purpose. Revolving loan cash balances are restricted for loan activity and administration of the program.

Notes Receivable - Loans are recognized as funds are lent. Because the Commission's notes receivable are long-term, they do not meet the definition of a current asset under the "current financial resources measurement focus" and therefore, a like amount of the Commission's Loan Administration special revenue fund balance is reserved by deferring the outstanding balance as unavailable revenue. Notes receivable that historically experience uncollectible accounts are shown net of allowance for doubtful accounts. Notes receivable determined to be uncollectible are shown in the statement of revenue, expenditures, and changes in fund balance as a reduction of fund balance. The amount of principal due on notes receivable within one year is considered immaterial.

Deferred Outflows of Resources - In addition to assets, the Statement of Net Position reports a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The Commission has one item that meets this criterion, its contributions to the pension plan for the 2018 fiscal year.

Long-Term Obligations - In the government-wide financial statements, other long-term obligations are reported as liabilities in the applicable governmental activities.

Compensated Absences - Employees of the Commission earn vacation leave of varying rates based upon experience with the Commission with a maximum of 26 days per year. The vacation policy of the Commission provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. At December 31 of each year, any excess accumulated vacation is converted into sick leave. For the Commission, the current portion of the accumulated vacation pay is not considered to be material. The Commission's liability for accumulated earned vacation and the salary-related payments as of June 30, 2018, are recorded in the government-wide financial statements on a FIFO basis, assuming that employees are taking leave time as it is earned.

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

Deferred Inflows of Resources - In addition to liabilities the Statement of Net Position reports a separate financial statement element for *Deferred Inflows of Resources*. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognize as revenue until then. The Commission has three items that meet this criterion - unearned grant revenue in the General Fund, notes receivable in the Special Revenue Fund, and other pension related deferrals.

**Southwestern North Carolina Planning And
Economic Development Commission
Notes to the Financial Statements**

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

Fund Balance - In the governmental fund financial statements, fund balance is composed of three classifications designed to disclose the hierarchy of constraints place on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

- Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.
 - *Stabilization by State Statute* - portion of fund balance that is constrained by state statute G.S. 159-8(a) from appropriation.
- Committed Fund Balance - This classification includes amounts that can only be spent for specific purposes that have been approved by the highest level of formal action of the Board and does not lapse at year-end. Any changes or removal of specific purposes require the same formal action by the Board. The amounts are committed for the building project.
- Unassigned Fund Balance - This classification includes amounts of fund balance that are spendable and have not been restricted, committed, or assigned to specific purposes or other funds. Unassigned fund balance does not represent amounts of fund balance that can be appropriated.

The Commission does not have a formal fund balance policy. Therefore, any unassigned fund balance in the General Fund is available for appropriation. In addition, all encumbrances lapse at the end of the year.

The Commission does not have a formal revenue spending policy; however, it is the Commission's practice to use resources in the following hierarchy: Federal funds, State funds, local non-Commission funds and Commission funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed by committed fund balance, and lastly unassigned fund balance.

F. Revenues and Expenditures

Indirect Costs - Indirect costs are allocated to the various grants, based on the proportion of each grant's salaries, to the total of direct salaries for all grants. The allocation ratio for the year ended June 30, 2018, is 43.787% of direct salaries. The Appalachian Regional Commission, the Commission's oversight agency, has reviewed and found no fault in the provisional rate. The indirect cost provisional rate is adjusted to actual at year-end if the actual rate is determined to be lower than the provisional rate. However, if the actual rate is higher than the rate used, local income is used to supplement the indirect costs instead of adjusting the rate used. The actual indirect cost rate for the year ended June 30, 2018, is 43.787% of direct salaries.

Other Resources - The Special Revenue Fund provides reimbursement for the administration of the Revolving Loan Funds to the General Fund. These transactions are recorded as "Transfers to other funds" in the Special Revenue Fund and "Transfers from other funds" in the General Fund.

Defined Benefit Pension Plan - The Commission participates in a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the State, the Local Governmental Employees' Retirement System ("LGERS"). For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of LGERS and additions to/deductions from LGERS' fiduciary net position has

**Southwestern North Carolina Planning And
Economic Development Commission
Notes to the Financial Statements**

been determined on the same basis as they are reported by the LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Commission's employer contributions are recognized when due and the Commission has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

2. Detail Notes on All Funds

A. Assets

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

At June 30, 2018, the Commission's deposits had a carrying amount of \$103,172 and a bank balance of \$535,272. Of the bank balance, \$250,000 was covered by federal depository insurance and \$285,272 was covered by collateral held under the Pooling Method. The Commission also had no petty cash on hand.

Investments - At June 30, 2018, the Commission had \$795,665 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Commission has no policy for managing interest rate risk or credit risk.

Notes Receivable - The notes receivable represents loans made to companies from the Revolving Loan Fund. The major criterion for receiving such a loan is that the money is spent for purposes that will create new jobs in the area. The notes receivable are at interest rates that vary from 4% to floating prime and are repaid quarterly and monthly over a period of one to seven years. Notes receivable are collateralized by the personal assets of the companies' owners or majority shareholders or by the assets of the company.

The amount of notes receivable presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2018, were:

| | <u>Economic Development Administration</u> | <u>Appalachian Regional Development</u> | <u>Total</u> |
|------------------|---|--|---------------------|
| Notes receivable | \$ 1,059,020 | \$ 175,065 | \$ 1,234,085 |

Capital Assets – As of June 30, 2018, the Commission's capital assets consisted of equipment with a fully depreciated cost of \$43,766.

B. Liabilities

Retirement Obligations:

Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic 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. The Commission employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Commission's contractually required contribution rate for the year ended June 30, 2018, was 8.25% for its employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Commission were \$68,819 for the year ended June 30, 2018.

Refunds of Contributions. The Commission's 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, 2018, the Commission reported a liability of \$175,994 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016.

**Southwestern North Carolina Planning And
Economic Development Commission
Notes to the Financial Statements**

The total pension liability was then rolled forward to the measurement date of June 30, 2017 utilizing update procedures incorporating the actuarial assumptions. The Commission's proportion of the net pension liability was based on a projection of the Commission'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, 2017, The Commission's proportion was .01152%, which was a decrease of .00017% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Commission recognized pension expense of \$69,363. At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 10,139 | \$ 4,982 |
| Changes of assumptions | 25,134 | - |
| Net difference between projected and actual earnings on pension plan investments | 42,731 | - |
| Changes in proportion and differences between the Commission's contributions and proportionate share of contributions | 19,189 | 6,239 |
| Contributions made subsequent to measurement date | <u>68,819</u> | <u>-</u> |
| | <u>\$ 166,012</u> | <u>\$ 11,221</u> |

\$68,819 reported as deferred outflows of resources related to pensions resulting from the Commission contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows for the year ending June 30:

| | |
|------|------------------|
| 2019 | \$ 18,400 |
| 2020 | 53,435 |
| 2021 | 25,549 |
| 2022 | <u>(11,411)</u> |
| | <u>\$ 85,973</u> |

Actuarial Assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Salary increases | 3.50 to 7.75 percent, including inflation and productivity factor |
| Investment rate of return | 7.20 percent, net of pension plan investment expense, including inflation |

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

**Southwestern North Carolina Planning And
Economic Development Commission
Notes to the Financial Statements**

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed Income | 29.0% | 1.4% |
| Global Equity | 42.0 | 5.3 |
| Real Estate | 8.0 | 4.3 |
| Alternatives | 8.0 | 8.9 |
| Credit | 7.0 | 6.0 |
| Inflation Protection | <u>6.0</u> | 4.0 |
| Total | <u>100.0%</u> | |

The information above is based on 30 year expectations developed with the consulting actuary for the 2016 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 re calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Commission's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the Commission'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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

| | <u>1% Decrease (6.20%)</u> | <u>Discount Rate (7.20%)</u> | <u>1% Increase (8.20%)</u> |
|--|--------------------------------|----------------------------------|--------------------------------|
| Commission's proportionate share of the net pension liability (asset) | <u>\$ 528,337</u> | <u>\$ 175,994</u> | <u>\$ (118,102)</u> |

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

**Southwestern North Carolina Planning And
Economic Development Commission
Notes to the Financial Statements**

Other Employment Benefits – Death Benefits

The Commission has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The Commission has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Because the benefit payments are made by the Death Benefit Plan and not by the Commission, the Commission does not determine the number of eligible participants the contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

Long-Term Obligation Activity - The following is a summary of changes in the Commission's long-term obligations for the year ended June 30, 2018:

| | <u>July 1, 2017</u> | <u>Net Increase</u> | <u>June 30, 2018</u> |
|------------------------------|--------------------------------|--------------------------------|---------------------------------|
| Compensated absences Payable | \$ 67,198 | \$ 628 | \$ 67,826 |

Lease Obligation - During 2006 the Commission entered into a lease agreement for the use of office space for a term of five years, with renewal provisions. Payments are to be made in monthly installments of \$7,184 for the current year of the lease, and thereafter shall increase 3% per year for the remaining term. The approximate future minimum lease payments are as follows:

| <u>Fiscal Year</u> | |
|--------------------|-------------------|
| 2019 | \$ 86,205 |
| 2020 | 86,205 |
| 2021 | 28,736 |
| | <u>\$ 201,146</u> |

It is expected that the rental payments will remain approximately the same through October 2020, at which time the Commission will have the option to renew the lease for an additional 5 years. Operating lease expense for the year ended June 30, 2018, was \$86,205.

C. Unearned revenues and Deferred Inflows of Resources

The balance in unearned revenues and deferred inflows of resources at June 30, 2018 is composed of the following:

| | <u>Unearned Revenue</u> | <u>Unavailable Revenue</u> |
|--|------------------------------------|---------------------------------------|
| Grants not yet earned-General Fund | \$ 121,648 | \$ - |
| Notes Receivable-Special Revenue Fund | - | 1,234,085 |
| Total governmental funds | 121,648 | 1,234,085 |
| Government-wide accrual adjustment | - | (1,234,085) |
| Pension deferral-Governmental activities | - | 11,221 |
| Total governmental activities | <u>\$ 121,648</u> | <u>\$ 11,221</u> |

D. Interfund Balances and Activity

The \$18,356 in Due from Special Revenue Fund to the General Fund, results from administrative cost reimbursements not yet paid.

3. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Commission has worker's compensation coverage of up to statutory limits, and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for worker's compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance based upon a percentage of total insurance values.

Commission employees are performance bonded through a commercial surety policy. All employees are covered under a \$20,000 blanket bond. The executive director/finance officer is covered by an additional \$50,000 position specific amount.

The Commission does not carry flood insurance on any facility based on no material assets located within a flood prone area. The Commission carries commercial insurance against all other risks of loss, including property and general liability insurance. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded commercial insurance coverage in any of the last three fiscal years.

The Commission is required to fund unemployment compensation benefits for its employees. The Commission has elected the experience rate method for paying the costs of unemployment compensation benefits. Under this method, the Commission pays the state 0.060% of the first \$23,500 of gross wages paid per employee during a calendar year.

4. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs - The Commission 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.

Other Contingent Liabilities – in the normal course of business, the Commission becomes subject to claims and counter claims with the potential to result in liabilities to the Commission. In the opinion of management and the Commission's attorney, the ultimate effect on these legal matters will not have a material adverse effect on the Commission's financial position.

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Required Supplementary Information

**Southwestern North Carolina Planning and
Economic Development Commission
Required Supplementary Information
Schedule of the Commission's Proportionate
Share of the Net Pension Liability (Asset)
Local Governmental Employees' Retirement System
Last Five Fiscal Years***

Schedule "RSI-1"

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|-------------------|--------------------|-------------------|
| Commission's proportion of the net pension liability (asset) | 0.01152% | 0.01169% | 0.01367% | 0.01289% | 0.01130% |
| Commission's proportionate share of the net pension liability (asset) | <u>\$ 175,994</u> | <u>\$ 248,101</u> | <u>\$ 61,350</u> | <u>\$ (76,018)</u> | <u>\$ 136,208</u> |
| Commission's covered payroll | <u>\$ 797,478</u> | <u>\$ 765,430</u> | <u>\$ 930,496</u> | <u>\$ 878,432</u> | <u>\$ 768,963</u> |
| Commission's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 22.07% | 32.41% | 6.59% | -8.65% | 17.71% |
| Plan fiduciary net position as a percentage of total pension liability | 94.18% | 91.47% | 98.09% | 102.64% | 94.35% |

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

**Southwestern North Carolina Planning and
Economic Development Commission
Required Supplementary Information
Schedule of the Commission's Contributions—
Local Governmental Employees' Retirement System
Last Five Fiscal Years ***

Schedule "RSI-2"

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually required contributions | \$ 68,819 | \$ 63,788 | \$ 52,048 | \$ 65,786 | \$ 62,105 |
| Contributions in relation to the contractually required contributions | <u>68,819</u> | <u>63,788</u> | <u>52,048</u> | <u>65,786</u> | <u>62,105</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Commission's covered payroll | <u>\$ 909,089</u> | <u>\$ 797,478</u> | <u>\$ 765,430</u> | <u>\$ 930,496</u> | <u>\$ 878,432</u> |
| Contributions as a percentage of covered payroll | 7.57% | 8.00% | 6.80% | 7.07% | 7.07% |

* This schedule will build to a 10 year schedule as information becomes available.

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**SUPPLEMENTARY INFORMATION
AND
OTHER SCHEDULES**

**Southwestern North Carolina Planning And
Economic Development Commission
Schedule of Revenues and Expenditures in Detail
Compared to Budget—Older Americans Act Programs
Fiscal Year Ended June 30, 2018**

| | <u>Budgeted Amount</u> | <u>P&A</u> | <u>Evergreen Grant</u> | <u>SHIP</u> | <u>Elder Abuse</u> | <u>AAA Support</u> | <u>Family Caregiver</u> | <u>Medicare Patrol</u> | <u>MFP</u> | <u>Senior Center General Purpose</u> |
|---------------------------|----------------------------|-------------------|----------------------------|-----------------|------------------------|------------------------|-----------------------------|----------------------------|------------------|--|
| Revenues: | | | | | | | | | | |
| Federal | | \$ 128,606 | \$ - | \$ - | \$ 3,932 | \$ - | \$ 134,348 | \$ - | \$ 29,597 | \$ - |
| State | | 7,048 | - | 2,563 | 231 | 48,261 | 8,957 | 6,300 | - | 61,986 |
| Local | | 30,725 | - | - | 487 | - | - | 700 | - | - |
| Contributions/fees | | 7,413 | 6,220 | - | 1,450 | - | - | - | - | - |
| Total revenues | \$ 3,204,345 | \$ 173,792 | \$ 6,220 | \$ 2,563 | \$ 6,100 | \$ 48,261 | \$ 143,305 | \$ 7,000 | \$ 29,597 | \$ 61,986 |
| Expenditures: | | | | | | | | | | |
| Salaries | | \$ 57,160 | \$ 3,290 | \$ 1,224 | \$ 227 | \$ 19,755 | \$ 55,526 | \$ 3,331 | \$ 13,725 | \$ - |
| Fringe | | 18,579 | 1,070 | 541 | 90 | 6,693 | 18,107 | 1,551 | 4,845 | - |
| Travel | | 7,237 | 419 | 262 | 1 | 6,317 | 5,644 | - | 1,045 | - |
| Training | | - | - | - | - | 1,550 | - | - | - | - |
| Operating | | 63,401 | - | - | - | 2,812 | 6,195 | 659 | 3,972 | - |
| Contracted services | | - | - | - | - | 2,484 | 30,075 | - | - | 61,986 |
| MIS | | 1,840 | - | - | - | - | 3,445 | - | - | - |
| Miscellaneous | | 546 | - | - | 5,683 | - | - | - | - | - |
| Indirect | | 25,029 | 1,441 | 536 | 99 | 8,650 | 24,313 | 1,459 | 6,010 | - |
| Total expenditures | \$ 3,204,345 | \$ 173,792 | \$ 6,220 | \$ 2,563 | \$ 6,100 | \$ 48,261 | \$ 143,305 | \$ 7,000 | \$ 29,597 | \$ 61,986 |

Schedule "A-1"

| <u>Ombudsman</u> | <u>HCCBG</u> | <u>Legal</u> | <u>Project Care</u> | <u>Title IID</u> | <u>CRC</u> | <u>MIPPAA</u> | <u>Fan Project</u> | <u>Total</u> | <u>Variance</u> |
|------------------|---------------------|------------------|---------------------|------------------|------------------|------------------|--------------------|---------------------|---------------------|
| \$ 54,242 | \$ 1,092,415 | \$ 9,555 | \$ - | \$ 16,787 | \$ - | \$ - | \$ - | \$ 1,469,482 | |
| 33,741 | 876,043 | 562 | 411,480 | 988 | 28,149 | 25,890 | 2,270 | 1,514,469 | |
| 11,361 | - | - | - | 1,975 | - | - | - | 45,248 | |
| - | - | - | - | - | - | - | - | 15,083 | |
| <u>\$ 99,344</u> | <u>\$ 1,968,458</u> | <u>\$ 10,117</u> | <u>\$ 411,480</u> | <u>\$ 19,750</u> | <u>\$ 28,149</u> | <u>\$ 25,890</u> | <u>\$ 2,270</u> | <u>\$ 3,044,282</u> | <u>\$ (160,063)</u> |
| \$ 48,379 | \$ - | \$ - | \$ - | \$ 7,122 | \$ 7,464 | \$ 11,376 | \$ - | \$ 228,579 | |
| 19,259 | - | - | - | 2,875 | 2,552 | 3,533 | - | 79,695 | |
| 5,977 | - | - | - | 40 | 115 | 4,705 | - | 31,762 | |
| - | - | - | - | - | - | - | - | 1,550 | |
| 2,561 | - | - | - | 6,594 | - | - | - | 86,194 | |
| - | 1,968,458 | 10,117 | 411,480 | - | 14,750 | 1,295 | - | 2,500,645 | |
| 1,984 | - | - | - | - | - | - | - | 7,269 | |
| - | - | - | - | - | - | - | 2,270 | 8,499 | |
| 21,184 | - | - | - | 3,119 | 3,268 | 4,981 | - | 100,089 | |
| <u>\$ 99,344</u> | <u>\$ 1,968,458</u> | <u>\$ 10,117</u> | <u>\$ 411,480</u> | <u>\$ 19,750</u> | <u>\$ 28,149</u> | <u>\$ 25,890</u> | <u>\$ 2,270</u> | <u>\$ 3,044,282</u> | <u>\$ 160,063</u> |

**Southwestern North Carolina Planning And
Economic Development Commission
Schedule of Revenues and Expenditures in Detail
Compared to Budget—Workforce Investment Act Programs
Fiscal Year Ended June 30, 2018**

| | <u>Budgeted Amount</u> | <u>Fund 4010</u> | <u>Fund 4020</u> | <u>Fund 4030</u> | <u>Fund 4040 In-School</u> |
|----------------------|----------------------------|-------------------|-------------------|-------------------|--------------------------------|
| Revenues: | | | | | |
| Federal: | | | | | |
| PY 2017 | | \$ 83,676 | \$ 148,980 | \$ 160,875 | \$ 9,944 |
| Program Income | | - | 4,875 | 4,875 | - |
| CY 2018 | | <u>48,627</u> | <u>336,988</u> | <u>113,500</u> | <u>59,306</u> |
| Total revenues | <u>\$ 2,120,053</u> | <u>\$ 132,303</u> | <u>\$ 490,843</u> | <u>\$ 279,250</u> | <u>\$ 69,250</u> |
| Expenditures: | | | | | |
| Salaries | | \$ 51,164 | \$ 82,393 | \$ 82,022 | \$ 34,276 |
| Fringe | | 16,844 | 33,800 | 33,779 | 12,686 |
| Travel | | 4,018 | 4,902 | 4,874 | 2,150 |
| Operating | | 37,874 | 26,020 | 25,663 | 5,130 |
| Contracted services | | - | 252,074 | 93,338 | - |
| Participant services | | - | 55,577 | 3,659 | - |
| Indirect | | <u>22,403</u> | <u>36,077</u> | <u>35,915</u> | <u>15,008</u> |
| Total expenditures | <u>\$ 2,120,053</u> | <u>\$ 132,303</u> | <u>\$ 490,843</u> | <u>\$ 279,250</u> | <u>\$ 69,250</u> |

Schedule "A-2"

| <u>Fund 4040</u> <u>Out-School</u> | <u>Haywood</u> <u>County Youth</u> | <u>Business</u> <u>Services</u> | <u>Total</u> | <u>Variance</u> |
|---------------------------------------|---------------------------------------|------------------------------------|--------------|-----------------|
| \$ 44,581 | \$ 198,353 | \$ 26,366 | \$ 672,775 | |
| - | - | - | 9,750 | |
| 265,868 | - | - | 824,289 | |
| \$ 310,449 | \$ 198,353 | \$ 26,366 | \$ 1,506,814 | \$ (613,239) |
| \$ 34,276 | \$ 34,721 | \$ 13,462 | \$ 332,314 | |
| 12,686 | 2,720 | 5,501 | 118,016 | |
| 2,151 | 570 | 143 | 18,808 | |
| 5,058 | 18,033 | 1,366 | 119,144 | |
| 233,022 | 127,106 | - | 705,540 | |
| 8,248 | - | - | 67,484 | |
| 15,008 | 15,203 | 5,894 | 145,508 | |
| \$ 310,449 | \$ 198,353 | \$ 26,366 | \$ 1,506,814 | \$ 613,239 |

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**Southwestern North Carolina Planning And
Economic Development Commission
Schedule of Revenues and Expenditures in Detail
Compared to Budget— Economic Development Administration Planning Grants
Fiscal Year Ended June 30, 2018**

Schedule "A-3"

| | <u>Budgeted Amount</u> | <u>EDA 301(b) #1</u> | <u>EDA 301(b) #2</u> | <u>Total</u> | <u>Variance</u> |
|--------------------|-----------------------------------|---------------------------------|---------------------------------|---------------------|------------------------|
| Revenues: | | | | | |
| Federal | | \$ 45,166 | \$ 25,068 | \$ 70,234 | |
| Local | | 19,358 | 18,604 | 37,962 | |
| Total revenues | <u>\$ 110,000</u> | <u>\$ 64,524</u> | <u>\$ 43,672</u> | <u>\$ 108,196</u> | <u>\$ (1,804)</u> |
| Expenditures: | | | | | |
| Salaries | | \$ 28,128 | \$ 19,124 | \$ 47,252 | |
| Fringe | | 10,076 | 7,883 | 17,959 | |
| Travel | | 5,756 | 2,210 | 7,966 | |
| Operating | | 8,248 | 6,081 | 14,329 | |
| Indirect | | 12,316 | 8,374 | 20,690 | |
| Total expenditures | <u>\$ 110,000</u> | <u>\$ 64,524</u> | <u>\$ 43,672</u> | <u>\$ 108,196</u> | <u>\$ 1,804</u> |

**Southwestern North Carolina Planning And
Economic Development Commission
Schedule of Revenues and Expenditures in Detail
Compared to Budget— Appalachian Regional Commission Grants
Fiscal Year Ended June 30, 2018**

| | <u>Budgeted Amount</u> | <u>ARC 302(a) #1</u> | <u>ARC 302(a) #2</u> | <u>ARC 207-#1</u> |
|--------------------|----------------------------|--------------------------|--------------------------|-----------------------|
| Revenues: | | | | |
| Federal | | \$ 28,904 | \$ 56,964 | \$ 10,000 |
| Local | | 9,630 | 18,988 | 10,000 |
| | | <hr/> | <hr/> | <hr/> |
| Total revenues | <u>\$ 191,111</u> | <u>\$ 38,534</u> | <u>\$ 75,952</u> | <u>\$ 20,000</u> |
| Expenditures: | | | | |
| Salaries | | \$ 17,323 | \$ 35,195 | \$ 11,281 |
| Fringe | | 3,963 | 9,895 | 3,779 |
| Travel | | 4,332 | 6,526 | - |
| Operating | | 5,331 | 8,925 | - |
| Contract Services | | - | - | - |
| Indirect | | 7,585 | 15,411 | 4,940 |
| | | <hr/> | <hr/> | <hr/> |
| Total expenditures | <u>\$ 191,111</u> | <u>\$ 38,534</u> | <u>\$ 75,952</u> | <u>\$ 20,000</u> |

| <u>ARC 207-#2</u> | <u>ARC 207-#3</u> | <u>ARC Broadband</u> | <u>Total</u> | <u>Variance</u> |
|-----------------------|-----------------------|--------------------------|-------------------|-------------------|
| \$ 8,750 | \$ 8,750 | \$ 10,000 | \$ 123,368 | |
| 8,750 | 8,750 | 5,000 | 61,118 | |
| <u>\$ 17,500</u> | <u>\$ 17,500</u> | <u>\$ 15,000</u> | <u>\$ 184,486</u> | <u>\$ (6,625)</u> |
| \$ 9,873 | \$ 9,873 | \$ - | \$ 83,545 | |
| 3,304 | 3,304 | - | 24,245 | |
| - | - | - | 10,858 | |
| - | - | - | 14,256 | |
| - | - | 15,000 | 15,000 | |
| 4,323 | 4,323 | - | 36,582 | |
| <u>\$ 17,500</u> | <u>\$ 17,500</u> | <u>\$ 15,000</u> | <u>\$ 184,486</u> | <u>\$ 6,625</u> |

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**Southwestern North Carolina Planning And
Economic Development Commission
Schedule of Revenues and Expenditures in Detail
Compared to Budget— Revolving Loan Fund Administration
Fiscal Year Ended June 30, 2018**

Schedule “A-5”

| | <u>Budgeted Amount</u> | <u>EDA RLF</u> | <u>ARC RLF</u> | <u>Total</u> | <u>Variance</u> |
|-----------------------|----------------------------|--------------------|--------------------|------------------|-----------------|
| Revenues: | | | | | |
| Transfers in | <u>\$ 45,422</u> | <u>\$ 38,372</u> | <u>\$ 6,870</u> | <u>\$ 45,242</u> | <u>\$ (180)</u> |
| Expenditures: | | | | | |
| Salaries | | \$ 19,476 | \$ 3,365 | \$ 22,841 | |
| Fringe | | 5,477 | 962 | 6,439 | |
| Operating | | 541 | 70 | 611 | |
| Professional services | | 4,350 | 1,000 | 5,350 | |
| Indirect | | 8,528 | 1,473 | 10,001 | |
| Total expenditures | <u>\$ 45,422</u> | <u>\$ 38,372</u> | <u>\$ 6,870</u> | <u>\$ 45,242</u> | <u>\$ 180</u> |

**Southwestern North Carolina Planning And
Economic Development Commission
Schedule of Revenues and Expenditures in Detail
Compared to Budget — Various Community and Economic Development Projects
Fiscal Year Ended June 30, 2018**

| | <u>Budgeted Amount</u> | <u>Local Activity</u> | <u>Office of Juvenile Justice</u> | <u>WNC EDNET</u> | <u>Haywood Water Project</u> | <u>Rural Food Project</u> | <u>Regional Initiative</u> |
|--------------------|----------------------------|---------------------------|---|----------------------|----------------------------------|-------------------------------|--------------------------------|
| Revenues: | | | | | | | |
| Federal | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State | | - | 729,035 | - | 221 | 7,727 | - |
| Foundation funds | | - | - | 331,553 | - | 15,045 | 5,015 |
| Local | | 30,626 | - | - | - | - | - |
| Contributions | | 15,073 | 42,322 | - | - | - | 508 |
| Total revenues | <u>\$ 1,530,972</u> | <u>\$ 45,699</u> | <u>\$ 771,357</u> | <u>\$ 331,553</u> | <u>\$ 221</u> | <u>\$ 22,772</u> | <u>\$ 5,523</u> |
| Expenditures: | | | | | | | |
| Salaries | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fringe | | - | - | - | - | - | - |
| Travel | | 467 | - | - | - | - | - |
| Operating | | 45,232 | - | 30,936 | 221 | 4,601 | 4,423 |
| Pass through | | - | 771,357 | 300,617 | - | 18,171 | 1,100 |
| Indirect | | - | - | - | - | - | - |
| Total expenditures | <u>\$ 1,530,972</u> | <u>\$ 45,699</u> | <u>\$ 771,357</u> | <u>\$ 331,553</u> | <u>\$ 221</u> | <u>\$ 22,772</u> | <u>\$ 5,523</u> |

Schedule "A-6"

| <u>Regional Bike Project</u> | <u>Transportation RPO</u> | <u>Mini-Grant Initiative</u> | <u>Total</u> | <u>Variance</u> |
|----------------------------------|-------------------------------|----------------------------------|---------------------|---------------------|
| \$ - | \$ - | \$ 11,150 | \$ 11,150 | |
| 38,918 | 113,275 | - | 889,176 | |
| - | - | - | 351,613 | |
| - | 28,647 | - | 59,273 | |
| - | - | - | 57,903 | |
| <u>\$ 38,918</u> | <u>\$ 141,922</u> | <u>\$ 11,150</u> | <u>\$ 1,369,115</u> | <u>\$ (161,857)</u> |
| \$ - | \$ 69,213 | \$ - | \$ 69,213 | |
| - | 25,457 | - | 25,457 | |
| - | 4,166 | - | 4,633 | |
| - | 12,780 | - | 98,193 | |
| 38,918 | - | 11,150 | 1,141,313 | |
| - | 30,306 | - | 30,306 | |
| <u>\$ 38,918</u> | <u>\$ 141,922</u> | <u>\$ 11,150</u> | <u>\$ 1,369,115</u> | <u>\$ 161,857</u> |

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**Southwestern North Carolina Planning And
Economic Development Commission
Schedule of Indirect
Fiscal Year Ended June 30, 2018**

Schedule "B-1"

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--------------------------------------|----------------|----------------|---|
| Revenues: | | | |
| Indirect earned | \$ 343,180 | \$ 343,178 | \$ (2) |
| Expenditures: | | | |
| Salaries | | 182,477 | |
| Fringe benefits | | 57,771 | |
| Professional services | | 8,350 | |
| Communications | | 3,386 | |
| Postage | | 1,764 | |
| Travel | | 5,180 | |
| Maintenance and repair | | 7,028 | |
| Advertising | | 2,483 | |
| Occupancy | | 18,887 | |
| Office supplies | | 16,107 | |
| Printing and publications | | (3,265) | |
| Dues and subscriptions | | 5,000 | |
| Insurance and bonds | | 4,034 | |
| Training | | 3,600 | |
| Janitorial | | 3,900 | |
| Miscellaneous | | 1,457 | |
| Meetings/Registrations | | 1,453 | |
| Utilities | | 10,893 | |
| Technology/E Communications | | 10,988 | |
| Bank Fees | | 1,685 | |
| Total expenditures | <u>343,180</u> | <u>343,178</u> | <u>2</u> |
| Excess of revenues over expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**Southwestern North Carolina Planning And
Economic Development Commission
Schedule of Indirect Costs Allocation
Fiscal Year Ended June 30, 2018**

| | <u>Direct Salary Expense</u> | <u>Fringe</u> |
|--|---|-----------------------------------|
| Local Expenditures | \$ - | \$ - |
| Appalachian Regional Commission—302#1 | 17,323 | 3,962 |
| Appalachian Regional Commission—302#2 | 35,195 | 9,892 |
| Appalachian Regional Commission—207 ED | 11,281 | 3,779 |
| Appalachian Regional Commission—207 IP | 9,873 | 3,304 |
| Appalachian Regional Commission—207 LGP | 9,873 | 3,304 |
| N.C. DOT—Transportation RPO | 69,213 | 25,457 |
| Economic Development Administration—301 #1 | 28,128 | 10,076 |
| Economic Development Administration—301 #2 | 19,124 | 7,883 |
| Economic Development Administration—RLF Admin | 19,476 | 5,477 |
| Appalachian Regional Commission—RLF Admin | 3,365 | 1,032 |
| Older American Act—Planning and Administration | 57,160 | 18,578 |
| Older American Act—Elder Abuse | 227 | 90 |
| Older American Act—AAA Support | 19,755 | 6,692 |
| Older American Act—Family Caregiver | 55,526 | 18,108 |
| Older American Act—Senior Medicare Patrol | 3,331 | 1,551 |
| Older American Act—SHIIP | 1,224 | 541 |
| Older American Act— Long-Term Care Ombudsman | 48,379 | 19,259 |
| Older American Act—Title III D | 7,122 | 2,874 |
| Older Americans Act—CRC | 7,464 | 2,552 |
| Older American Act—UNC-A Grant | 3,290 | 1,069 |
| Older Americans Act-MFP | 13,725 | 4,844 |
| Older Americans Act-MIPPAA | 11,376 | 3,533 |
| Workforce Investment Act—all funds | 332,314 | 118,017 |
| Small Grants | - | - |
| Pass-through to Sub-Contractors | - | - |
| | <hr/> | <hr/> |
| Total | \$ 783,744 | \$ 271,874 |
| | <hr/> | <hr/> |
| | <u>Indirect Salaries</u> | <u>Indirect Fringe</u> |
| Indirect Costs | \$ 182,477 | \$ 57,771 |
| | <hr/> | <hr/> |

Schedule "B-2"

| <u>Travel</u> | <u>Occupancy</u> | <u>Other Operating Costs</u> | <u>Pass Through Costs</u> | <u>Indirect Costs</u> | <u>Total Costs</u> |
|------------------|------------------|------------------------------|---------------------------|-----------------------|--------------------|
| \$ 468 | \$ 8,123 | \$ 37,109 | \$ - | \$ - | \$ 45,700 |
| 4,332 | 1,720 | 3,612 | - | 7,585 | 38,534 |
| 6,526 | 2,319 | 6,609 | - | 15,411 | 75,952 |
| - | - | - | - | 4,940 | 20,000 |
| - | - | - | - | 4,323 | 17,500 |
| - | - | - | - | 4,323 | 17,500 |
| 4,166 | 5,302 | 7,478 | - | 30,306 | 141,922 |
| 5,757 | 2,334 | 5,913 | - | 12,316 | 64,524 |
| 2,210 | 1,284 | 4,797 | - | 8,374 | 43,672 |
| - | 472 | 4,420 | - | 8,527 | 38,373 |
| - | - | 1,000 | - | 1,473 | 6,870 |
| 8,145 | 14,199 | 51,589 | - | 25,029 | 174,700 |
| 1 | - | 5,683 | - | 99 | 6,100 |
| 6,317 | 4,273 | 2,574 | - | 8,650 | 48,261 |
| 2,521 | 3,278 | 9,077 | 29,575 | 24,313 | 142,398 |
| - | - | 659 | - | 1,459 | 7,000 |
| 262 | - | - | - | 536 | 2,563 |
| 5,977 | 1,386 | 3,159 | - | 21,184 | 99,344 |
| 40 | - | 4,898 | 1,697 | 3,119 | 19,750 |
| 114 | - | - | 14,750 | 3,268 | 28,148 |
| 419 | - | - | - | 1,441 | 6,219 |
| 1,045 | - | 175 | 3,799 | 6,010 | 29,598 |
| 4,705 | - | 1,295 | - | 4,981 | 25,890 |
| 18,808 | 22,630 | 95,135 | - | 145,511 | 732,414 |
| - | - | 44,334 | 73,410 | - | 117,744 |
| - | - | - | 4,022,280 | - | 4,022,280 |
| <u>\$ 71,813</u> | <u>\$ 67,320</u> | <u>\$ 289,516</u> | <u>\$4,145,511</u> | <u>\$343,178</u> | <u>\$5,972,956</u> |

| <u>Indirect Travel</u> | <u>Indirect Occupancy</u> | <u>Indirect Operating Costs</u> | <u>Total Indirect Costs</u> |
|------------------------|---------------------------|---------------------------------|-----------------------------|
| \$ 5,180 | \$ 18,887 | \$ 78,863 | \$ 343,178 |

**Southwestern North Carolina Planning and
Economic Development Commission
Schedule of Indirect Cost Pool
Fiscal Year Ended June 30, 2018**

Schedule "C-1"

| | <u>Amount</u> |
|----------------------------------|-------------------|
| Expenditures: | |
| Salaries & wages | \$ 189,358 |
| Fringe benefits | 53,452 |
| Professional services | 12,500 |
| Training | 1,800 |
| Communications | 3,900 |
| Postage | 1,500 |
| Travel | 3,500 |
| Maintenance & repair - equipment | 3,500 |
| Banking fees | 1,000 |
| MIS/Tech | 3,000 |
| Building Rent | 19,000 |
| Janitorial | 11,000 |
| Utilities | 11,000 |
| Advertising | 1,900 |
| Office supplies | 9,000 |
| Printing & publications | 2,000 |
| Registration fees | 1,000 |
| Dues & subscriptions | 1,500 |
| Insurance & bonds | 3,500 |
| Meeting costs | 400 |
| Miscellaneous | 750 |
| | <hr/> |
| Total estimated indirect cost | <u>\$ 334,560</u> |

**Southwestern North Carolina Planning and
Economic Development Commission
Consolidated Central Service Cost Allocation Plan and
Indirect Cost Proposal
Fiscal Year Ended June 30, 2018**

Schedule "C-2"

| | <u>Total Estimated Costs</u> | <u>Estimated Pass-Through Funding</u> | <u>Estimated Indirect Costs</u> | <u>Estimated Direct Salaries</u> | <u>Estimated Agency Operating Costs</u> |
|-----------------------|--------------------------------------|---|---|--|---|
| Indirect Costs: | | | | | |
| Unallocable costs | \$ - | \$ - | \$ 334,560 | \$ - | \$ - |
| Local projects | 32,632 | - | - | - | 32,632 |
| Fed/State programs: | | | | | |
| Arc 207-Cluster | 57,772 | - | - | 33,102 | 14,494 |
| Arc 302(a)-Planning | 116,111 | - | - | 57,539 | 40,694 |
| OJJ Passthrough | 650,000 | 650,000 | - | - | - |
| WNCEDNET | 250,000 | 250,000 | - | - | - |
| Transportation RPO | 141,594 | - | - | 70,846 | 47,690 |
| EDA 301(b)-Planning | 100,000 | - | - | 54,247 | 29,377 |
| Mountain West Partner | 10,000 | 10,000 | - | - | - |
| Aging programs | 2,502,520 | 2,000,000 | - | 235,131 | 192,425 |
| WIOA programs | 2,045,053 | 1,450,000 | - | 304,199 | 183,200 |
| RLF Admin | 18,795 | - | - | 8,997 | 7,439 |
| Totals | <u>\$ 5,924,477</u> | <u>\$ 4,360,000</u> | <u>\$ 334,560</u> | <u>\$ 764,061</u> | <u>\$ 547,951</u> |

INDIRECT RATE CALCULATION:

| | | |
|-------------------|-------------------|----------------|
| <u>\$ 334,560</u> | <u>\$ 764,061</u> | <u>43.787%</u> |
|-------------------|-------------------|----------------|

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Compliance Section

**Southwestern North Carolina Planning and Economic Development Commission
Schedule of Expenditures of Federal and State Awards
Fiscal Year Ended June 30, 2018**

| <u>Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-Through Grantor's Number</u> |
|--|------------------------------------|---|
| Federal awards | | |
| U.S. Department of Commerce: | | |
| Direct Grants: | | |
| Economic Development Administration: | | |
| Planning Grant #1 | 11.302 | |
| Planning Grant #2 | 11.302 | |
| Revolving Loan Program (Note 3) | 11.307 | |
| Total U.S. Department of Commerce | | |
| U.S. Department of Health and Human Services: | | |
| Passed through N.C. Department of Health and Human Services: | | |
| Division of Aging and Adult Services: | | |
| Aging Cluster: | | |
| Title III—Ombudsman | 93.044 | |
| Title III—Access | 93.044 | |
| Home Delivered Meals | 93.045 | |
| Title III—Congregate Meals | 93.045 | |
| Title III—P&A Congregate Nutrition | 93.045 | |
| Title III—P&A In Home Support | 93.045 | |
| NSIP—Nutrition | 93.053 | |
| Subtotal – Aging Cluster | | |
| Title III-B—Elder Abuse | 93.041 | |
| Ombudsman | 93.042 | |
| Preventive Health—III-D | 93.043 | |
| Family Caregiver | 93.052 | |
| Family Caregiver—P&A | 93.052 | |
| Block Grant—Titles III-B, C, SSBG | 93.667 | |
| Money Follows the Person | 93.971 | |
| Total U.S. Department of Health and Human Services | | |
| U.S. Department of Labor: | | |
| Passed through N.C. Department of Commerce: | | |
| Division of Workforce Solutions: | | |
| WIA/WIOA Cluster: | | |
| WIA/WIOA - Adult - Fund 4020 | 17.258 | |
| WIA/WIOA - Youth - Fund 4040 | 17.259 | |
| WIA/WIOA - Dislocated Worker - Fund 4030 | 17.278 | |
| Total WIA/WIOA Cluster | | |
| WIA/WIOA – Sector Partnership | 17.277 | |
| Total U.S. Department of Labor | | |

| <u>Federal</u> | <u>State</u> | <u>Passed Through</u> | <u>Local</u> |
|------------------|---------------|---------------------------|----------------|
| \$ 45,166 | \$ - | \$ - | \$ 19,359 |
| 25,068 | - | - | 18,604 |
| <u>1,366,343</u> | <u>-</u> | <u>-</u> | <u>455,447</u> |
| <u>1,436,577</u> | <u>-</u> | <u>-</u> | <u>493,410</u> |
| 31,763 | 1,868 | - | 11,361 |
| 273,514 | 16,089 | 289,603 | - |
| 298,909 | 17,583 | 316,492 | - |
| 358,246 | 21,073 | 379,319 | - |
| 65,834 | 3,608 | - | 38,138 |
| 38,016 | 2,083 | - | - |
| <u>119,619</u> | <u>-</u> | <u>119,619</u> | <u>-</u> |
| <u>1,185,901</u> | <u>62,304</u> | <u>1,105,033</u> | <u>49,499</u> |
| 3,932 | 231 | - | 1,937 |
| 22,479 | 1,322 | - | - |
| 16,867 | 992 | - | 1,975 |
| 134,348 | 8,957 | - | - |
| 24,757 | 1,357 | - | - |
| 51,448 | 1,470 | - | - |
| <u>30,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>1,469,732</u> | <u>76,633</u> | <u>1,105,033</u> | <u>53,411</u> |
| 515,440 | - | 515,440 | 4,875 |
| 532,670 | - | 532,670 | - |
| <u>313,381</u> | <u>-</u> | <u>313,381</u> | <u>4,875</u> |
| 1,361,491 | - | 1,361,491 | 9,750 |
| <u>66,296</u> | <u>-</u> | <u>66,296</u> | <u>-</u> |
| <u>1,427,787</u> | <u>-</u> | <u>1,427,787</u> | <u>9,750</u> |

**Southwestern North Carolina Planning and Economic Development Commission
 Schedule of Expenditures of Federal and State Awards
 Fiscal Year Ended June 30, 2018**

| <u>Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-Through Grantor's Number</u> |
|--|------------------------------------|---|
| Federal awards (Continued) | | |
| Appalachian Regional Commission: | | |
| Direct Grants: | | |
| Appalachian Local Development District Assistance: | | |
| ARC Administrative Grant #1 | 23.009 | |
| ARC Administrative Grant #2 | 23.009 | |
| Revolving Loan Program (Note 3) | 23.011 | |
| Home Grown Leaders Project | 23.001 | |
| Mini-Grant Project | 23.001 | |
| Passed through N.C. Department of Administration: | | |
| ARC 207-Technical Assistance | 23.002 | |
| Total Appalachian Regional Commission | | |
| U.S. Department of Transportation: | | |
| Passed through N.C. Department of Transportation: | | |
| Highway Planning and Construction Cluster: | | |
| Transportation RPO | 20.205 | 44525.1.17 |
| State Awards: | | |
| N.C. Rural Economic Development Center: | | |
| Rural Food Business Assistance Project | N/A | |
| N.C. Department of Health and Human Services: | | |
| Division of Aging: | | |
| Ombudsman | N/A | |
| HCCBG Access | N/A | |
| HCCBG in Home/Support Services | N/A | |
| HCCBG Home Delivery Meals | N/A | |
| Senior Center General Purpose | N/A | |
| Community Resource Connection (CRC) | N/A | |
| Senior Medicare Patrol | N/A | |
| Fan Heat Relief | N/A | |
| Miscellaneous Contractor Services | N/A | |
| Project C.A.R.E. Grant | N/A | |
| Total N.C. Department of Health and Human Services | | |
| N.C. Department of Insurance: | | |
| Senior Medicare Patrol | N/A | |
| Medicare Improvements for Patients and Providers | N/A | |
| Total N.C. Department of Insurance | | |
| N.C. Department of Transportation: | | |
| Regional Bike Plan | N/A | 41794.10 |

| <u>Federal</u> | <u>State</u> | <u>Passed Through</u> | <u>Local</u> |
|----------------|------------------|---------------------------|---------------|
| \$ 28,904 | \$ - | \$ - | \$ 9,630 |
| 56,964 | - | - | 18,988 |
| 243,175 | - | - | - |
| 10,000 | - | 15,000 | 5,000 |
| 11,150 | - | 11,150 | - |
| <u>27,500</u> | <u>-</u> | <u>-</u> | <u>27,500</u> |
| <u>377,693</u> | <u>-</u> | <u>26,150</u> | <u>61,118</u> |
| | | | |
| <u>113,275</u> | <u>-</u> | <u>-</u> | <u>28,647</u> |
| | | | |
| <u>-</u> | <u>7,727</u> | <u>22,772</u> | <u>15,045</u> |
| | | | |
| - | 33,944 | - | - |
| - | 94,098 | 94,098 | - |
| - | 545,720 | 545,720 | - |
| - | 256,304 | 256,304 | - |
| - | 61,986 | 61,986 | - |
| - | 28,148 | - | - |
| - | 29,597 | - | - |
| - | 2,270 | 2,270 | - |
| - | 2,343 | - | - |
| - | 411,480 | 411,480 | - |
| <u>-</u> | <u>1,465,890</u> | <u>1,371,858</u> | <u>-</u> |
| | | | |
| - | 6,300 | - | 700 |
| - | 25,890 | - | - |
| <u>-</u> | <u>32,190</u> | <u>-</u> | <u>700</u> |
| | | | |
| <u>-</u> | <u>38,918</u> | <u>38,918</u> | <u>-</u> |

**Southwestern North Carolina Planning and Economic Development Commission
 Schedule of Expenditures of Federal and State Awards
 Fiscal Year Ended June 30, 2018**

| <u>Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>State/ Pass-Through Grantor's Number</u> |
|---|------------------------------------|---|
| Local Awards: | | |
| Cherokee Preservation Foundation: WNCEDNET Project | N/A | N/A |
| Total expenditures | | |

| <u>Federal</u> | <u>State</u> | <u>Passed Through</u> | <u>Local</u> |
|---------------------|---------------------|---------------------------|---------------------|
| \$ - | \$ - | \$ 415,664 | \$ 415,664 |
| <u>\$ 4,825,064</u> | <u>\$ 1,621,358</u> | <u>\$ 4,408,182</u> | <u>\$ 1,077,745</u> |

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Schedule of Expenditures of Federal and State Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards ("SEFSA") includes the federal and state grant activity of Southwestern North Carolina Planning and Economic Development Commission (the "Commission") under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of the Office of Management and Budget 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. Because the SEFSA presents only a select portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net position or cash flows of the Commission.

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 reimbursements.

3. Revolving Loan Expenditures

The revolving loan expenditures reported on the original SEFSA included outstanding loan balances and cash and investments available to be loaned as 100 percent federal. The SEFSA has been updated to report revolving loan expenditures as follows:

| | CFDA 11.307 | CFDA 23.011 |
|--|------------------------|------------------------|
| Outstanding loan balances | \$ 1,059,020 | \$ 175,065 |
| Cash and investments available for loans | 724,398 | 61,240 |
| Administrative expenses | <u>38,372</u> | <u>6,870</u> |
| Total | <u>\$ 1,821,790</u> | <u>\$ 243,175</u> |
| Federal (75% and 100%, respectively) | \$ 1,366,343 | \$ 243,175 |
| Local (25% and 0%, respectively) | <u>455,447</u> | <u>-</u> |
| Total | <u>\$ 1,821,790</u> | <u>\$ 243,175</u> |

4. Indirect Cost Rate

The Commission has not elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

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

Independent Auditors' Report

Board Members of
Southwestern North Carolina Planning and Economic Development Commission
Sylva, 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 and each major fund of Southwestern North Carolina Planning and Economic Development Commission (the "Commission") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Dixon Hughes Goodman LLP

Asheville, North Carolina
March 28, 2019

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

Independent Auditors' Report

Board Members of
Southwestern North Carolina Planning
and Economic Development Commission
Sylva, North Carolina

Report on Compliance for Each Major Federal Program

We have audited Southwestern North Carolina Planning and Economic Development Commission's (the "Commission") compliance with the types of compliance requirements described in the *OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2018. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the 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, 2018.

Report on Internal Control over Compliance

Management of the Commission 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 the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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

Dixon Hughes Goodman LLP

**Asheville, North Carolina
March 28, 2019**

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

Independent Auditors' Report

Board Members of
Southwestern North Carolina Planning and
Economic Development Commission
Sylva, North Carolina

Report on Compliance for Each Major State Program

We have audited Southwestern North Carolina Planning and Economic Development Commission's (the "Commission") 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 its major state programs for the year ended June 30, 2018. The Commission's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express opinions on compliance for each of the Commission'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; 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, 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 state program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Commission 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 the Commission's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine the auditing procedures 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 applicable sections of the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

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

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

Dixon Hughes Goodman LLP

**Asheville, North Carolina
March 28, 2019**

Section 1 – Summary of Auditors' Results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America :

Unmodified

Internal control over financial reporting:

Material weakness identified? _____ Yes X No

Significant deficiency identified that is not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal awards

Internal control over major federal programs:

Material weakness identified? _____ Yes X No

Significant deficiency identified that is not considered to be a material weakness? _____ Yes X None reported

Type of auditors' report issued on compliance for major federal programs:

Unmodified

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

Identification of major federal programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------------------------|---|
| 93.044, 93.045 and 93.053 11.307 | Aging Cluster EDA Revolving Loan Program |

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

\$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

State awards

Type of auditors' report issued:

Unmodified

Internal control over major state programs:

Material weakness identified?

_____ Yes X No

Significant deficiency identified that is not
considered to be a material weakness?

_____ Yes X None reported

Type of auditors' report issued on compliance for major
state programs:

Unmodified

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

_____ Yes X No

Identification of major state programs:

Program Name:

- Aging Cluster – State Match
- HCCBG In Home/Support Services
- HCCBG Home Delivery Meals

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

Section IV – State Award Findings and Questioned Costs

None noted.

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Southwestern Commission

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**Southwestern North Carolina Planning and
Economic Development Commission
Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2018**

Schedule D-3

No findings were reported in 2017.

Finding 2016-001 was corrected in 2017.

We have hired a new half time employee to assist in the finance department. This will allow for greater segregation of duties by having two people make, review and enter journal entries, by having two people prepare and review all payroll activities, and by having two people prepare and review monthly bank reconciliations.

Cherokee County
Andrews
Murphy

Clay County
Hayesville

Graham County
Robbinsville
Lake Santeetlah
Fontana Dam

Haywood County
Canton
Clyde
Maggie Valley
Waynesville

Jackson County
Dillsboro
Forest Hills
Sylva
Webster

Macon County
Franklin
Highlands

Swain County
Bryson City