

HIGH COUNTRY COUNCIL OF GOVERNMENTS, INC.
Boone, North Carolina

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

High Country Council of Governments
 Boone, North Carolina
 Board of Directors
 June 30, 2019

| Name | Position | Representing |
|--------------------|------------|------------------------------------------------------|
| Johnny Riddle | Chair | Board of Commissioners, Chair - Yancey County |
| Valerie Jaynes | Vice-Chair | Mayor of Newland |
| Mark Evans | Secretary | Board of Commissioners, Chair - Alleghany County |
| Chris Jones | Treasurer | Sparta Town Council |
| Executive Board | | |
| Todd McNeill | Member | Board of Commissioners, Chair - Ashe County |
| Dennis Aldridge | Member | Board of Commissioners - Avery County |
| Paul Robinson, Jr. | Member | Minority Representative |
| Charles Vines | Member | Mayor of Bakersville |
| Brenda Lyerly | Chair | Mayor of Banner Elk |
| Renee Castiglione | Member | Mayor of Beech Mountain |
| Doug Matheson | Member | Blowing Rock Town Council |
| Rennie Brantz | Member | Mayor of Boone |
| Theresa Coletta | Member | Mayor of Burnsville |
| Jesse Smith | Member | Mayor of Crossnore |
| Joel Whitley | Member | Maor Pro Tem Elk Park |
| Mark Johnston | Member | Jefferson Town Council |
| Jim Blevins | Member | Lansing Town Alderman |
| Vern Grindstaff | Member | Board of Commissioners, Vice-Chair - Mitchell County |
| Robert L Johnson | Member | Mayor of North Wilkesboro |
| Sandra Simmons | Member | Ronda Town Commissioner |
| Larry Fontaine | Member | Mayor of Seven Devils |
| Darla Harding | Member | Mayor of Spruce Pine |
| Gunther Jochl | Member | Mayor Pro Tem of Sugar Mountain |
| Larry Turnbow | Member | Board of Commissioners - Watauga County |
| Dale Baldwin | Member | Mayor West Jefferson |
| Russell Ferree | Member | Mayor Pro Tem Wilkesboro |
| Gary D. Blevins | Member | Board of Commissioners - Wilkes County |

HIGH COUNTRY COUNCIL OF GOVERNMENTS, INC.
Boone, North Carolina

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**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
High Country Council of Governments
Boone, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the High Country Council of Governments as of and for the year then ended June 30, 2019, and the related notes to the financial statements which collectively comprise the High Country Council of Governments' 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, based on our audit, 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 High Country Council of Governments as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Local Government Employees' Retirement System Schedules of the County's Proportionate Share of the Net Pension (Asset) Liability and County Contributions and the Schedule of Changes in Total OPEB Liability on pages 4 through 10 and 39 through 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of High Country Council of Governments. The combining and individual fund statements, budgetary schedules, and 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 (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2019 on our consideration of the High Country Council of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the High Country Council of Governments' internal control over financial reporting and compliance.

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC

September 25, 2019

HIGH COUNTRY COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

Management's Discussion and Analysis

As management of the High Country Council of Governments (the Council), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the High Country Council of Governments for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Council's financial statements, which follow this narrative.

Financial Highlights

The assets and deferred outflows of the Council exceeded its liabilities and deferred inflows at the close of the fiscal year by \$1,486,260.

The Council's total net position decreased by \$3,842.

As of the close of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$1,404,975, a decrease of \$32,790 in comparison with the prior year. Approximately 75.89% of this combined balance, or \$1,066,226 is uncommitted, meaning available for spending at the Council's discretion.

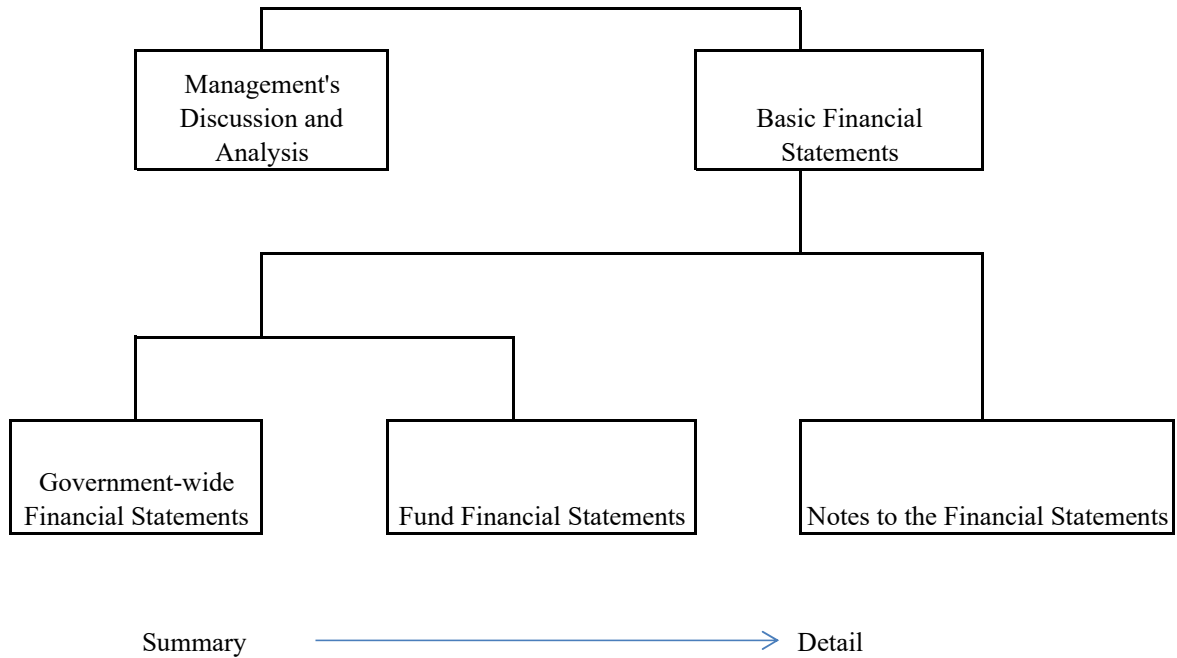
At the end of the current fiscal year, combined restricted fund balances totaled \$202,601.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Council's basic financial statements which consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Council'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 Council.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the *Government-wide Financial Statements*. They provide both short and long-term information about the Council'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 Council'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 Council's governmental funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Council'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 Council's financial status as a whole.

The two government-wide statements report the Council's net position and how they have changed. Net position is the difference between the Council's total assets and total liabilities. Measuring net position is one way to gage the Council's financial condition.

The government-wide statements may be divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. However, the Council does not have any business-type activities. The governmental activities include all of the Council's basic services such as general administration, human services, regional planning and technical services. State and federal grants and contributions from local governments comprising the service area of the Council finance most of these activities.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Council'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 Council, 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 Council's budget ordinance. All Council funds are governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All of the Council'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*, which provides a short-term spending 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 Council's programs. The relationship between government 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 Council 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 member local governments of the Council, the management of the Council, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Council to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund and Special Revenue Fund demonstrates how well the Council complied with the budget ordinance and whether or not the Council 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 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.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain supplemental schedules concerning the Council's Programs. The primary purpose of the supplemental schedules is to provide information concerning the Council's budgeting process.

High Country Council of Governments's Net Position

Net Position

Table A-1

| | Governmental Activities | |
|--------------------------------------|-------------------------|---------------------|
| | 2019 | 2018 |
| Current and other assets | \$ 1,885,061 | \$ 1,800,265 |
| Capital asset | 1,325,390 | 1,330,632 |
| Total assets | <u>3,210,451</u> | <u>3,130,897</u> |
| | | |
| Total deferred outflows of resources | 315,871 | 199,197 |
| | | |
| Current Liabilities | 583,656 | 460,312 |
| Long-Term Liabilities Outstanding | 1,435,530 | 1,358,610 |
| Total liabilities | <u>2,019,185</u> | <u>1,818,922</u> |
| | | |
| Total deferred inflows of resources | 20,877 | 21,070 |
| | | |
| Net position: | | |
| Net investment in capital assets | 422,064 | 353,814 |
| Restricted | 202,601 | 163,624 |
| Unrestricted | 861,595 | 972,664 |
| Total Net Position | <u>\$ 1,486,260</u> | <u>\$ 1,490,102</u> |

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Council exceeded liabilities and deferred inflows by \$1,486,260 as of June 30, 2019. The Council's net position decreased by \$3,842 for the fiscal year ended June 30, 2019. Approximately 28.40% of the net position amount reflects the Council's investment in capital assets (equipment and vehicles) less any related capital leases outstanding that were issued to acquire those items. The Council uses these capital assets to provide services to constituent local government members; consequently these assets are nonspendable. An additional portion of the Council's net position (13.63%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$861,595 representing 57.97% of total net position for the government is uncommitted.

High Country Council of Governments's Changes in Net Position
Changes in Net Position
Table A-2

| | Governmental Activities | |
|------------------------------------|-------------------------|---------------------|
| | 2019 | 2018 |
| Revenues: | | |
| Program revenues: | | |
| Intergovernmental Revenues | \$ 5,255,899 | \$ 5,341,221 |
| General revenues: | | |
| Local Government Dues | 130,432 | 150,658 |
| Other General Revenues | 40,874 | 31,175 |
| Unrestricted Investment Earnings | 6,738 | 4,014 |
| Total Revenues | <u>5,433,943</u> | <u>5,527,068</u> |
| Expenses: | | |
| Governmental activities: | | |
| General Government | 204,469 | 142,416 |
| Transportation | 168,429 | 166,750 |
| Workforce Development | 1,771,700 | 1,748,880 |
| Economic and Community Development | 536,197 | 690,063 |
| Human Services | 2,756,990 | 2,661,650 |
| Total Expenses | <u>5,437,785</u> | <u>5,409,759</u> |
| Increase in Net Position | (3,842) | 117,309 |
| Net position, July 1 | 1,490,102 | 1,472,129 |
| Net position, July 1, restated | 1,490,102 | 1,372,793 |
| Net position, June 30 | <u>\$ 1,486,260</u> | <u>\$ 1,490,102</u> |

Governmental Activities. Governmental activities decreased the Council's fund balances by \$3,842. The 2018-2019 expenditures of operating grants and related revenues decreased in the Economic and Community Development department. General Government, Workforce Development, Transportation, and Human Services and Transportation experienced increases in expenditures.

Financial Analysis of the Council's Funds

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

Governmental Funds. The focus of the Council’s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the High Country Council of Governments' financial requirements. Specifically, unreserved fund balance can be a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The General Fund accounts for all unrestricted resources and provides the local matching share for grants accounted for in the Special Revenue Fund through transfers. At the end of the fiscal year, unassigned fund balance of the General Fund was \$1,066,226 while total fund balance was \$1,291,827. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 19.50% of total General and Special Revenue Fund expenditures and transfers.

As of June 30, 2019, the governmental funds of the Council reported a total combined fund balance of \$1,404,975, representing a decrease of \$32,790 from the prior year.

General Fund Budgetary Highlights: During the fiscal year, the Council amended the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Amendments to the General Fund decreased the total budget by \$2,665. Amendments to the Special Revenue Fund increased revenues and expenditures by \$570,944.

Capital Asset and Debt Administration

Capital assets. The Council’s investment in capital assets for its governmental activities as of June 30, 2019, totals \$1,325,390 (net of accumulated depreciation). These assets include building, equipment and vehicles.

The Council's Capital Assets

Figure 4

| | Governmental Activities | |
|-----------------------------------------|-------------------------|---------------------|
| | 2019 | 2018 |
| Land | \$ 522,720 | \$ 522,720 |
| Council Building | 727,592 | 802,363 |
| Council Equipment | 75,078 | 5,549 |
| Total (net of accumulated depreciation) | <u>\$ 1,325,390</u> | <u>\$ 1,330,632</u> |

Additional information on the Council’s capital assets can be found in Note D of the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

High Country Council of Governments remains optimistic about the opportunities that lie ahead in the upcoming fiscal year. With the implications of legislation at the federal, state, and local level, the organization will be diligent as it moves forward. The High Country Council of Governments will continue its strategic focus on serving our local government members, community members, and stakeholders with exceptional professional service. The High Country Council of Governments will continue to maximize resources to meet the ever-changing needs of our members while striving to improve the quality of life and economic prosperity of the High Country.

Budget Highlights for the Fiscal Year Ending June 30, 2020

For Fiscal year 2019-2020, The High Country Council of Governments adopted a total operating budget of \$5,702,645, or 1.04% greater than the 2018-2019 total operating budget. The High Country Council of Governments is divided into four (4) main departments including: General, Area Agency on Aging, Workforce Development and Planning and Development. Overall general highlights include an increase in Fringe Rate from 36% to 38% and an increase in the Indirect rate from 52% to 55% for the 2019-2020 year, mainly due to increased expenditures throughout all departments. Highlights from the individual departments are summarized below:

General Fund

The 2019-2020 budget includes \$187,060 in General Fund Expenditures, with a General Fund emphasis on continuing to meet grant requirements through the local match while not increasing membership dues. Membership dues remain unchanged since 1997.

Area Agency on Aging

The 2019-2020 budget includes \$2,787,307 in AAA Expenditures, highlighted by \$122,482 increase in Home and Community Care Block Grant revenue from the Provider contractual services. The AAA staff will continue to work towards developing services to address an aging population.

Workforce Development

The 2019-2020 budget includes \$1,996,402 in Workforce Expenditures, which includes \$270,011 in funding from the Special Grants monies. The Workforce Development staff will continue to be diligent in managing the ever-changing federal funding in the upcoming year.

Planning and Development

The 2019-2020 budget includes \$731,876 in Planning and Development Expenditures, which includes \$157,000 in contractual revenue and expenditures as an emphasis continues to be placed on providing more direct services to members.

Requests for Information

This report is intended to provide a general overview of the High Country Council of Governments' finances. Questions or requests for additional information should be directed towards Julie Wiggins, Executive Director, High Country Council of Governments, 468 New Market Blvd., Boone, NC 28607.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HIGH COUNTRY COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

| | Governmental Activities |
|------------------------------------------|----------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 1,161,118 |
| Accounts receivable | 8,845 |
| Grants receivable | 715,098 |
| Total Current Assets | 1,885,061 |
| Noncurrent assets: | |
| Capital assets, net of depreciation | 1,325,390 |
| Total Assets | 3,210,451 |
| DEFERRED OUTFLOWS OF RESOURCES | 315,871 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts Payable | 475,902 |
| Current Portion of Long-Term Liabilities | 107,754 |
| Total current liabilities | 583,656 |
| Long-term liabilities: | |
| Accrued Leave | 31,123 |
| Net OPEB Liability | 205,254 |
| Net Pension Liability | 372,458 |
| Due in more than one year | 826,695 |
| Total Long-Term Liabilities | 1,435,530 |
| Total Liabilities | 2,019,185 |
| DEFERRED INFLOWS OF RESOURCES | 20,877 |
| NET POSITION | |
| Net investment in capital assets | 422,064 |
| Restricted for: | |
| Stabilization by State Statute | 202,601 |
| Unrestricted | 861,595 |
| Total Net Position | \$ 1,486,260 |

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

HIGH COUNTRY COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2019

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) |
|--------------------------------------------|---------------------|----------------------|---------------------------------------|----------------------------------------------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Revenue and Changes in Net Position Total Governmental Activities |
| Governmental Activities: | | | | |
| Economic and Community Development | \$ 536,197 | \$ - | \$ 562,062 | \$ 25,865 |
| Human Services | 2,756,990 | - | 2,769,537 | 12,547 |
| Workforce Development | 1,771,700 | - | 1,764,737 | (6,963) |
| Transportation | 168,429 | - | 159,563 | (8,866) |
| Local Activities | 204,469 | - | - | (204,469) |
| Total governmental activities | \$ 5,437,785 | \$ - | \$ 5,255,899 | (181,886) |
| General revenues: | | | | |
| Local government dues and participant fees | | | | 130,432 |
| Unrestricted investment earnings | | | | 6,738 |
| Miscellaneous | | | | 40,874 |
| Total general revenues | | | | 178,044 |
| Change in net position | | | | (3,842) |
| Net position, beginning | | | | 1,490,102 |
| Net position, ending | | | | \$ 1,486,260 |

FUND FINANCIAL STATEMENTS

HIGH COUNTRY COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

| | <u>Major Funds</u> | | |
|--------------------------------------------------------------------|---------------------|-----------------------------|---------------------------------|
| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Total Governmental Funds</u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ 1,161,118 | \$ - | \$ 1,161,118 |
| Accounts Receivable - Other | 8,845 | 715,098 | 723,943 |
| Due from other Funds | 193,756 | - | 193,756 |
| Prepaid Expenses | - | - | - |
| Total assets | <u>\$ 1,363,719</u> | <u>\$ 715,098</u> | <u>\$ 2,078,817</u> |
| LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES | | | |
| Liabilities | | | |
| Accounts Payable | \$ 13,550 | \$ 408,194 | \$ 421,744 |
| Due to Other Funds | - | 193,756 | 193,756 |
| Due to Other Governments | - | - | - |
| Other Accrued Expenses | 54,158 | - | 54,158 |
| Total liabilities | <u>67,708</u> | <u>601,950</u> | <u>669,658</u> |
| DEFERRED INFLOWS OF RESOURCES | 4,184 | - | 4,184 |
| Fund balances: | | | |
| Nonspendable: | | | |
| Prepaid expenses | - | - | - |
| Restricted: | | | |
| Stabilization by State Statute | 202,601 | - | 202,601 |
| Assigned: | | | |
| Special Revenue Funds | | 113,148 | 113,148 |
| Appropriated for Subsequent years | 23,000 | - | 23,000 |
| Unassigned: | 1,066,226 | - | 1,066,226 |
| Total fund balances | <u>1,291,827</u> | <u>113,148</u> | <u>1,404,975</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,363,719</u> | <u>\$ 715,098</u> | <u>\$ 2,078,817</u> |

HIGH COUNTRY COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

| | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------|--|----|-------------------------|
| Total Fund Balance | | \$ | 1,404,975 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | |
| Gross capital assets at historical costs | | | 2,148,299 |
| Accumulated Depreciation | | | <u>(822,909)</u> |
| Capital assets, net | | | 1,325,390 |
| Deferred outflows of resources related to pensions are not reported in the funds | | | 301,921 |
| Deferred outflows of resources related to OPEB are not reported in the funds | | | 13,950 |
| Deferred inflows of resources related to pensions are not reported in the funds | | | (1,928) |
| Deferred inflows of resources related to OPEB are not reported in the funds | | | (14,765) |
| Some liabilities are not due and payable in the current period and therefore are not reported in net assets of governmental activities. | | | |
| Accrued Compensated Absences | | | (62,245) |
| Net Pension Asset (Liability) | | | (372,458) |
| Total OPEB Liability | | | (205,254) |
| Installment Purchase Agreement | | | <u>(903,326)</u> |
| Total long-term liabilities | | | <u>(1,543,283)</u> |
| Net Position of Governmental Activities | | \$ | <u><u>1,486,260</u></u> |

HIGH COUNTRY COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

| | Major Funds | | Total Governmental Funds |
|---------------------------------------------------|---------------------|-------------------------|-----------------------------|
| | General | Special Revenue Fund | |
| REVENUES | | | |
| Federal funds | \$ - | \$ 4,604,063 | \$ 4,604,063 |
| State Funds | - | 242,537 | 242,537 |
| Local Funds | - | 409,299 | 409,299 |
| General: | | | |
| Miscellaneous | 40,874 | - | 40,874 |
| Interest | 6,738 | - | 6,738 |
| Local Activities | 130,432 | - | 130,432 |
| Total revenues | 178,044 | 5,255,899 | 5,433,943 |
| EXPENDITURES | | | |
| Transportation | - | 169,046 | 169,046 |
| Economic Development | - | 530,871 | 530,871 |
| Health and Human Services | - | 2,750,669 | 2,750,669 |
| Workforce Development | - | 1,762,378 | 1,762,378 |
| Local Activities | 253,769 | - | 253,769 |
| Total expenditures | 253,769 | 5,212,964 | 5,466,733 |
| Excess (deficiency) of revenues over expenditures | (75,725) | 42,935 | (32,790) |
| Fund balances, beginning | 1,367,552 | 70,213 | 1,437,765 |
| Fund balances, ending | \$ 1,291,827 | \$ 113,148 | \$ 1,404,975 |

HIGH COUNTRY COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2019

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

| | |
|---------------------------------------------------------|-------------|
| Net changes in fund balances - total governmental funds | \$ (32,790) |
|---------------------------------------------------------|-------------|

Governmental funds report capital outlays as expenditures. However, in the Statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

| | | |
|----------------------------------------------------|---------------|---------|
| Depreciation expense for governmental assets | (94,697) | |
| Capital outlay expenditures which were capitalized | <u>89,455</u> | |
| | | (5,242) |

| | |
|--------------------------------------------------------------------------------------------------------------|--------|
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | 73,510 |
|--------------------------------------------------------------------------------------------------------------|--------|

| | |
|--------------------------------------------------------------------------------------------------------------------------------|--------|
| OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities | 13,950 |
|--------------------------------------------------------------------------------------------------------------------------------|--------|

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

| | |
|--------------------------------------|--------|
| Principal payments on long-term debt | 73,492 |
|--------------------------------------|--------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

| | | |
|----------------------|----------------|--|
| OPEB Expense | (6,147) | |
| Pension Expense | (115,378) | |
| Compensated absences | <u>(5,237)</u> | |

| | |
|----------------------------------------------------------|-------------------|
| Total changes in net position of governmental activities | <u>\$ (3,842)</u> |
|----------------------------------------------------------|-------------------|

HIGH COUNTRY COUNCIL OF GOVERNMENTS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2019

| | General Fund | | | |
|------------------------------------|-----------------|------------------|---------------------|-----------------------------------------------------------|
| | Budget | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| | Original | Final | | |
| Revenues: | | | | |
| Federal and State grants | \$ - | \$ - | \$ - | \$ - |
| State Funds | - | - | - | - |
| Local Funds | - | - | - | - |
| General: | | | | |
| Miscellaneous | 36,832 | 43,056 | 40,874 | (2,182) |
| Local Activities | 143,441 | 130,432 | 130,432 | - |
| Interest | 2,380 | 6,500 | 6,738 | 238 |
| Total Revenues | <u>182,653</u> | <u>179,988</u> | <u>178,044</u> | <u>(1,944)</u> |
| Expenditures: | | | | |
| Transportation | - | - | - | - |
| Economic and Community Development | - | - | - | - |
| Human Services | - | - | - | - |
| Workforce Development | - | - | - | - |
| Local Activities | <u>262,653</u> | <u>290,398</u> | <u>253,769</u> | <u>36,629</u> |
| Total Expenditures | <u>262,653</u> | <u>290,398</u> | <u>253,769</u> | <u>36,629</u> |
| Revenues Over (Under) Expenditures | <u>(80,000)</u> | <u>(110,410)</u> | <u>(75,725)</u> | <u>34,685</u> |
| Fund Balance Appropriated | <u>80,000</u> | <u>110,410</u> | <u>-</u> | <u>(110,410)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>(75,725)</u> | <u>\$ (75,725)</u> |
| Fund Balance, Beginning | | | <u>1,367,552</u> | |
| Fund Balance, Ending | | | <u>\$ 1,291,827</u> | |

HIGH COUNTRY COUNCIL OF GOVERNMENTS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2019

| | Special Revenue | | | |
|---------------------------------------------------|------------------|------------------|-------------------|-----------------------------------------------------------|
| | Budget | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Federal Funds | \$ 4,572,095 | \$ 5,136,792 | \$ 4,604,063 | \$ (532,729) |
| State Funds | 252,725 | 309,512 | 242,537 | (66,975) |
| Local Funds | 426,365 | 375,825 | 409,299 | 33,474 |
| Total Revenues | <u>5,251,185</u> | <u>5,822,129</u> | <u>5,255,899</u> | <u>(566,230)</u> |
| EXPENDITURES | | | | |
| Transportation | 159,563 | 159,563 | 169,046 | (9,483) |
| Economic and Community Development | 552,800 | 536,827 | 530,871 | 5,956 |
| Human Services | 2,701,284 | 2,842,853 | 2,750,669 | 92,184 |
| Workforce Development | 1,837,538 | 2,302,476 | 1,762,378 | 540,098 |
| Local Activities | - | - | - | - |
| Total Expenditures | <u>5,251,185</u> | <u>5,841,719</u> | <u>5,212,964</u> | <u>628,755</u> |
| Revenues Over (Under) Expenditures | - | (19,590) | 42,935 | 62,525 |
| Fund Balance Appropriated | <u>-</u> | <u>19,590</u> | <u>-</u> | <u>(19,590)</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ -</u> | <u>\$ -</u> | 42,935 | <u>\$ 82,115</u> |
| Fund Balance, Beginning | | | 70,213 | |
| Fund Balance, Ending | | | <u>\$ 113,148</u> | |

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of High Country Council of Governments 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:

Reporting Entity

High Country Council of Governments ("Council"), a voluntary association of local governments, is one of seventeen multi-county planning districts in the State of North Carolina and is comprised of Alleghany, Ashe, Avery, Mitchell, Watauga, Wilkes and Yancy Counties. The Council provides a wide range of technical assistance and planning services to member governments upon request.

Basis of Presentation and Basis of Accounting

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 Council. Governmental activities generally are financed through intergovernmental revenues and grant programs.

The statement of activities presents a comparison between direct expenses and program revenues of the Council's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. 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 operation requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Council's funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The Council reports the following major governmental funds.

General Fund

The General Fund is the general operating fund of the Council. It is to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are local assessments. The primary expenditures are for salaries and other general government services.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Council's federal and State grant funds are maintained in the Special Revenue Fund.

Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the Council are maintained during the year using the modified accrual basis of accounting.

Government-wide Fund Financial Statements. The government-wide fund financial statements are reported using the economic 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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The Council considers all revenues 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, and investment earnings, technical assistance contracts, contacts 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.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Data

The Council's budgets are adopted as required by the North Carolina General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the government-wide level for all annually budgeted funds and the project level for the multi-year funds. An annual budget is adopted for the General Fund and the Special Revenue Fund. All budgets 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 the general fund and the special revenue fund. The Finance Officer is authorized by the budget ordinance to transfer appropriations at the program level within a fund; however, any revisions that alter total expenditures must be approved by the governing board. During the year, several amendments to the original budget were necessary.

Assets, Liabilities and Net Assets/Fund Balance

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Council to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). The Council's investments are reported at fair value. The NCCMT- Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

Cash and Cash Equivalents

The Council pools money from several funds to facilitate disbursement and add to investments to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables are not reduced by valuation reserves since no losses are normally expected during their collection.

Capital Assets

Capital assets are defined by the Council as assets with an initial, individual cost more than a certain cost and an estimated useful life in excess of two years. The Council's capital assets are recorded at cost or estimated historical cost. Properties donated to the Council are recorded at the fair market value as of the date received. The Council's capitalization policy is \$5,000.

Land on which the facility is located is not a depreciable asset. Capital assets are subject to depreciation and depreciated using the straight-line basis over the following estimated useful lives:

| | <u>Estimate Useful Lives</u> |
|--------------------|------------------------------|
| Building | 20 |
| Vehicles | 5 |
| Computer Equipment | 5 |

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Council has two items that meets this criterion - pension and OPEB deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Council has three items that meets the criterion for this category - Revenue for grants received but not yet expended, and deferrals of pension and OPEB expense that result from the implementation of GASB Statement 68 and 75.

Long-Term Obligations

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

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees of the Council earn from 7.5 to 15 hours of annual leave per month depending on years of service. Annual leave earned but not taken may be accumulated to a maximum of 120 to 360 hours (2-years earned) based on years of service. The Council's liability for accrued annual leave and the salary-related payments as of June 30, 2019 is recorded in the government-wide financial statements on a LIFO basis, assuming that employees take leave time as it is earned.

The Council'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 services for retirement benefit purposes. Since the Council does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net Position/Fund Balances

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance

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

Prepaid Items

Portion of fund balance that is not an available resource because it represents the year-end balance, of Council expenses for the coming year prepaid during the current year, which is not a spendable resource.

Restricted Fund Balance

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted for Stabilization by State Statute

North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute." Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

Committed Fund Balance

Portion of fund balance that can only be used for specific purposes imposed by majority vote of the Council's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing bodies that approved the original action.

Assigned Fund Balance

Portion of fund balance that the Council intends to use for specific purposes.

Assigned for:

Revenue sources are assigned to fund budgeted amounts in the subsequent period for obligations related to federal and State award expenditures and obligations related to employment. The financial statements detail these assigned classifications.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned Fund Balance

The portion of the fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the general fund.

State law F.S. 159-13(b)(16) restricts appropriation of fund balance or fund equity to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

Defined Benefit Cost-Sharing Plans

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

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

For the fiscal year ended June 30, 2019, the expenditures exceeded the budget for Transportation by \$9,483. This overexpenditure occurred because of year-end accruals. Management and the Board will more closely review the budget reports to ensure compliance in future years.

2. Deficit Fund Balance

None Reported.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE C - DETAIL NOTES ON ALL FUNDS

ASSETS

Deposits

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

At June 30, 2018, the Council's deposits had a carrying amount of \$892,780 and a bank balance of \$986,535. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remaining \$736,535 was covered by collateral held under the Pooling Method. At June 30, 2019, the Council had no petty cash.

Investments

At June 30, 2019, the Council had \$268,338 invested with the North Carolina Capital Management Trust's Cash Portfolio. Deposits held in North Carolina's Capital Management Trust are held as mutual fund shares that are not deposits or obligations of, or guaranteed by, any depository institution. These deposits are not insured by the FDIC, Federal Reserve Board or any other agency, and are subject to investment risk. The NCCMT Cash Portfolio is invested primarily in high grade money market instruments, including obligations of the U.S. Government and the State of North Carolina, and in bonds and notes of any North Carolina local government or public authority.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

Award Receivables

The following is a schedule of award cash that has been disbursed by the Council for program purposes, but program award funds were received subsequent to year end:

| | | |
|------------------------------------|----|---------|
| General Fund | \$ | - |
| Special Revenue Fund | | |
| Workforce Development | | 283,271 |
| Human Services | | 313,184 |
| Economic and Community Development | | 74,102 |
| Transportation | | 44,541 |
| | | 715,098 |
| | \$ | 715,098 |

Capital Assets

Capital asset activity for Council for the year ended June 30, 2019, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---------------------------------------------|-----------------------|-----------|-------------|--------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 522,720 | \$ - | \$ - | \$ 522,720 |
| Capital assets being depreciated: | | | | |
| Council Building | 1,495,429 | - | - | 1,495,429 |
| Council Equipment | 89,536 | 89,455 | (48,841) | 130,150 |
| Total Capital assets being depreciated | 1,584,965 | 89,455 | (48,841) | 1,625,579 |
| Less accumulated depreciation for: | | | | |
| Council Building | 693,066 | 74,771 | - | 767,837 |
| Council Equipment | 83,987 | 19,926 | (48,841) | 55,072 |
| Total accumulated depreciation | 777,053 | \$ 94,697 | \$ (48,841) | 822,909 |
| Total capital assets being depreciated, net | 807,912 | | | 802,670 |
| Governmental activity capital assets, net | \$ 1,330,632 | | | \$ 1,325,390 |

Depreciation expense was charged to functions/programs of the Council as follows:

| | | |
|------------------|----|--------|
| Local Activities | \$ | 94,697 |
|------------------|----|--------|

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

Local Government Employees' Retirement System

Plan Description. The Council 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 postretirement 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. Council employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Council's contractually required contribution rate for the year ended June 30, 2019, was 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Council were \$73,510 for the year ended June 30, 2019.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

Refunds of Contributions – Council employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual’s right to employer contributions or any other benefit provided by LGERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Council reported a liability of \$372,458 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Council’s proportion of the net pension liability was based on a projection of the Council’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Council’s proportion was 0.0157% (measured as of June 30, 2018), which was an increase of 0.00197% from its proportion as of June 30, 2018 (measured as of June 30, 2017.)

For the year ended June 30, 2019, the Council recognized pension expense of \$115,378. At June 30, 2019, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 57,461 | \$ 1,928 |
| Changes in assumptions | 98,836 | - |
| Net difference between projected and actual earnings on pension plan investments | 51,127 | - |
| Changes in proportion and differences between Council Contributions and proportionate share of contributions | 20,987 | - |
| Council contributions subsequent to the measurement date | 73,510 | - |
| Total | \$ 301,921 | \$ 1,928 |

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

\$73,510 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | | |
|----------------------------|-----------|----------------|
| 2020 | \$ | 109,966 |
| 2021 | | 69,986 |
| 2022 | | 14,567 |
| 2023 | | 31,964 |
| 2024 | | - |
| Thereafter | | - |
| | <u>\$</u> | <u>226,483</u> |

Actuarial Assumptions . The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|---------------------------|---------------------------------------------------------------------------|--|
| Inflation | 3.0 Percent | |
| Salary Increases | 3.50 Percent | |
| Investment Rate of Return | 7.00 percent, net of pension plan investment expense, including inflation | |

The plan actuary uses mortality rates based on the *RP-2014 Total Data Set for Healthy Annuitants Mortality Table* that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

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, 2019 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% | 1.4% |
| Global Equity | 42% | 5.3% |
| Real Estate | 8% | 4.3% |
| Alternatives | 8% | 8.9% |
| Credit | 7% | 6.0% |
| Inflation Protection | 6% | 4.0% |
| Total | <u>100%</u> | |

The information above is based on 30 year expectations developed with the consulting actuary for the 2018 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

Sensitivity of the Council's proportionate share of the net pension asset to changes in the discount rate. The following presents the Council's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Council's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate | 1% Increase (8.00%) |
|--------------------------------------------------------------------|---------------------------|-----------------------------|---------------------------|
| Council's proportionate share of the net pension liability (asset) | \$ 894,676 | \$ 372,458 | \$ (63,916) |

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.

Supplemental Retirement Plan

Full time employees of the Council are also eligible for the supplemental retirement plans under Internal Revenue Code Sections 401(k) and 457. Under these plans, an employee may contribute a percentage of their annual gross salary as limited by federal tax laws. Additionally, the Council matches up to a maximum 4% of an eligible employee's gross salary to a supplemental retirement plan. The Council's contribution to the 401(k) and 457 plans for 2019 and 2018 were \$32,127 and \$32,080, respectively.

Other Post Employment Benefits

Plan Description: Under the terms of a Council resolution, the Council administers a single-employer benefit health reimbursement plan. The Council has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB

Benefits Provided. Eligible employees must have 30 or more years of service to the Council and a hire date before July 1, 2007. The Council pays the full cost of healthcare related expenses, not to exceed \$5,000 per year for a maximum of 20 years. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

Membership of the HCB Plan consisted of the following at December 31, 2018, the date of the latest actuarial valuation:

| | |
|--------------------------------------------------------------------|---|
| Retirees receiving benefits | 3 |
| Terminated plan members entitled to but not yet receiving benefits | 0 |
| Active plan members | 5 |
| Total | 8 |

Total OPEB Liability

The Council's total OPEB liability of \$205,254 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | |
|-----------------------------|-------------------------------------|
| Inflation | 2.50% |
| Salary increases | 3.50% to 7.75%, including inflation |
| Discount rate | 3.56% |
| Healthcare cost trend rates | N/A |

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of the measurement date.

Changes in the Total OPEB Liability

| | |
|----------------------------------------------------|------------|
| Balance at July 1, 2018 | \$ 217,024 |
| Changes | |
| Service cost | 2,503 |
| Interest | 7,472 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | (598) |
| Changes in assumptions or other inputs | (6,734) |
| Benefit payments | (14,413) |
| Net changes | (11,770) |
| Balance at June 30, 2019 | \$ 205,254 |

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014, adopted by the LGERS Board.

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

| | 1% Decrease | Discount Rate (3.89%) | 1% Increase |
|----------------------|-------------|-----------------------|-------------|
| Total OPEB Liability | \$ 226,691 | \$ 205,254 | \$ 186,691 |

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

| | 1% Decrease | Current | 1% Increase |
|----------------------|-------------|------------|-------------|
| Total OPEB Liability | \$ 205,254 | \$ 205,254 | \$ 205,254 |

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

For the year ended June 30, 2019, the Council recognized OPEB expense of \$6,147. At June 30, 2019, the Concil reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-----------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 987 |
| Changes of assumptions | - | 13,778 |
| Benefit payments and administrative costs made subsequent to the measurement date | 13,950 | - |
| Total | \$ 13,950 | \$ 14,765 |

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

\$13,950 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent of the measurement dates will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---------------------|------------|
| Year Ended June 30: | |
| 2020 | \$ (3,444) |
| 2021 | (3,444) |
| 2022 | (3,444) |
| 2023 | (3,286) |
| 2024 | (1,147) |
| Thereafter | - |

Long-Term Obligation Activity

High Country Council of Government has \$903,326 outstanding under a building installment purchase loan. The financial institution has pledged to provide installment financing over 20 years at 4.19% interest. Principal and interest are due in monthly installments of \$9,418. The following schedule summarized the Council's long-term obligations.

Schedule of changes in long term debt:

| | Beginning Balance | Increases | Decreases | Ending Balance | Current Portion of Balance |
|----------------------------|----------------------|-------------------|------------------|---------------------|----------------------------------|
| Included in long term debt | | | | | |
| Installment purchase | \$ 976,818 | \$ - | \$ 73,492 | \$ 903,326 | \$ 76,631 |
| Total OPEB Liability | 217,024 | - | 11,770 | 205,254 | - |
| Net Pension Liability | 209,756 | 162,702 | - | 372,458 | - |
| Compensated absences | 57,008 | 5,237 | - | 62,245 | 31,123 |
| | <u>\$ 1,460,606</u> | <u>\$ 167,939</u> | <u>\$ 85,262</u> | <u>\$ 1,543,283</u> | <u>\$ 107,754</u> |

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE C - DETAIL NOTES ON ALL FUNDS (CONTINUED)

| <u>Schedule of future debt</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-------------------|-------------------|---------------------|
| 2020 | \$ 76,631 | \$ 36,390 | \$ 113,021 |
| 2021 | 79,904 | 33,117 | 113,021 |
| 2022 | 83,317 | 29,704 | 113,021 |
| 2023 | 86,876 | 26,145 | 113,021 |
| 2024 | 90,587 | 22,434 | 113,021 |
| 2025-2029 | 486,011 | 50,814 | 536,825 |
| | <u>\$ 903,326</u> | <u>\$ 198,604</u> | <u>\$ 1,101,930</u> |

NOTE D - NET INVESTMENT IN CAPITAL ASSETS

Governmental

| | |
|----------------------|-------------------|
| Capital Assets | \$ 1,325,390 |
| less: Long-term Debt | 903,326 |
| | <u>\$ 422,064</u> |

NOTE E - FUND BALANCE

High Country Council of Governments has a revenue spending policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-School funds, High Country Council of Government funds. For purposes of fund balance, classification expenditures are to be spent from restricted fund balance first, following in order by committed, assigned and unassigned fund balance. The Finance Officer has Council authorization to deviate from this policy if it is in the best interest of the Council. The following provides to the public the portion of the General fund balance that is available for appropriation:

| | |
|-----------------------------|--------------|
| Total fund balance | \$ 1,291,827 |
| Less: | |
| Prepaid Expenses | - |
| Stabilized by State Statute | 202,601 |
| Assigned Fund Balance | 23,000 |
| Remaining fund balance | 1,066,226 |

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE F - COST ALLOCATION

Costs incurred for a common or joint purpose which benefit more than one program are charged to the programs by an indirect cost allocation plan. This plan is prepared each fiscal year in connection with the budget. A copy of the plan accompanies grant applications and is formally reviewed for approval by some Federal and State agencies. For the year ended June 30, 2019, the indirect allocation rate and the fringe benefit rate were 52% and 36% respectively.

NOTE G - DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources is comprised of the following:

| | | |
|--------------------------------------------------------------------------------------------------------------|----|------------|
| Contributions to pension plan in current fiscal year | \$ | 73,510 |
| Contributions to OPEB plan in current fiscal year | | 13,950 |
| Differences between expected and actual experience | | |
| Pension | | 57,461 |
| OPEB | | - |
| Changes in assumptions | | |
| Pension | | 98,836 |
| OPEB | | - |
| Net difference between projected and actual earnings on pension plan investments | | |
| Pension | | 51,127 |
| Changes in proportion and differences between Council Contributions and proportionate share of contributions | | |
| Pension | | 20,987 |
| Total | | \$ 315,871 |

Deferred inflows of resources at year-end is comprised of the following:

| | | |
|------------------------------------------------|----|-----------|
| Per capita assessment not yet earned (General) | \$ | 4,184 |
| Grants not yet earned (Special Revenue) | | - |
| Pension deferrals | | 1,928 |
| OPEB deferrals | | 14,765 |
| Total | | \$ 20,877 |

HIGH COUNTRY COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE H - RISK MANAGEMENT AND CONTINGENCIES

The Council 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 Council carries commercial insurance according to North Carolina General Statutes, which includes individual performance bond coverage for the Finance Officer in the amount of \$50,000. Claims have not exceeded coverage in the last three fiscal years.

Federal and State Assisted Programs

The Council has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of 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.

Unemployment Compensation Insurance

The Council is required to fund unemployment compensation benefits for its employees. The Council has elected the direct reimbursement method for paying the costs of unemployment compensation benefits. Under the new state rules for reimbursable accounts. The Council remitted 1% of their annual salaries to the state unemployment to hold on account. The Council did not disburse funds for unemployment purposes during the fiscal year ended June 30, 2019, nor does the Council consider the risk of these costs significant sufficiently to provide for an accrual of this contingency.

NOTE I - SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

There were no subsequent events to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Proportionate Share of the Net Pension Asset (Liability) - Local
Government Employees' Retirement System

Schedule of Contributions - Local Government Employees' Retirement System

Schedule of Changes in the Total OPEB Liability and Related Ratios

**HIGH COUNTRY COUNCIL OF GOVERNMENTS
PROPORTINATE SHARE OF NET PENSION (ASSET) LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
LAST SIX FISCAL YEARS ***

Local Government Employees' Retirement System

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--------------------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Council's proportion of the net pension liability (asset) (%) | 0.0157% | 0.0137% | 0.0138% | 0.0163% | 0.0166% | 0.0169% |
| Council's proportion of the net pension liability (asset) (\$) | \$ 372,458 | \$ 209,756 | \$ 292,458 | \$ 73,064 | \$ (97,721) | \$ 203,710 |
| Council's covered-employee payroll | \$ 945,443 | \$ 909,270 | \$ 784,494 | \$ 782,920 | \$976,329 | \$937,668 |
| Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 39.40% | 23.07% | 37.28% | 9.33% | -10.01% | 21.73% |
| Plan fiduciary net position as a percentage of the total pension liability** | 92.00% | 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 will be the same percentage for all participant employers in the LGERS plan.

**HIGH COUNTRY COUNCIL OF GOVERNMENTS
SCHEDULE OF CONTRIBUTIONS - LGERS
REQUIRED SUPPLEMENTARY INFORMATION
LAST FIVE FISCAL YEARS**

Local Government Employees' Retirement System

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| Contractually required contribution | \$ 73,510 | \$ 70,806 | \$ 65,922 | \$ 91,387 | \$ 94,342 | \$ 117,648 |
| Contributions in relation to the contractually required contribution | <u>\$ 73,510</u> | <u>\$ 70,806</u> | <u>\$ 65,922</u> | <u>\$ 91,387</u> | <u>\$ 94,342</u> | <u>\$ 117,648</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Commission's covered-employee payroll | \$ 958,834 | \$ 945,443 | \$ 909,270 | \$ 784,494 | \$ 782,920 | \$ 976,329 |
| Contributions as a percentage of covered-employee payroll | 7.67% | 7.49% | 7.25% | 11.65% | 12.05% | 12.05% |

HIGH COUNTRY COUNCIL OF GOVERNMENTS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------------------------|-------------------|-------------------|
| Total OPEB Liability | | |
| Service cost | \$ 2,503 | \$ 2,805 |
| Interest | 7,472 | 6,840 |
| Changes of benefit terms | - | - |
| Differences between expected and actual experience | (598) | (740) |
| Changes of assumptions | (6,734) | (12,344) |
| Benefit payments | <u>(14,413)</u> | <u>(13,488)</u> |
| Net change in total OPEB liability | <u>(11,770)</u> | <u>(16,927)</u> |
| Total OPEB liability - beginning | <u>217,024</u> | <u>233,951</u> |
| Total OPEB liability - ending | <u>\$ 205,254</u> | <u>\$ 217,024</u> |
| Covered payroll | N/A* | N/A* |
| Total OPEB liability as a percentage of covered payroll | N/A* | N/A* |

* Covered payroll not displayed as there are fewer than 10 active employees participating.

Notes to Schedule

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

| <u>Fiscal Year</u> | <u>Rate</u> |
|--------------------|-------------|
| 2018 | 3.56% |

SUPPLEMENTARY INFORMATION

HIGH COUNTRY COUNCIL OF GOVERNMENTS
SUPPLEMENTAL SCHEDULE OF PROGRAM EXPENDITURES
BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

| | Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------------------------------------------------|---------------------|---------------------|----------------------------------------|
| General Government | | | |
| Local Administration | \$ 290,398 | \$ 253,769 | \$ 36,629 |
| | <u>290,398</u> | <u>253,769</u> | <u>36,629</u> |
| Economic and Community Development | | | |
| Technical Assistance, Administration, and Special Projects | 536,827 | 530,871 | 5,956 |
| | <u>536,827</u> | <u>530,871</u> | <u>5,956</u> |
| Human Services | | | |
| Block Grant, P&A, Ombudsman, Caregiver, and Other | 2,842,853 | 2,750,669 | 92,184 |
| | <u>2,842,853</u> | <u>2,750,669</u> | <u>92,184</u> |
| Transportation | | | |
| RPO Planning | 159,563 | 169,046 | (9,483) |
| | <u>159,563</u> | <u>169,046</u> | <u>(9,483)</u> |
| Workforce Development | | | |
| Workforce Development Act 4031 | 200,000 | 200,000 | - |
| Workforce Development Act 4010 | 152,597 | 131,605 | 20,992 |
| Workforce Development Act 4020 | 647,954 | 474,116 | 173,838 |
| Workforce Development Act 4030 | 194,344 | 161,403 | 32,941 |
| Workforce Development Act 4040 | 646,414 | 537,483 | 108,931 |
| Workforce Development Act - Pathways | 179,410 | 146,881 | 32,529 |
| Finish Line | 161,500 | 103,482 | 58,018 |
| Maximize Carolinas | 71,250 | 7,408 | 63,842 |
| Innovation | 49,007 | - | 49,007 |
| | <u>2,302,476</u> | <u>1,762,378</u> | <u>540,098</u> |
| Administration, Wilkes Community College, Mayland Community College | 2,302,476 | 1,762,378 | 540,098 |
| | <u>2,302,476</u> | <u>1,762,378</u> | <u>540,098</u> |
| Total Program Expenditures | <u>\$ 6,132,117</u> | <u>\$ 5,466,733</u> | <u>\$ 665,384</u> |

HIGH COUNTRY COUNCIL OF GOVERNMENTS
SCHEDULE OF FRINGE BENEFITS
For the Year Ended June 30, 2019

| | | | 2019 | |
|--------------------------------|------------------------------|---|------------------------------|---------------------|
| | | | <u>FY Budget Cost</u> | |
| Total Annual Salaries | | | \$ 1,023,807 | |
| FICA | | | 78,321 | |
| LGERS Retirement | | | 79,345 | |
| Supplemental Retirement | | | 30,000 | |
| Group Insurance | | | 128,000 | |
| Other Post Employment Benefits | | | 15,000 | |
| Holiday Leave | | | - | |
| Annual Leave | | | 13,000 | |
| Longevity | | | 15,000 | |
| Workers Comp | | | 4,700 | |
| Unemployment Insurance | | | 5,200 | |
| Total Fringe Benefits | | | <u>368,566</u> | |
| | | | | |
| | <u>Total Fringe Benefits</u> | = | <u>368,566</u> | = |
| | Total Annual Salaries | = | \$ 1,023,807 | = |
| | | | | 36% |
| | | | | |
| | | | Total Annual Salaries | \$ 1,023,807 |
| | | | Total Fringe Benefits | 368,566 |
| | | | <u>Total Personnel Costs</u> | <u>\$ 1,392,373</u> |

HIGH COUNTRY COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS
For the Year Ended June 30, 2019

| | | 2019 FY Budget Cost |
|--------------------------------------------------|-----------------|------------------------|
| Total Indirect Annual Salaries | \$ | 228,501 |
| Total Indirect Fringe Benefits | | 71,626 |
| Professional Services | | 25,000 |
| Travel | | 5,000 |
| Board Fees / Travel | | 29,300 |
| Occupancy Costs | | 120,500 |
| Operating Expense | | 88,543 |
| Total Indirect Expenditures | | <u>568,470</u> |
| | | |
| Total Personnel Costs | 1,392,373 | |
| Less: Total Indirect Salaries | (228,501) | |
| Less: Total Indirect Fringe Benefits | <u>(71,626)</u> | |
| Total Direct Salaries and Direct Fringe Benefits | | <u>\$ 1,092,246</u> |

Indirect Rate Calculation

| | | | |
|--------------------------------------------------|----------------|---|-----|
| Total Indirect Expenditures | <u>568,470</u> | | |
| Total Direct Salaries and Direct Fringe Benefits | 1,092,246 | = | 52% |

HIGH COUNTRY COUNCIL OF GOVERNMENTS**COST ALLOCATION PLAN**

For the Year Ended June 30, 2019

| | Total Estimated Costs | Estimated Pass- through Funding | Estimated Indirect Costs | Estimated Direct Salaries and Fringes | Estimated Agency Operating Costs |
|-----------------------------------------|-----------------------------|------------------------------------------|--------------------------------|------------------------------------------------|-------------------------------------------|
| Indirect Costs | \$ - | \$ - | \$ - | \$ - | \$ - |
| Local Projects | 428,440 | - | 55,120 | 100,500 | 272,820 |
| Federal/State Programs | | | | | |
| US DEC Economic Development Association | 128,333 | - | 43,185 | 83,049 | 2,099 |
| Appalachian Regional Commission | 179,448 | - | 58,055 | 111,644 | 9,749 |
| NC DOT Rural Planning Organization | 159,562 | - | 52,902 | 101,735 | 4,925 |
| NC Housing Finance Agency | 65,000 | - | 21,022 | 40,427 | 3,551 |
| AAA Programs | 2,700,045 | 1,701,028 | 191,004 | 372,227 | 435,786 |
| Work Force Development Admin | 1,837,538 | 1,267,901 | 156,917 | 270,921 | 141,799 |
| Totals | <u>\$5,498,366</u> | <u>\$2,968,929</u> | <u>\$ 578,205</u> | <u>\$1,080,503</u> | <u>\$ 870,729</u> |

Indirect Costs/Direct Salaries & Fringe = 52%

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co, P.A.

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**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

**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***

To the Board of Directors
High Country Council of Governments
Boone, 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 accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the High Country Council of Governments as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the High Country Council of Governments' basic financial statements, and have issued our report thereon dated September 25, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies [2019-01].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council'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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

High Country Council of Government's Response to Findings

The Council's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governments Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
September 25, 2019



**Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA**

**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**

To the Board of Directors
High Country Council of Governments
Boone, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the High Country Council of Governments' 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 High Country Council of Governments' major federal programs for the year ended June 30, 2019. High Country Council of Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of High Country Council of Governments' 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 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 High Country Council of Governments' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a 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 type of compliance requirement of a federal program that is less severe than 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 weakness may exist that have 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.

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC

September 25, 2019



**Report On Compliance With Requirements Applicable to Each Major State Program And
Internal Control Over Compliance In Accordance With OMB Uniform Guidance and the
State Single Audit Implementation Act**

To the Board of Directors
High Country Council of Governments
Boone, North Carolina

Report on Compliance for Each Major State Program

We have audited High Country Council of Governments' 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 High Country Council of Governments' major state programs for the year ended June 30, 2019. High Country Council of Governments' major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major State Program

In our opinion, High Country Council of Governments 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, 2019.

Report on Internal Control Over Compliance

Management of the High Country Council of Governments 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 High Country Council of Governments' internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Thompson, Rice, Scott, Adams & Co., P.A.

Whiteville, NC
September 25, 2019

**HIGH COUNTRY COUNCIL OF GOVERNMENTS
BOONE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes No

Significant Deficiency(s) identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? Yes No

Significant Deficiency(s) identified that are not considered to be material weaknesses? Yes None Reported

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

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

Identification of major federal programs:

| <u>CFDA Numbers</u> | <u>Names of Federal Program or Cluster</u> |
|---------------------|-------------------------------------------------------------------------------------------------------|
| | Workforce Investment Act Cluster |
| 17.258 | WIOA - Adult Programs |
| 17.259 | WIOA - Youth Activities |
| 17.278 | WIOA - Dislocated Workers |
| | Aging Cluster: |
| 93.044 | Special Programs for the Aging - Title III, Part B- Grants for Supportive Services and Senior Centers |
| 93.045 | Special Programs for the Aging - Title III, Part C - Nutrition Services |
| 93.053 | Nutrition Services Incentive Program (NSIP) |

**HIGH COUNTRY COUNCIL OF GOVERNMENTS
BOONE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

\$ 750,000

Auditee qualified as low-risk auditee?

 Yes X No

State Awards

Internal control over major State programs:

Material weaknesses identified?

 Yes X No

Significant Deficiency(s) identified that are not
considered to be material weaknesses?

 Yes X None Reported

Type of auditor's 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

- 90% State Funds - Ombudsman
- 90% State Funds - In-Home Services
- 90% State Funds - Home Delivered Meals
- 90% State Funds - Access

**HIGH COUNTRY COUNCIL OF GOVERNMENTS
BOONE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Section II. Financial Statement Findings

SIGNIFICANT DEFICIENCY

Finding 2019-01 Account Reconciliations

Criteria: The Finance Officer should appropriately reconcile all general ledger accounts.

Condition: Bank account balances were not reconciled to the books for the first several months of the year.

Effect: If the bank account is not reconciled timely each month, management may not have accurate information to base decisions on.

Cause: The Council has experienced significant turnover in the past few years, particularly in the executive director and finance officer positions. During this transition, the staff in place did not perform basic control procedures (i.e. account reconciliations).

Recommendation: Accounts should be reconciled timely.

Views of responsible officials: The Council agrees with this finding. Interim assistance was obtained to reconcile the records prior to year end, with a new finance director coming onboard at the close of the year. Key accounts have been caught up to date.

Section III. Federal Award Findings and Question Costs

None Reported.

Section IV. State Award Findings and Question Costs

None Reported.

Johnny Riddle
Chair of the Board

Valerie Jaynes
Vice-Chair



Mark Evans
Secretary

Chris Jones
Treasurer

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CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2019

Section II. Financial Statement Findings

Finding: 2019-01

Name of contact person: Julie Wiggins, Executive Director

Corrective Action: Interim assistance was obtained to reconcile the records prior to year end, with a new finance director coming onboard at the close of the year. Key accounts have been caught up to date.

Proposed Completion Date: The Board has already implemented these procedures as of the report date.

Section III. Federal Award Findings and Question Costs

None Reported.

Section IV. State Award Findings and Question Costs

None Reported.

The High Country Council of Governments will be the leader in initiating and providing solutions to regional and local challenges, supporting a bright future for the High Country.

HIGH COUNTRY COUNCIL OF GOVERNMENTS
BOONE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2019

2018-01 Account Reconciliations

Repeated at 2019-01

2018-02 Budget Violations

Corrected

HIGH COUNTRY COUNCIL OF GOVERNMENTS, INC.
HIGH COUNTRY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

| Grantor/Pass-Through Grantor/Program | Federal CFDA <u>Number</u> | Federal <u>Expenditures</u> | State <u>Expenditures</u> | Pass-through to <u>Subrecipients</u> | Total <u>Expenditures</u> |
|-------------------------------------------------------------|----------------------------------|--------------------------------|------------------------------|--------------------------------------------|------------------------------|
| Federal Awards: | | | | | |
| U.S Department of Labor: | | | | | |
| Passed through N. C. Department of Commerce | | | | | |
| Division of Workforce Solutions | | | | | |
| Workforce Investment Act Cluster | | | | | |
| WIOA - Adult Programs | 17.258 | \$ 519,083 | \$ - | \$ 316,108 | \$ 519,083 |
| WIOA - Youth Programs | 17.259 | 596,641 | - | 412,616 | 596,641 |
| WIOA - Dislocated Workers | 17.278 | 649,013 | - | 418,404 | 649,013 |
| Total Workforce Investment Act Cluster | | <u>1,764,737</u> | <u>-</u> | <u>1,147,128</u> | <u>1,764,737</u> |
| Total U.S. Department of Labor | | <u>1,764,737</u> | <u>-</u> | <u>1,147,128</u> | <u>1,764,737</u> |
| Federal Programs: | | | | | |
| 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 - C1 / Congregate Nutrition | 93.045 | 351,289 | 20,664 | 351,289 | 371,953 |
| Title III - C2 / Home Delivered Meals | 93.045 | 393,142 | 23,126 | 393,142 | 416,268 |
| Title III - C1 / Planning and Administrative | 93.045 | 74,241 | 4,068 | - | 78,309 |
| Title III - B / In Home Support Services | 93.044 | 155,209 | 9,130 | 155,209 | 164,339 |
| Title III - B / Legal Services | 93.044 | 9,034 | 531 | 9,034 | 9,565 |
| Title III - B / Ombudsman | 93.044 | 17,763 | 1,045 | 17,763 | 18,808 |
| Title III - B / Access | 93.044 | 58,190 | 3,423 | 58,190 | 61,613 |
| Title III - B / Planning and Administrative | 93.044 | 42,871 | 2,349 | 141,763 | 45,220 |
| Nutrition Services Incentive Program (NSIP) | 93.053 | 141,763 | - | - | 141,763 |
| Total Aging Cluster | | <u>1,243,502</u> | <u>64,336</u> | <u>1,126,390</u> | <u>1,307,838</u> |
| Title VII - E / Ombudsman | 93.042 | 45,358 | 2,668 | - | 48,026 |
| Title VII - B / Elder Abuse | 93.041 | 3,716 | 219 | - | 3,935 |
| Title III - D / Disease Prevention and Health Prot | 93.043 | 21,992 | 1,294 | - | 23,286 |
| Title III - E / Family Caregiver | 93.052 | 145,761 | 9,717 | - | 155,478 |
| Title III - E / Planning and Administrative | 93.052 | 27,918 | 1,530 | - | 29,448 |
| Lifespan Respite Care Program | 93.072 | 131,380 | - | - | 131,380 |
| Medicare Improvements for Patients & Providers | 93.071 | 11,625 | - | - | 11,625 |
| Social Services Block Grant (SSBG) | 93.667 | 136,919 | 3,912 | - | 140,831 |
| MFP Rebalancing Demonstration | 93.791 | 15,000 | - | - | 15,000 |

HIGH COUNTRY COUNCIL OF GOVERNMENTS, INC.
HIGH COUNTRY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

| Grantor/Pass-Through Grantor/Program | Federal CFDA Number | Federal Expenditures | State Expenditures | Pass-through to Subrecipients | Total Expenditures |
|----------------------------------------------------|---------------------------|-------------------------|-----------------------|-------------------------------------|-----------------------|
| 90% State Funds Ombudsman | N/A | - | 21,039 | 21,039 | 21,039 |
| 90% State Funds Access | N/A | - | 45,408 | 45,408 | 45,408 |
| 90% State Funds In-Home Services | N/A | - | 475,354 | 475,354 | 475,354 |
| 90% State Funds Home-Delivered Meals | N/A | - | 205,231 | 205,231 | 205,231 |
| | | <u>-</u> | <u>747,032</u> | <u>747,032</u> | <u>747,032</u> |
| AAA Administration | N/A | - | 48,261 | - | 48,261 |
| Senior Center General Purpose Funding | N/A | - | 49,898 | 49,898 | 49,898 |
| | | <u>-</u> | <u>98,159</u> | <u>49,898</u> | <u>98,159</u> |
| Total U.S. Department of Health and Human Services | | <u>1,783,171</u> | <u>928,867</u> | <u>1,923,320</u> | <u>2,712,038</u> |
| U.S. Department of Commerce: | | | | | |
| Direct Program: | | | | | |
| Economic Development Administration | 11.303 | 39,579 | | | 39,579 |
| Economic Development Administration | 11.302 | 38,688 | - | - | 38,688 |
| Total U.S. Department of Commerce | | <u>78,267</u> | <u>-</u> | <u>-</u> | <u>78,267</u> |
| Direct Program: | | | | | |
| LDD Administrative Grant | 23.009 | 85,852 | - | - | 85,852 |
| Passed through N.C. Department of Administration | | | | | |
| Housing, Water Quality & Technical Assistance | 23.011 | 27,500 | - | - | 27,500 |
| | | <u>27,500</u> | <u>-</u> | <u>-</u> | <u>27,500</u> |
| Total Appalachian Regional Commission | | <u>113,352</u> | <u>-</u> | <u>-</u> | <u>113,352</u> |
| North Carolina Housing Finance Agency | | | | | |
| Single Family Rehabilitation (15 Wilkes) | 14.239 | 27,899 | | | 27,899 |
| | | <u>27,899</u> | <u>-</u> | <u>-</u> | <u>27,899</u> |
| Total U.S. Department of Commerce | | <u>219,518</u> | <u>-</u> | <u>-</u> | <u>219,518</u> |
| NC Division of Environmental Quality | | | | | |
| DENRJ205 | 66.454 | 9,679 | - | - | 9,679 |
| NC General Assembly Appropriation | | - | 13,000 | - | 13,000 |
| Total U.S. Department of Environmental Quality | | <u>9,679</u> | <u>13,000</u> | <u>-</u> | <u>22,679</u> |
| U.S. Department of Transportation | | | | | |
| Pass-through N.C. Dept. of Transportation | | | | | |
| RPO Transportation Planning Grant | 20.505 | 127,650 | - | - | 127,650 |
| Total N.C. Dept. of Transportation | | <u>127,650</u> | <u>-</u> | <u>-</u> | <u>127,650</u> |
| Total Federal and State Award Programs | | <u>\$ 3,904,755</u> | <u>\$ 941,867</u> | <u>\$ 3,070,448</u> | <u>\$ 4,846,622</u> |

HIGH COUNTRY COUNCIL OF GOVERNMENTS, INC.
HIGH COUNTRY COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

| Grantor/Pass-Through Grantor/Program | Federal CFDA <u>Number</u> | Federal <u>Expenditures</u> | State <u>Expenditures</u> | Pass-through to <u>Subrecipients</u> | Total <u>Expenditures</u> |
|-----------------------------------------|----------------------------------|--------------------------------|------------------------------|--------------------------------------------|------------------------------|
|-----------------------------------------|----------------------------------|--------------------------------|------------------------------|--------------------------------------------|------------------------------|

Notes to the Schedule of Expenditures of Federal and State Awards:

1 Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the High Country Council of Governments under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of High Country Council of Governments, it is not intended to and does not present the financial position, changes in net assets, or cash flows of High Country Council of Governments.

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

High Country Council of Governments has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3 Clusters of Programs

The following are clustered by the NC Department of Health and Human Services and are treated separately for state audit requirement purposes: Aging Cluster