

**ISOTHERMAL PLANNING AND DEVELOPMENT COMMISSION**

Financial Statements

June 30, 2016

**Isothermal Planning and Development Commission  
Table of Contents  
June 30, 2016**

<u>Exhibit</u>		<u>Page No.</u>
<b>Financial Section:</b>		
	Independent Auditors' Report	i-iii
	Management's Discussion and Analysis	iv-x
<b>Basic Financial Statements:</b>		
Government-wide Financial Statements:		
<b>A</b>	Statement of Net Position	1
<b>B</b>	Statement of Activities	2
Fund Financial Statements:		
<b>C</b>	Balance Sheet – Governmental Fund	3
	Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	4
<b>D</b>	Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	5
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the General Fund to the Statement of Activities	6
<b>E</b>	Statement of Revenues, Expenditures and Changes in Fund Balance – Annual Budget and Actual – General Fund	7
<b>F</b>	Statement of Fiduciary Net Position – Fiduciary Funds	8
<b>G</b>	Statement of Changes in Fiduciary Net Position – Trust Fund	9
	Notes to the Financial Statements	10-29

<u>Schedule</u>		<u>Page No.</u>
<b>Required Supplementary Information:</b>		
1	Healthcare Benefits Plan – Schedule of Funding Progress	30
2	Healthcare Benefits Plan – Schedule of Employer Contributions	31
3	Schedule of the Proportionate Share of the Net Pension Liability (Asset) – Local Governmental Employees’ Retirement System	32
4	Schedule of Contributions – Local Governmental Employees’ Retirement System	33
<b>Supplementary Information:</b>		
5	HUD Housing Choice Vouchers Program – Financial Data Schedule – Balance Sheet	34-35
6	HUD Housing Choice Vouchers Program – Financial Data Schedule – Revenues and Expenses	36-37
7	Schedule of Indirect Costs	38-39
8	Schedule of Depreciation Charged to Grants – Non-GAAP	40
9	2015 ARC Administrative Grant - Revenues and Expenditures Compared with Budget	41
10	2016 ARC Administrative Grant - Revenues and Expenditures Compared with Budget	42
11	Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	43
<b>Compliance Section:</b>		
	Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44-45
	Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	46-47
	Report on Compliance for Each Major State Program and on Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	48-49
	Schedule of Findings and Questioned Costs	50-51
	Summary Schedule of Prior Audit Findings	52
	Schedule of Expenditures of Federal and State Awards	53-59

## **Independent Auditors' Report**

Commission Members  
Isothermal Planning and Development Commission  
Rutherfordton, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Isothermal Planning and Development Commission (the "Commission") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Commission as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General Fund 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 Healthcare Benefits Plan Schedules of Funding Progress and Employer Contributions, and the Local Governmental Employees' Retirement System Schedules of the Proportionate Share of Net Pension Liability (Asset) and Contributions on pages iv-x and pages 30-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The budgetary schedules and other schedules, the financial data schedules as required by the U.S. Department of Housing and Urban Development, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules, other schedules, financial data schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the budgetary schedules, other schedules, financial data 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 November 15, 2016 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of 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 Commission's internal control over financial reporting and compliance.

*Dixon Hughes Goodman LLP*

Asheville, North Carolina  
November 15, 2016

## Management's Discussion and Analysis

This section of Isothermal Planning and Development Commission's (IPDC) financial report represents discussion and analysis of the financial performance of IPDC for the year ended June 30, 2016. This information should be read in conjunction with the audited financial statements included in this report.

### Financial Highlights

- The assets and deferred outflows of resources of IPDC exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,345,557.
- IPDC's total net position increased by \$17,227, partially due to the increase in revenues generated by local programs offered by IPDC.
- As of the close of the current fiscal year, IPDC's general fund reported a fund balance of \$1,286,557, an increase of \$24,251 from the prior year. Due to the financial model used by IPDC and other councils of government, where expenditures are incurred prior to receipt of grant funds, a sizable portion of its net assets are considered restricted until funds are received.

### Overview of the Financial Statements

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

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

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

### **Government-wide Statements**

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

The two government-wide statements report IPDC's net position and how they have changed. Net position (i.e., the difference between IPDC's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources) is one way to measure the agency's financial health or position. These statements present IPDC's governmental activities; IPDC has no other operating categories.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about IPDC's funds, focusing on its most significant or "major" funds – not the agency as a whole. Funds are accounting devices IPDC uses to keep track of specific sources of funding and spending on particular programs. IPDC established funds to control and manage money for a particular purpose or to show that it is properly using certain revenues.

**Governmental funds:** All of IPDC's basic services are included in the governmental funds, which generally focus on two things – how cash and other assets can readily be converted to cash flow in and out, and the balances left at year-end that are available for spending. As a result of this focus, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the coming year to finance IPDC's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements, in the form of reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. IPDC has one governmental fund: the General Fund. The governmental fund statements are shown as Exhibits C, D, and E of this report.



***Fiduciary funds:*** IPDC operates two fiduciary funds – the Family Self-Sufficiency Agency Fund and the Post-Employment Benefits Trust Fund. The Family Self-Sufficiency Agency Fund accounts for the escrow accounts created for Section Eight tenants participating in the Family Self-Sufficiency Program. The Post-Employment Benefits Trust Fund accounts for the amount of accrued post-employment benefits for employees participating in this plan. The financial statements are shown as Exhibits F and G.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 10 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report includes certain other supplementary information. This information begins on Page 30 of this report.

## **Interdependence with Other Entities**

IPDC depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, IPDC is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

## **Government-wide Financial Analysis**

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

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

The government-wide statements could be divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include IPDC's programs. Intergovernmental revenues and other non-exchange transactions finance most of these activities. IPDC has no business-type activities or component units.

The government-wide financial statements are summarized in Tables 1 and 2.

**Table 1**  
**Isothermal Planning and Development Commission**  
**Condensed Statements of Net Position**  
**June 30**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Current Assets	\$ 1,584,176	\$ 1,459,221
Capital Assets	225,314	249,027
Noncurrent Assets	-	125,439
Deferred Outflows of Resources	71,879	94,227
<b>Total Assets and Deferred Outflows of Resources</b>	<b>1,881,369</b>	<b>1,927,914</b>
Current Liabilities	370,962	260,994
Noncurrent Liabilities	104,587	16,819
Deferred Inflows of Resources	60,263	321,771
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>535,812</b>	<b>599,584</b>
Net Investment in Capital Assets	218,671	234,305
Restricted Net Position	1,020,685	1,015,162
Unrestricted Net Position	106,201	78,863
<b>Total Net Position</b>	<b>\$ 1,345,557</b>	<b>\$ 1,328,330</b>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of IPDC exceeded liabilities by \$1,345,557 as of June 30, 2016.

One particular aspect of IPDC's financial operations positively influenced total governmental net position:

Net position of IPDC increased by \$17,227 for the year ended June 30, 2016, partially due to the increase in revenues generated by local programs offered by IPDC.

**Table 2**  
**Isothermal Planning and Development Commission**  
**Condensed Statements of Activities**  
**For the Year Ended June 30**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Revenues</b>		
Program Revenues:		
Operating Grants and Contributions	\$ 12,334,020	\$ 12,652,340
General Revenues:		
Local Governmental Dues	75,356	75,398
<b>Total Revenues</b>	<b>12,409,376</b>	<b>12,727,738</b>
<b>Expenses</b>		
General Government	92,438	66,364
Human Services	3,236,734	3,123,482
Workforce Development	1,926,306	2,098,190
Housing Programs	6,809,609	7,421,446
Transportation	109,459	113,254
Economic and Physical Development	217,603	246,129
<b>Total Expenses</b>	<b>12,392,149</b>	<b>13,068,865</b>
Change in Net Position	17,227	(341,127)
Beginning Net Position	1,328,330	1,669,457
Ending Net Position	<u>\$ 1,345,557</u>	<u>\$ 1,328,330</u>

**Financial Analysis of IPDC's Funds**

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

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

The General Fund is the chief operating fund of IPDC. At the end of the current fiscal year, fund balance totaled \$1,286,557, with a significant portion of which was either non-spendable or restricted. These restrictions are the result of three major factors. IPDC, like other similar councils of government, must incur expenditures prior to requesting reimbursement from applicable funding sources, resulting in a large balance of receivables at year-end. IPDC operates a Section 8 Housing Program which has restricted a portion of its fund balance for future tenant payments. A small portion of non-spendable fund balance is represented by prepaid expenditures. The remainder of fund balance is unassigned and is available for use. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents approximately 10.4% of total General Fund expenditures.

Operating Grants and Contributions decreased for the current year due to reductions in funding available for IPDC's Workforce Development Program. IPDC also no longer operates the housing renovation and weatherization programs. These changes have resulted in decreased overall expenditures incurred by IPDC.

*General Fund Budgetary Highlights:* During the fiscal year, IPDC revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were less than the budgeted amounts and expenditures were less than budgeted amounts primarily because certain anticipated expenditures and related revenues for multiple year grants were carried forward into Fiscal Year 2016-2017.

### **Capital Assets and Debt Administration**

IPDC's investment in capital assets for its governmental activities as of June 30, 2016 and 2015 totaled \$225,314 and \$249,027 (net of accumulated depreciation), respectively. These assets include a building, the financial software system, vehicles, furniture, fixtures, and equipment.

IPDC purchased a radar recorder used in its rural transportation program for local governments.

Lease payments continue to be made on the capital lease entered into in fiscal 2012. This capital lease financed the purchase of a new telephone system.

	<b>Governmental Activities</b>	
	<b>June 30</b>	
	<b>2016</b>	<b>2015</b>
	<u>2016</u>	<u>2015</u>
Land	\$ 27,600	\$ 27,600
Buildings	147,643	153,853
Furniture and Equipment	<u>50,071</u>	<u>67,574</u>
Total	<u>\$ 225,314</u>	<u>\$ 249,027</u>

## **Budget Highlights and Other Information for the Fiscal Year Ending June 30, 2017**

IPDC's legacy programs (Workforce Investment Act, Aging Services and Housing Choice Voucher Program (Section 8)) are subject to appropriation by agencies outside of the control of the IPDC Board and its management. For the year ending June 30, 2016, IPDC's Board and its management team worked diligently to be in compliance with the budgetary provisions required by North Carolina General Statute G.S. 159.

Some increase in other funding sources for Workforce Investment Board activities may occur throughout the fiscal year and these opportunities will also be captured through the budget amendment process. It may be necessary for the Executive Board of the IPDC to meet in-between the normal quarterly meeting schedule in order to affect these necessary budgetary governance actions.

The IPDC Board has eliminated in-house support services for its Grant Services division. This was due to a lack of grant-related and other income to support the staff costs of same. IPDC negotiated with two neighboring Councils of Government (COG's) for these services on behalf of the membership.

Recognizing the need for these services, the IPDC Board adopted a five-year revenue enhancement program, specifically providing for successive dues increases on membership, beginning July 1, 2016. In addition, the Board adopted a Local Government Technical Assistance program, which essentially enhances revenues for these services by splitting the cost between the membership and the various programs such as the Appalachian Regional Commission. This allows the technical assistance dollars to meet various matching goals as well as stretch the program dollars farther within the membership on a case by case basis.

The IPDC Board, recognizing the need to evaluate its service delivery, engaged the Southeastern Regional Directors Institute to conduct an evaluation and recommendations for improvement for IPDC itself. One clear result of this evaluation was the desire for more local technical services specific to the Economic and Community Development Division of IPDC, to include grants, planning, financial and administrative services to the membership. The increase in the dues, as part of the five-year plan, and the recruitment of staff members for this division were also part of this process and are currently underway.

### **Requests for Information**

This report is designed to provide an overview of IPDC finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Joyce Ferguson, Finance Director, 111 West Court Street, Rutherfordton, North Carolina, (828) 287-2281, or [jferguson@regionc.org](mailto:jferguson@regionc.org).

## **Basic Financial Statements**

**Isothermal Planning and Development Commission**  
**Statement of Net Position**  
**June 30, 2016**

**Exhibit A**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Cash and Investments - Unrestricted	\$ 547,804
Due from Other Governments	532,434
Prepaid Expenses	22,270
Cash and Investments - Restricted	481,668
Total Current Assets	1,584,176
Noncurrent Assets	
Capital Assets	
Land	27,600
Buildings	147,643
Equipment	50,071
Total Capital Assets, Net of Depreciation	225,314
Total Assets	1,809,490
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Related Deferrals	71,879
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable and Accrued Liabilities	292,000
Unearned Grant Revenue	5,619
Current Portion of Long-term Liabilities	73,343
Total Current Liabilities	370,962
Noncurrent Liabilities	
Net Pension Liability	92,811
Due in More than One Year	11,776
Total Noncurrent Liabilities	104,587
Total Liabilities	475,549
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Related Deferrals	60,263
<b>NET POSITION</b>	
Net Investment in Capital Assets	218,671
Restricted for:	
Housing Assistance Payments	488,251
Stabilization by State Statute	532,434
Unrestricted	106,201
Total Net Position	\$ 1,345,557

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

**Isothermal Planning and Development Commission**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

**Exhibit B**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
General Government	\$ 92,438	\$ -	\$ 625	\$ -	\$ (91,813)
Human Services	3,236,734	-	3,239,989	-	3,255
Workforce Development	1,926,306	-	1,934,862	-	8,556
Housing Programs	6,809,609	-	6,826,081	-	16,472
Transportation	109,459	-	115,625	-	6,166
Economic and Physical Development	217,603	-	216,838	-	(765)
<b>Total Governmental Activities</b>	<b>\$ 12,392,149</b>	<b>\$ -</b>	<b>\$ 12,334,020</b>	<b>\$ -</b>	<b>(58,129)</b>
<b>General Revenues:</b>					
					75,356
					17,227
					1,328,330
					\$ 1,345,557

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



**Isothermal Planning and Development Commission  
Balance Sheet  
Governmental Fund  
June 30, 2016**

**Exhibit C**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and Investments - Unrestricted	\$ 547,804
Cash and Investments - Restricted	481,668
Due from Other Governments	532,434
Prepaid Expenditures	22,270
Total Assets	\$ 1,584,176
<b>LIABILITIES</b>	
Accounts Payable and Accrued Liabilities	\$ 292,000
Unearned Grant Revenue	5,619
Total Liabilities	297,619
<b>FUND BALANCES</b>	
Non-spendable	
Prepaid Expenditures	22,270
Restricted	
Housing Assistance Payments	488,251
Stabilization by State Statute	532,434
Unassigned	243,602
Total Fund Balances	1,286,557
Total Liabilities and Fund Balances	\$ 1,584,176

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

**Isothermal Planning and Development Commission  
Balance Sheet  
Governmental Fund  
June 30, 2016**

**Exhibit C  
(Continued)**

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

Ending Fund Balance Governmental Fund	\$	1,286,557
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund		225,314
Net pension liability		(92,811)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		67,791
Compensated absences not due and payable in the current period are not reported in the fund		(78,476)
Long-term debt included as net position below (includes principal payments during the year)		(6,643)
Pension related deferrals		<u>(56,175)</u>
Net Position of Governmental Activities	\$	<u><u>1,345,557</u></u>

**Isothermal Planning and Development Commission  
Governmental Fund  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - General Fund  
For the Year Ended June 30, 2016**

**Exhibit D**

	<b>General Fund</b>
<b>REVENUES</b>	
Federal Government	\$ 10,559,595
State of North Carolina	1,200,635
Local Governmental Agencies and Program Income	573,789
Local Governmental Dues	75,356
Total Revenues	12,409,375
 <b>EXPENDITURES</b>	
Current	
Management and Business Operations	73,571
Human Services	3,238,179
Workforce Development	1,932,724
Housing Programs	6,813,202
Other Local Initiatives and Activities	327,448
Total Expenditures	12,385,124
 Net Change in Fund Balance	 24,251
 Fund Balance, July 1	 1,262,306
 Fund Balance, June 30	 \$ 1,286,557

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

**Isothermal Planning and Development Commission  
Governmental Fund  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - General Fund  
For the Year Ended June 30, 2016**

**Exhibit D  
(Continued)**

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

Net change in fund balance - total governmental fund	\$ 24,251
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.	
Depreciation expense for governmental activities	(30,303)
Capital outlay expenditures that were capitalized	6,590
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	
	67,791
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	8,079
Some expenses reported in the statement of activities do not require the use of current financial resources in the governmental fund	
Pension expense	(46,881)
Compensated absences	(12,300)
	(59,181)
Change in net position of governmental activities	\$ 17,227

**Isothermal Planning and Development Commission**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Annual Budget and Actual - General Fund**  
**For the Year Ended June 30, 2016**

**Exhibit E**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Federal Government	\$ 11,777,214	\$ 12,034,253	\$ 10,559,595	\$ (1,474,658)
State of North Carolina	1,158,885	1,467,921	1,200,635	(267,286)
Local Governmental Agencies and Program Income	704,140	779,452	573,789	(205,663)
Local Governmental Dues	75,698	75,698	75,356	(342)
Total Revenues	13,715,937	14,357,324	12,409,375	(1,947,949)
<b>EXPENDITURES</b>				
Current				
Management and Business Operations	75,698	75,698	73,571	2,127
Human Services	3,176,187	3,298,126	3,238,179	59,947
Workforce Development	3,083,236	3,414,159	1,932,724	1,481,435
Housing Programs	7,028,106	7,063,696	6,813,202	250,494
Other Local Initiatives and Activities	352,710	599,710	327,448	272,262
Total Expenditures	13,715,937	14,451,389	12,385,124	2,066,265
<b>OTHER FINANCING SOURCES</b>				
Fund Balance Appropriated	-	94,065	-	(94,065)
Net Change in Fund Balance	\$ -	\$ -	24,251	\$ 24,251
<b>Fund Balance, July 1</b>			1,262,306	
<b>Fund Balance, June 30</b>			\$ 1,286,557	

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

**Isothermal Planning and Development Commission  
Statement of Fiduciary Net Position - Fiduciary Funds  
June 30, 2016**

**Exhibit F**

	<b>Post- Employment Benefit Trust Fund</b>	<b>Family Self Sufficiency Fund</b>
<b>Assets</b>		
Cash and Investments	\$ 588,071	\$ 89,901
<b>Liabilities</b>		
Due to Other Sources	-	\$ 89,901
<b>Net Position</b>		
Assets Held in Trust for Post-Employment Benefits	\$ 588,071	

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

**Isothermal Planning and Development Commission**  
**Statement of Changes in Fiduciary Net Position - Trust Fund**  
**For the Year Ended June 30, 2016**

**Exhibit G**

	<u><b>Post- Employment Benefit Trust Fund</b></u>
<b>Additions</b>	
Employer Contributions	<u>\$ 22,932</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	(16,991)
Investment Income	<u>12,662</u>
	(4,329)
Less investment expense	<u>1,258</u>
Net investment income	<u>(5,587)</u>
Total Additions	17,345
<b>Deductions</b>	
Benefits	<u>44,323</u>
Change in Net Position	(26,978)
<b>Net Position - July 1</b>	<u>615,049</u>
<b>Net Position - June 30</b>	<u><u>\$ 588,071</u></u>

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

**Isothermal Planning and Development Commission**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2016**

**Note 1 – Summary of Significant Accounting Policies**

The accounting and reporting policies of the Isothermal Planning and Development Commission (IPDC) conform to accounting principles generally accepted in the United States of America as applicable to State and local governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

IPDC is a voluntary association of cities and counties within the four-county region of North Carolina designated as Region C. The four counties served by IPDC include Cleveland, McDowell, Polk, and Rutherford. IPDC was established to assist local governments in planning for common needs, cooperating for mutual benefit, and coordinating for sound regional development. IPDC is a political subdivision of the State of North Carolina under North Carolina General Statute G.S.160A-470.

The basic operations of IPDC are financed by membership dues and by financial assistance provided by the State of North Carolina. Federal and State administered grant funds permit IPDC to undertake specific programs.

**B. Basis of Presentation**

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of IPDC'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 fund have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including member dues, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about IPDC's funds, including fiduciary funds. Separate statements for each fund category – *governmental and fiduciary* – are presented.



IPDC reports one major governmental fund:

**General Fund** – The General Fund is the general operating fund of IPDC. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are federal and State grants and programs. The primary expenditures are for grant and program purposes including salaries, fringe benefits, and contracted services.

Additionally, IPDC reports the following fund type.

### **Fiduciary Funds**

**Trust Fund** – A Trust Fund is used to account for resources held in trust for members of other postemployment benefit plans.

**Post-Employment Benefit Fund** – This fund accounts for the amount of accrued post-employment benefits for employees participating in this plan.

**Agency Fund** – Agency Funds are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets IPDC holds on behalf of others. IPDC maintains one Agency Fund:

**Family Self Sufficiency Fund** – This fund accounts for the escrow accounts for the Section Eight tenants participating in the Family Self Sufficiency program.

### **C. Measurement Focus and Basis of Accounting**

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

***Government-wide Financial Statements:*** The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which IPDC gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

***Governmental Fund Financial Statements:*** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset

acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

IPDC considers all revenues available if they are collected within sixty days after year-end.

Grant revenues which are unearned at year-end are recorded as unearned revenues.

Those revenues susceptible to accrual are member dues, investment earnings, technical assistance contracts, contracts and fees, and federal and State restricted intergovernmental revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

***Fiduciary Fund Financial Statements:*** Agency funds report a statement of net position. Trust funds report a statement of net position and a statement of changes in Fiduciary Net Position. Fiduciary funds do not benefit the governmental entity; therefore, they are not included in the government wide financial statements.

#### **D. Budgetary Data**

IPDC's budgets are adopted as required by the North Carolina General Statutes. An annual budget resolution is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. The budget was prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions.

Expenditures may not legally exceed appropriations at the functional level for the General Fund. The governing board must approve any revisions that alter total expenditures of the General Fund. During the year, several amendments to the original budget were necessary.

The budget resolution must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

#### **E. Assets, Liabilities, Deferred Outflows/ Inflows of Resources, Fund Equity**

**Allocation of Indirect Costs** – Indirect costs are allocated to the various grants, based on the proportion of each grant's direct salaries to the total of direct salaries for all grants. A provisional indirect cost application rate of 55% of direct salaries was used throughout the year, as approved by the U.S. Department of Housing and Urban Development, IPDC's oversight agency. As a part of the month-end closing process, the applied indirect cost percentage is adjusted to match the actual indirect costs incurred each month.

**Deposits and Investments** – All deposits of IPDC are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. IPDC may designate as an official depository any bank or savings association whose principal office is located in North Carolina. Also, IPDC 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 IPDC 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).

General Statute 159-30.1 allows IPDC to establish an Other Postemployment Benefit (OPEB) Trust managed by the staff of the Department of the State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. G.S 159-30(g) allows IPDC to make contributions to the Trust. The State Treasurer in her discretion may invest the proceeds in equities of certain publicly held companies and long or short term fixed income investments as detailed in G. S. 147-69.2(b)(1-6) and (8). Funds submitted are managed in three different sub-funds, the State Treasurer's Short Term Investment Fund (STIF), consisting of short to intermediate treasuries, agencies and corporate issues authorized by G. S. 147-69.1, the long-term investment fund (LTIF) consisting of investment grade corporate securities, treasuries, and agencies, and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B authorized under G. S. 147-69.2(b)(8).

The NCCMT Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. Ownership interest of the STIF is determined on a fair market value valuation basis as of fiscal year end in accordance with the STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Under the authority of G. S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund. Ownership interests in the LTIF are determined monthly at fair market value based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. The LTIF is also valued at \$1 per share. The Global Ex-US Alpha Tilts Fund B is priced at \$19.5402 per share and the Russell 3000 Alpha Tilts Fund B is priced at \$52.9093 per share at June 30, 2016.

**Cash and Cash Equivalents** – IPDC pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**Restricted Assets** – IPDC operates the Section 8 Housing program in its region. In accordance with HUD's requirements, any unused cash that has been provided for tenant payments must be restricted for that purpose. HUD reporting guidelines require that all accumulated administrative funds are to be shown as unrestricted cash in the supplemental financial data schedule. These guidelines are different than those used to identify restricted funds for presentation on IPDC's Statement of Net Position and Balance Sheet.

**Governmental Activities**

General Fund	
HUD Section Eight Program	
HAP Funds	\$ 44,826
Administrative Funds	<u>436,842</u>
Total Restricted Cash	<u>\$ 481,668</u>

**Allowances for Doubtful Accounts** – All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

**Capital Assets** – Capital assets are defined by IPDC as assets with an initial, individual cost greater than or equal to \$5,000 and estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets’ lives are not capitalized. Due to specific program requirements, this threshold can be lowered to meet compliance requirements.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Furniture and equipment	5-10

**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. IPDC has two items that meet this criterion: its contributions to the pension plan for the 2016 fiscal year and a pension related deferral.

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. IPDC has one item that meets this criterion – pension-related deferrals that resulted from the implementation of GASB Statement 68.

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

In fund financial statements, governmental funds recognize the face amount of new debt issues as other financing sources. Issuance costs are reported as debt service expenditures.

**Compensated Absences** – The vacation policy of IPDC provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. IPDC's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick

leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since IPDC has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made in these financial statements.

**Net Position/Fund Balance** – Net position in government-wide 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.

In 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 prepaid expenses, which are not spendable resources.

**Restricted Fund Balance** – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Housing Assistance Payments – portion of fund balance that is restricted for use by IPDC's Section 8 Housing Program to make housing assistance payments.

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

**Committed Fund Balance** – portion of fund balance that can only be used for specific purpose imposed by majority vote by quorum of IPDC's governing body. Any changes or removal of specific purpose requires majority action by the governing body.

The governing board of IPDC has made no commitments of its fund balances that would require separate financial statement disclosure.

**Assigned Fund Balance** – portion of fund balance that IPDC intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. IPDC has not appropriated any fund balance in its 2016-2017 budget.

**Unassigned Fund Balance** – portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

**Revenues and Expenditures** – The major sources of revenue are grants, member government dues, local contributed cash, contributed services, and other revenues as discussed below:

***Federal and State Grant Revenue***

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

***Member Government Dues***

All member governments are required to pay dues to IPDC. Dues are determined annually and are recognized as revenues when assessed because they are measurable and are collectible within the current period.

***Local Contributed Cash***

Contributions to grant programs from local governments and other participants are recognized as revenue when grant expenditures are incurred.

***In-Kind Contributed Services***

Local contributions, which include contributed services provided by local governments and other participants, are used to match federal funding on various grants. Contributed services are reflected as revenue and expenditures in accordance with legal requirements of the individual grants. Contributed services are recorded as expenditures with an equivalent amount recorded as revenue. The amounts of such services are recorded in the accompanying financial statements at their estimated fair values at date of receipt.

**Other Revenues** – are composed primarily of interest and miscellaneous charges for services. Interest income is recorded as earned, since it is measurable and available. Miscellaneous charges for services are recorded as revenues when received in cash because they are generally not measurable until actually received.

**Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. IPDC's employer contributions are recognized when due and IPDC 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 2 – Deposits and Investments

**Deposits** – All of the deposits of IPDC are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by IPDC's agents in these units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurers' agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for IPDC, these deposits are considered to be held by their agents in the entities' names. 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 on their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with IPDC or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for IPDC 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. IPDC complies with the provisions of G.S 159-31 when designating official depositories and verifying deposits are properly secured. IPDC has no formal policy regarding custodial credit risk for deposits.

At year-end, IPDC's deposits had a carrying amount of \$60,930 and a bank balance of \$343,633. \$250,000 of the bank balance was covered by federal depository insurance and \$93,633 in interest-bearing deposits was covered by collateral held under the Pooling Method. At June 30, 2016, IPDC's petty cash fund totaled \$250.

**Investments** – At June 30, 2016, IPDC's Post-Employment Benefit Trust Fund had \$85,021 invested in the North Carolina Capital Management Trust's Cash Portfolio and \$503,049 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Trust pursuant to G. S. 159-30.1.

The State Treasurer's OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to G. S. 147-69.2. At year-end, the State Treasurer's OPEB Trust was invested as follows: State Treasurer's Short-Term Investment Fund (STIF) 18%; State Treasurer's Long-Term Investment Fund (LTIF) 9%; and BlackRock's Global Ex-US Alpha Tilts Fund B and BlackRock's Russell 3000 Alpha Tilts Fund B 73% (the equities were split 75% in domestic securities and 25% in international securities).

**Interest Rate Risk.** IPDC does not have a formal investment interest rate policy that manages its exposure to fair value losses arising from increasing interest rates. The State Treasurer's Short-Term Investment Fund (STIF) is unrated and had a weighted average maturity of 1.5 years at June 30, 2016. The State Treasurer's Long-Term Investment Fund (LTIF) is unrated and had a weighted average maturity of 17.9 years at June 30, 2016.

**Credit Risk.** IPDC has no policy regarding credit risk as it relates to its investment in the North Carolina Capital Management Trust's Cash Portfolio. IPDC does not have a formal investment policy regarding credit risk for its Healthcare Benefits Plan.

The STIF is unrated and authorized under NC General Statute 147-69.1. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries, agencies, and money market instruments. The LTIF is unrated and authorized under NC General Statute 147-69.1 and 147-69.2. The State Treasurer's LTIF is invested in treasuries, agencies and corporate bonds with longer term maturities.

At June 30, 2016, IPDC's investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
<i>Held by General Fund</i>				
NC Capital Management Trust - Cash Portfolio	Amortized Cost	<u>\$ 1,058,193</u>	N/A	AAAm
<i>Held by Post-Employment Benefit Trust Fund</i>				
NC Capital Management Trust - Cash Portfolio	Amortized Cost	\$ 85,021	N/A	AAAm
BR Russell 3000 Alpha Tilts Fund B	Net Asset Value	305,912	N/A	N/A
BR Global Ex-US Alpha Tilts Fund B	Net Asset Value	61,599	N/A	N/A
State Treasurer's Short Term Investment Fund (STIF)	Fair Value Level 2	90,129	1.5 years	Unrated
State Treasurer's Long Term Investment Fund (LTIF)	Fair Value Level 2	45,410	17.9 years	Unrated
Total		<u>\$ 588,071</u>		

Investments classified in Level 2 of the fair value hierarchy are valued using prices that are either directly or indirectly observable for an asset or liability. The investments in the BlackRock Russell 3000 Alpha Tilts Fund B and BlackRock Global Ex-US Alpha Tilts Fund B equity funds are considered to be commingled in nature. Each is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.



### Note 3 – Receivables

Receivables at the government-wide level at June 30, 2016 consisted of the following:

Due From Other Governments	
Federal and State Grant Reimbursements	\$ 518,397
Sales Tax Refund	14,037
Total Due From Other Governments	<u>\$ 532,434</u>

### Note 4 – Capital Assets

Capital asset activity for Governmental Activities for the year ended June 30, 2016 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	<u>\$ 27,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,600</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings	248,400	-	-	248,400
Furniture and Equipment	<u>212,202</u>	<u>6,590</u>	<u>-</u>	<u>218,792</u>
Total Capital Assets Being Depreciated	<u>460,602</u>	<u>6,590</u>	<u>-</u>	<u>467,192</u>
<b>Less Accumulated Depreciation For:</b>				
Buildings	94,547	6,210	-	100,757
Furniture and Equipment	<u>144,628</u>	<u>24,093</u>	<u>-</u>	<u>168,721</u>
Total Accumulated Depreciation	<u>239,175</u>	<u>30,303</u>	<u>-</u>	<u>269,478</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 249,027</u>			<u>\$ 225,314</u>

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

Management and Business Operations	\$ 14,646
Housing	6,620
Other Local Initiatives and Activities	6,203
Area Agency on Aging	<u>2,834</u>
Total	<u>\$ 30,303</u>

**Note 5 – Accounts Payable and Accrued Liabilities**

Payables at the government-wide level at June 30, 2016 were as follows:

	<u>Vendors</u>	<u>Grant Sub- Recipients</u>	<u>Section Eight Program</u>	<u>Total</u>
Governmental General	<u>\$ 33,743</u>	<u>\$ 243,114</u>	<u>\$ 15,143</u>	<u>\$ 292,000</u>

**Note 6 – Unearned Grant Revenues**

The balance in Unearned Grant Revenues at June 30, 2016 is composed of the following:

Grant receipts not yet earned	<u>\$ 5,619</u>
-------------------------------	-----------------

**Note 7 – Risk Management**

IPDC 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. IPDC has an insurance program in place with Markel Insurance Company and Eastern Alliance Insurance Group. Through Markel Insurance Company, IPDC obtains general liability and auto liability coverage of \$2,000,000 per occurrence; property coverage up to the total insurance values of the property policy and the Board of Directors with coverage up to \$2,000,000 aggregate limit of liability. Eastern Alliance Insurance Group handles the workers' compensation coverage up to statutory limits for IPDC. Markel Insurance Company and Eastern Alliance Insurance Group both have an A. M. Best rating of "A" or better.

IPDC carries commercial coverage for other risks of loss. Each year, all coverage levels and policies are reviewed by the Executive Director before renewal to insure accuracy and that no new exposures to risk need to be addressed. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

IPDC does not carry flood insurance through the National Flood Insurance Plan. IPDC's administrative office is not located in a floodplain.

In accordance with G. S. 159-29, IPDC's employees that have access to \$100 or more at any given time of its funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$100,000. Remaining employees that have access to funds are bonded under a blanket bond for \$100,000.

**Note 8 – Pension Plan Obligation**

**Local Governmental Employees' Retirement System**

*Plan Description* – IPDC 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](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. IPDC employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. IPDC's contractually required contribution rate for the year ended June 30, 2016 was 6.80% for its employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the IPDC were \$67,791 for the year ended June 30, 2016.

*Refunds of Contributions* – IPDC 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, 2016, IPDC reported a liability of \$92,811 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. The total pension liability was then rolled forward to the measurement date of June 30, 2015 utilizing update procedures incorporating the actuarial assumptions. IPDC's proportion of the net pension liability was based on a projection of IPDC'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, 2015, IPDC's proportion was .02068%, which was a decrease of .00059% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, IPDC recognized pension expense of \$46,880. At June 30, 2016, IPDC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 21,816
Net difference between projected and actual earnings on pension plan investments	-	26,423
Changes in proportion and differences between IPDC contributions and proportionate share of contributions	4,088	12,024
IPDC contributions subsequent to the measurement date	67,791	-
Total	<u>\$ 71,879</u>	<u>\$ 60,263</u>

\$67,791 reported as deferred outflows of resources related to pensions resulting from IPDC contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	
2017	\$ (33,739)
2018	(33,739)
2019	(33,665)
2020	44,968
2021	-
Total	<u>\$ (56,175)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	2.2%
Global Equity	42.0%	5.8%
Real Estate	8.0%	5.2%
Alternatives	8.0%	9.8%
Credit	7.0%	6.8%
Inflation Protection	6.0%	3.4%
	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2014 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 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the IPDC’s proportionate share of the net pension asset to changes in the discount rate.* The following presents IPDC’s proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what IPDC’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
IPDC's proportionate share of the net pension liability (asset)	\$ 647,184	\$ 92,811	\$ (374,236)

*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.

## **Note 9 – Post-Employment Benefits**

### **Medical Insurance Payments**

*Plan Description.* Under the terms of a resolution approved by its Board, IPDC administers a single-user defined benefit Health Care Benefits Plan (HCB). This plan provides post-employment healthcare benefits to retiree and disabled workers who are eligible for IPDC’s retirement program and have at least ten years creditable service with IPDC. IPDC has elected to pay the future overall cost of coverage for these benefits, subject to plan limits. The HCB plan is available to qualified retirees until the age of 65. A separate report was not issued for the plan.

*Benefits provided.* IPDC provides paid health insurance for retired employees until eligible for Medicare or some similar program as provided in the following schedule:

<u>Years of Creditable Service</u>	<u>Date Hired</u>	
	<u>Before October 1, 1995</u>	<u>After September 30, 1995</u>
Less than ten years	Not eligible for coverage	Not eligible for coverage \$150 monthly coverage of premium cost
Ten to fifteen years	50% coverage of premium cost	\$150 monthly coverage of premium cost
Fifteen to twenty years	75% coverage of premium cost	\$150 monthly coverage of premium cost
Twenty years or more	100% coverage of premium cost	\$150 monthly coverage of premium cost

IPDC provides a Medicare supplemental health insurance payment for retirees who:

- a) Are at least 65 years old,
- b) Have at least twenty years of service with IPDC, and,
- c) Retire from IPDC.

The amount of this benefit will not exceed \$100 per month for a supplemental health insurance policy approved by the Executive Director.

IPDC will pay 100% of the disabled retirees' health insurance. Disability is defined by IPDC's retirement program. IPDC will pay up to \$100 per month for a retiree Medicare supplemental health insurance program approved by the Executive Director for those members who retire with 20 years of service.

*Dependent Coverage.* Coverage is not available for dependents of the retiree.

Membership of the HCB Plan consisted of the following as of June 30, 2015, the most recent valuation date:

***Active Members***

General Employees Number (\*) 24

***Retired Members***

Number 10

(\*) 5 hired before 10/1/1995 and 19 hired after 9/30/1995.

*Funding Policy.* By board resolution and subject to the limitations described above, IPDC pays the cost of health care insurance coverage for qualified retirees.

IPDC has created a Post-Employment Benefit Trust Fund which accounts for the funds set aside in previous years to cover the HCB costs. Annual contributions to the trust fund have been based upon actuarially determined amounts designed to cover the plan costs. The most recent actuarial valuation was prepared as of December 31, 2010.

IPDC's General Fund makes discretionary contributions to the HCB Plan.

The current ARC rate is .67% of annual covered payroll. For the current year, IPDC contributed \$22,932, or 2.19% of annual covered payroll. IPDC obtains health care coverage through private insurance companies. There were no contributions made by employees. IPDC's obligation to contribute to the HCB Plan is established and may be amended by its Board.

*Annual OPEB Cost and Net OPEB Obligation.* IPDC's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of employer (ARC).

IPDC has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

IPDC's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan and the net OPEB obligation for 2016 were as follows:

<b>Three Year Trend Information</b>			
<b>For Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2016	\$ 9,033	253%	\$ -
2015	\$ 9,033	253%	\$ -
2014	\$ 22,932	100%	\$ -

*Funded Status and Funding Progress.* At June 30, 2016, the plan was 105% funded. The actuarial accrued liability for benefits was \$559,115, and the actuarial value of assets was \$588,071, resulting in an overfunded actuarial accrued asset (UAAL) of \$28,956. The covered payroll (annual payroll of active employees covered by the plan) was \$1,047,386 and the ratio of UAAL to the covered payroll was (2.76%).



Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

*Retirement age for active employees* – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or in the first subsequent year in which the member would qualify for benefits.

*Mortality* – Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2006 United States Life Tables for Males and for Females were used.

*Turnover* – Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

*Healthcare cost trend rate* – Five percent for all years for those hired before 10/1/1995. No trend rate is applied to the \$100 per month Medicare supplemental health insurance payment or the \$150 per month premium cost cap for those hired after 9/30/1995.

*Health insurance premiums* – 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate* – The expected long-term inflation assumption of 3.30% was based on projected changes in the Consumer price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2007 Annual Report of the Board of Trustees of Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

*Payroll growth rate* – The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of IPDC’s short-term investment portfolio, a discount rate of 5.0% was used. In addition, a simplified version of the entry age actuarial cost method was used. The remaining amortization period at June 30, 2015 is thirty years.

**Note 10 – Long-term Obligations**

During fiscal 2012, IPDC entered into a capital lease to purchase a new telephone system. The lease requires sixty monthly payments of \$771, after which the telephone system can be purchased for \$1. The terms of the lease reflect an inherent interest rate of approximately 10% per annum.

Interest expense of \$1,173 was incurred during the year ended June 30, 2016. This amount is allocated to appropriate functional expense totals shown on Exhibit B.

The following is an analysis of the assets recorded under capital leases as of June 30, 2016:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 36,120	\$ 14,448	\$ 21,672

The following minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 6,643	\$ 297	\$ 6,940
Total minimum lease payments	\$ 6,643	\$ 297	6,940
Less: amount representing interest			297
Present value of the minimum lease payments			\$ 6,643

## Changes in Long-term Liabilities

	<u>Totals</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Totals</u> <u>June 30, 2016</u>	<u>Current</u> <u>Portion</u>
Capital Lease	\$ 14,722	\$ -	\$ 8,079	\$ 6,643	\$ 6,643
Compensated Absences	66,176	12,300	-	78,476	66,700
Net Pension Liability (LGERS)	<u>-</u>	<u>92,811</u>	<u>-</u>	<u>92,811</u>	<u>-</u>
Total	<u>\$ 80,898</u>	<u>\$ 105,111</u>	<u>\$ 8,079</u>	177,930	<u>\$ 73,343</u>
Less: Current Portion of Long-term Obligations				<u>73,343</u>	
Total Noncurrent Obligations, Net of Current Portion				<u>\$ 104,587</u>	

The LGERS plan had a net pension liability as of June 30, 2016; however, the plan had a net pension asset at the beginning of the fiscal year.

### Note 11 – Summary Disclosure of Significant Contingencies

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

### Note 12 – Revenue Spending Policy

IPDC does not have a formal revenue spending policy. However, it is IPDC's practice that the finance officer will use resources in the following hierarchy: federal funds, state funds, local funds. For purpose of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and, lastly, unassigned fund balance.

## **Required Supplementary Information**

**Isothermal Planning and Development Commission  
Healthcare Benefits Plan  
Required Supplementary Information  
Schedule of Funding Progress**

Schedule 1

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Accrued Actuarial Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll (b-a)/c)</b>
December 31, 2006	<u>\$ 317,027</u>	<u>\$ 395,520</u>	<u>\$ 78,493</u>	<u>80.2%</u>	<u>\$ 1,687,121</u>	<u>4.7%</u>
December 31, 2010	<u>\$ 412,099</u>	<u>\$ 423,519</u>	<u>\$ 11,420</u>	<u>97.3%</u>	<u>\$ 1,934,322</u>	<u>0.6%</u>
June 30, 2015 (*)	<u>\$ 615,049</u>	<u>\$ 559,115</u>	<u>\$ (55,934)</u>	<u>110.0%</u>	<u>\$ 1,355,356</u>	<u>-4.1%</u>

(\*) The June 30, 2015 valuation numbers are based upon the judgment of IPDC's management, which is based upon the use of the State of North Carolina-provided alternative method of estimating these values.

**Isothermal Planning and Development Commission  
Healthcare Benefits Plan  
Required Supplementary Information  
Schedule of Employer Contributions**

Schedule 2

<b><u>Year Ended June 30</u></b>	<b><u>Required Contribution</u></b>	<b><u>Percentage Contributed</u></b>
2010	\$ 33,128	100%
2011	\$ 31,236	100%
2012	\$ 22,932	100%
2013	\$ 22,932	100%
2014	\$ 22,932	100%
2015	\$ 9,033	253%
2016	\$ 9,033	253%

**Isothermal Planning and Development Commission  
 Proportionate Share of Net Pension Liability (Asset)  
 Required Supplementary Information  
 Last Three Fiscal Years \***

**Schedule 3**

**Local Governmental Employees' Retirement System**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
IPDC's proportion of the net pension liability (asset) (%)	0.020680%	0.021270%	0.024700%
IPDC's proportion of the net pension liability (asset) (\$)	\$ 92,811	\$ (125,439)	\$ 297,730
IPDC's covered-employee payroll	\$ 1,355,356	\$ 1,511,099	\$ 1,644,215
IPDC's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.85%	-8.30%	18.11%
Plan fiduciary net position as a percentage of the total pension liability**	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ended June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

**Isothermal Planning and Development Commission  
Schedule of Contributions  
Required Supplementary Information  
Last Three Fiscal Years \***

**Schedule 4**

**Local Governmental Employees' Retirement System**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 67,791	\$ 94,227	\$ 105,240
Contributions in relation to the contractually required contribution	67,791	94,227	105,240
Contribution deficiency (excess)	\$ -	\$ -	\$ -
IPDC's covered-employee payroll	\$ 1,047,386	\$ 1,355,356	\$ 1,511,099
Contributions as a percentage of covered-employee payroll	6.47%	6.95%	6.96%



## **Supplementary Information**

**Isothermal Planning and Development Commission  
HUD Housing Choice Vouchers Program  
Financial Data Schedule - Balance Sheet  
June 30, 2016**

**Schedule 5**

Line Item #		14.871 Housing Choice Vouchers
	<b>Assets</b>	
	<b>Current Assets</b>	
111	Cash - unrestricted	\$ 535,991
113	Cash - other restricted	119,584
115	Cash - restricted for payment of current liabilities	15,143
<b>100</b>	<b>Total Cash</b>	<b>670,718</b>
	<b>Accounts Receivable</b>	
128	Fraud Recovery	34,989
128.1	Allowance for doubtful accounts - fraud	13,263
120	Total Receivables, net of allowances for doubtful accounts	21,726
<b>150</b>	<b>Total Current Assets</b>	<b>692,444</b>
	<b>Noncurrent Assets</b>	
	<b>Capital Assets</b>	
164	Furniture, equipment and machinery - administration	61,060
166	Less: Accumulated depreciation	45,889
<b>160</b>	<b>Total Capital Assets, net of accumulated depreciation</b>	<b>15,171</b>
<b>180</b>	<b>Total Noncurrent Assets</b>	<b>15,171</b>
<b>190</b>	<b>Total Assets</b>	<b>\$ 707,615</b>
	<b>Liabilities and Equity</b>	
	<b>Liabilities</b>	
	<b>Current Liabilities</b>	
312	Accounts payable - due within 90 days	\$ 15,143
<b>310</b>	<b>Total Current Liabilities</b>	<b>15,143</b>
	<b>Noncurrent Liabilities</b>	
353	Noncurrent liabilities - other	89,901
<b>350</b>	<b>Total Noncurrent Liabilities</b>	<b>89,901</b>
<b>300</b>	<b>Total Liabilities</b>	<b>105,044</b>

**Isothermal Planning and Development Commission  
 HUD Housing Choice Vouchers Program  
 Financial Data Schedule - Balance Sheet  
 June 30, 2016**

**Schedule 5  
 (continued)**

<b>Line Item #</b>		<b>14.871 Housing Choice Vouchers</b>
	<b>Equity</b>	
<b>508.1</b>	Invested in Capital Assets, Net of related debt	\$ 15,171
<b>511.1</b>	Restricted Net Position	40,546
<b>512.1</b>	Unrestricted Net Position	546,854
<b>513</b>	<b>Total Equity/Net Position</b>	<u>602,571</u>
<b>600</b>	<b>Total Liabilities and Equity/Net Position</b>	<u><u>\$ 707,615</u></u>

**Isothermal Planning and Development Commission**  
**HUD Housing Choice Vouchers Program**  
**Financial Data Schedule - Revenues and Expenses**  
**For the Year Ended June 30, 2016**

**Schedule 6**

<u>Line Item #</u>		<u>14.871 Housing Choice Vouchers</u>	<u>14.896 FSS Coordinator Program</u>
	<b>Revenues</b>		
70600	HUD PHA Operating Grants	\$ 6,774,771	\$ 35,590
71100	Investment Income - Unrestricted	2,138	-
71400	Fraud Recovery	1,497	-
71500	Other Revenue	12,084	-
72000	Investment Income - Restricted	-	-
70000	<b>Total Revenues</b>	<u>6,790,490</u>	<u>35,590</u>
	<b>Expenses</b>		
91100	Administrative Salaries	297,383	-
91200	Auditing Fees	7,000	-
91400	Advertising and Marketing	970	-
91500	Employee Benefit Contributions - Administrative	71,534	-
91800	Travel Expense	5,093	-
91810	Allocated Overhead	169,476	-
91900	Other	69,605	-
91000	<b>Total Operating - Administrative</b>	<u>621,061</u>	<u>-</u>
92100	Tenant Services - Salaries	-	35,223
92300	Employee Benefit Contributions - Tenant Services	13,262	367
92400	Tenant Services - Other	20,127	-
92500	<b>Total Tenant Services</b>	<u>33,389</u>	<u>35,590</u>
96900	<b>Total Operating Expenses</b>	<u>654,450</u>	<u>35,590</u>
97000	<b>Excess of Operating Revenues over Operating Expenses</b>	<u>6,136,040</u>	<u>-</u>
97300	Housing Assistance Payments	6,126,120	-
97400	Depreciation Expense	6,620	-
97500	Fraud Losses	-	-
90000	<b>Total Expenses</b>	<u>6,787,190</u>	<u>35,590</u>

**Isothermal Planning and Development Commission  
 HUD Housing Choice Vouchers Program  
 Financial Data Schedule - Revenues and Expenses  
 For the Year Ended June 30, 2016**

**Schedule 6  
 (continued)**

<u>Line Item #</u>		<u>14.871 Housing Choice Vouchers</u>	<u>14.896 FSS Coordinator Program</u>
<b>10000</b>	<b>Total Revenue Over Total Expenses</b>	\$ 3,300	\$ -
<b>11030</b>	Beginning Equity	609,602	-
<b>11040</b>	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-
<b>11170</b>	Administrative Fee Equity	562,025	-
<b>11180</b>	Housing Assistance Payments Equity	40,546	-
<b>11190</b>	Unit Months Available	16,786	
<b>11210</b>	Number of Unit Months Leased	16,491	

**Isothermal Planning and Development Commission**  
**Schedule of Indirect Costs**  
**For the Year Ended June 30, 2016**

Schedule 7

<b>Expenditure Description</b>	<b>Indirect Cost Allocated</b>
Salaries	\$ 234,625
Fringe Benefits	95,201
Insurance and Bonds	45,722
Professional Fees	36,600
Equipment Leasing	35,016
Contract Services	12,700
Communications	11,842
Equipment and Maintenance	11,250
Utilities	11,219
Depreciation	8,436
Supplies	7,969
Building Maintenance	7,400
State Unemployment Taxes	7,001
Payroll Processing	5,458
Equipment	3,473
Travel	2,716
Other	2,256
Dues and Subscriptions	1,894
Building Rental	1,800
Staff Development	1,190
Transportation	<u>(3,308)</u>
 Total	 <u>\$ 540,460</u>

**Isothermal Planning and Development Commission  
Schedule of Indirect Costs  
For the Year Ended June 30, 2016**

**Schedule 7  
(continued)**

<b>Grant Description</b>	<b>Indirect Cost Allocated</b>
Development Programs:	
ARC Administrative	\$ 24,513
Other	7,709
Aging Programs:	
Planning and Administrative	61,544
Ombudsman/Elder Abuse	37,572
SB1559	1,256
Title V	14,157
Section Eight Housing	189,602
WIOA Programs	136,948
Local Activities	27,099
Family Caregivers	13,810
Rural Transportation Planning Organization	26,250
Total Indirect Cost	\$ 540,460

**Isothermal Planning and Development Commission**  
**Schedule of Depreciation Charged to Grants**  
**Non-GAAP**  
**For the Year Ended June 30, 2016**

**Schedule 8**

<u>Grant Description</u>	<u>Indirect Cost Allocated</u>	<u>Depreciation</u>
Development Programs:		
ARC Administrative	\$ 24,513	\$ 383
Other	7,709	120
Aging Programs:		
Planning and Administrative	61,544	961
Ombudsman/Elder Abuse	37,572	586
SB1559	1,256	20
Title V	14,157	221
Section Eight Housing	189,602	2,958
WIOA Programs	136,948	2,138
Local Activities	27,099	423
Family Caregivers	13,810	216
Rural Transportation Planning Organization	26,250	410
Total Indirect Cost	<u>\$ 540,460</u>	<u>\$ 8,436</u>



**Isothermal Planning and Development Commission  
2015 ARC Administrative Grant  
Revenues and Expenditures Compared With Budget  
For the Year Ended June 30, 2016**

**Schedule 9**

	<b>Budget</b>	<b>Actual</b>		<b>Total</b>	<b>Variance</b>
		<b>1/1/15 to 6/30/15</b>	<b>7/1/2015 to 12/31/15</b>		
<b>Revenues:</b>					
Federal - ARC Administrative	\$ 87,813	\$ 51,899	\$ 35,914	\$ 87,813	\$ -
Local	87,813	51,899	35,914	87,813	-
<b>Total Revenues</b>	<b>\$ 175,626</b>	<b>\$ 103,798</b>	<b>\$ 71,828</b>	<b>\$ 175,626</b>	<b>\$ -</b>
<b>Expenditures:</b>					
Personnel	\$ 83,854	\$ 52,250	\$ 31,604	\$ 83,854	\$ -
Fringe Benefits	24,076	14,926	9,150	24,076	-
Travel	9,004	4,068	4,936	9,004	-
Other	6,922	766	6,156	6,922	-
Indirect Cost	51,770	31,788	19,982	51,770	-
<b>Total Expenditures</b>	<b>\$ 175,626</b>	<b>\$ 103,798</b>	<b>\$ 71,828</b>	<b>\$ 175,626</b>	<b>\$ -</b>

**Isothermal Planning and Development Commission**  
**2016 ARC Administrative Grant**  
**Revenues and Expenditures Compared With Budget**  
**For the Year Ended June 30, 2016**

**Schedule 10**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>			
Federal - ARC Administrative	\$ 52,978	\$ 52,978	\$ -
Local	52,978	52,978	-
<b>Total Revenues</b>	<b>\$ 105,956</b>	<b>\$ 105,956</b>	<b>\$ -</b>
<b>Expenditures:</b>			
Personnel	\$ 53,426	\$ 53,426	\$ -
Fringe Benefits	14,556	14,556	-
Travel	6,098	6,098	-
Other	2,832	2,832	-
Indirect Cost	29,044	29,044	-
<b>Total Expenditures</b>	<b>\$ 105,956</b>	<b>\$ 105,956</b>	<b>\$ -</b>

**Isothermal Planning and Development Commission**  
**Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended June 30, 2016**

**Schedule 11**

<b>Family Self Sufficiency Fund:</b>	<b>Balance</b>			<b>Balance</b>
	<b><u>July 1, 2015</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>June 30, 2016</u></b>
Cash and Cash Equivalents	<u>\$ 79,570</u>	<u>\$ 38,764</u>	<u>\$ 28,433</u>	<u>\$ 89,901</u>
Due to Others	<u>\$ 79,570</u>	<u>\$ 38,764</u>	<u>\$ 28,433</u>	<u>\$ 89,901</u>

## **Compliance Section**

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

**Independent Auditors' Report**

Commission Members  
Isothermal Planning and Development Commission  
Rutherfordton, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and aggregate remaining fund information of Isothermal Planning and Development Commission (the "Commission") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 15, 2016.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Dixon Hughes Goodman LLP*

Asheville, North Carolina  
November 15, 2016

**Report on Compliance for Each Major Federal Program and on Internal Control  
Over Compliance in Accordance With OMB Uniform Guidance and the State Single  
Audit Implementation Act**

**Independent Auditors' Report**

Commission Members  
Isothermal Planning and Development Commission  
Rutherfordton, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Isothermal Planning and Development Commission's (the "Commission") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2016. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

**Report on Internal Control Over Compliance**

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

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

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

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

*Dixon Hughes Goodman LLP*

Asheville, North Carolina  
November 15, 2016



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

**Independent Auditors' Report**

Commission Members  
Isothermal Planning and Development Commission  
Rutherfordton, North Carolina

**Report on Compliance for Each Major State Program**

We have audited Isothermal Planning and Development Commission's (the "Commission") compliance with the types of compliance requirements described in *the Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016. The Commission's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major State Program***

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

**Report on Internal Control Over Compliance**

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

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

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

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

*Dixon Hughes Goodman LLP*

Asheville, North Carolina  
November 15, 2016

**Isothermal Planning and Development Commission  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                           yes      X   no
- Significant deficiency(ies) identified?                   yes      X   none reported

Noncompliance material to financial statements noted?           yes      X   no

**Federal Awards**

Internal control over major federal programs:

- Material weaknesses identified?                           yes      X   no
- Significant deficiency(ies) identified?                   yes      X   none reported

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

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

Identification of major federal programs:

<u>Name of Program or Cluster</u>	<u>CFDA #</u>
Workforce Innovation & Opportunity Act Cluster	17.258 and 17.259
Aging Cluster	93.044, 93.045 and 93.053

**Isothermal Planning and Development Commission  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016**

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

Auditee qualified as low-risk auditee?                                   X   yes                no

**State Awards**

Internal control over major State programs:

- Material weaknesses identified?                                        yes           X   no
- Significant deficiency(ies) identified?                                yes           X   none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?                                        yes           X   no

Identification of major State programs:

Aging Cluster  
90% State Funds – In-Home Services

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**Isothermal Planning and Development Commission  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2016**

There were no findings reported in 2015 or 2014.

**ISOTHERMAL PLANNING & DEVELOPMENT COMMISSION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor's Number
<b>FEDERAL GRANTS:</b>		
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Passed through NC Dept of Commerce - Community Development Block Grants (Small Cities)		
Passed Through Tryon - Tryon CDBG Infrastructure	14.228	N/A
Passed Through Rutherford County		
Rutherford Co CDBG/SS-2012	14.228	N/A
Subtotal - NC Dept of Commerce		
<b>Direct Grants:</b>		
Section 8 Voucher Choice Program	14.871	N/A
Family Self-Sufficiency Program Coordinators	14.896	N/A
<b>TOTAL U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>		
<b>U.S. DEPARTMENT OF LABOR</b>		
Passed through NC Dept of Health & Human Services:		
Division of Aging and Adult Services		
Senior Community Service Employment Program	17.235	NC-03
Passed through NC Dept of Commerce:		
Division of Workforce Solutions:		
WIOA 3010 National Emergency Grant OJT	17.277	14-3010
WIOA 3030 National Emergency Grant OJT	17.277	14-3030
WIOA 3031 National Emergency Grant OJT Prog Staff	17.277	14-3031
WIOA 3130 Career Pathways	17.277	14-3130
Workforce Innovation & Opportunity Act Cluster:		
WIOA 2010 Admin PY 2014	17.258	14-2010
WIOA 2020 Adult PY 2014, 2015	17.258	14-2020
WIOA 2030 Dislocated Workers PY 2014, 2015	17.278	14-2030
WIOA 2040 Youth PY 2014, 2015 OS	17.259	14-2040
Subtotal - Workforce Innovation & Opportunity Act Cluster		
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>		
<b>U. S. DEPARTMENT OF TRANSPORTATION</b>		
Passed through NC Department of Transportation:		
Rural Transportation Planning Program	20.205	

<b>Federal (Direct &amp; Pass- Through Expenditures)</b>	<b>State Expenditures</b>	<b>Passed- Through to Subrecipients</b>	<b>Local Expenditures</b>
\$ -	\$ 2,685	\$ -	\$ -
340	-	-	-
<u>340</u>	<u>2,685</u>	<u>-</u>	<u>-</u>
6,780,571	-	-	-
35,590	-	-	-
<u>6,816,501</u>	<u>2,685</u>	<u>-</u>	<u>-</u>
283,856	-	-	31,540
3,568	-	-	-
86,987	-	86,987	-
72,057	-	-	-
5,465	-	-	-
158,134	-	-	-
617,733	-	113,752	-
377,831	-	176,996	-
613,088	-	400,465	-
<u>1,766,786</u>	<u>-</u>	<u>691,213</u>	<u>-</u>
<u>2,218,719</u>	<u>-</u>	<u>778,200</u>	<u>31,540</u>
<u>92,500</u>	<u>-</u>	<u>-</u>	<u>23,125</u>

**ISOTHERMAL PLANNING & DEVELOPMENT COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended June 30, 2016**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor's Number
<b>APPALACHIAN REGIONAL COMMISSION</b>		
Passed through NC Dept of Commerce:		
Oct 2014 - Sep 2015 ARC Economic Devel	23.001	
Oct 2015 - Sep 2016 ARC Economic Devel	23.001	
Oct 2014 - Sep 2015 ARC Planning and Tech Assistance	23.001	
Oct 2015 - Sep 2016 ARC Planning and Tech Assistance	23.001	
Oct 2014 - Sep 2015 ARC Infrastructure	23.001	CWP-11-C
Oct 2015 - Sep 2016 ARC Infrastructure	23.001	
Subtotal - NC Dept of Commerce		
<b>Direct Grants:</b>		
Jan 2015 - Dec 2015 ARC Administrative Grant	23.009	N/A
Jan 2016 - Dec 2016 ARC Administrative Grant	23.009	N/A
Subtotal - Direct Grants		
<b>TOTAL APPALACHIAN REGIONAL COMMISSION</b>		
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Passed Through NC Dept of Health and Human Services:		
Title VII-B Elder Abuse	93.041	NC-03
Title VII-E Ombudsman	93.042	NC-03
Preventive Health 85% Fed 5% State	93.043	NC-03
Passed Through NC Dept Health and Human Services:		
Aging Cluster:		
Title III-B Planning and Administration	93.044	NC-03
Title III-B Ombudsman	93.044	NC-03
Title III-B Access	93.044	NC-03
Title III-B In-Home Services	93.044	NC-03
Title III-B Legal Services	93.044	NC-03
Title III-C1 Planning and Administration	93.045	NC-03
Title III-C1 Congregate Meals	93.045	NC-03
Title III-C2 Home Delivered Meals	93.045	NC-03
Nutrition Service Incentive Program	93.053	NC-03
Subtotal - Aging Cluster		



<b>Federal (Direct &amp; Pass- Through Expenditures)</b>	<b>State Expenditures</b>	<b>Passed- Through to Subrecipients</b>	<b>Local Expenditures</b>
\$ 3,356	\$ -	\$ -	\$ -
3,276	-	-	-
4,679	-	-	-
6,513	-	-	-
170	-	-	-
10,891	-	-	-
<u>28,885</u>	<u>-</u>	<u>-</u>	<u>-</u>
35,914	-	-	-
52,978	-	-	-
88,892	-	-	-
<u>117,777</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,958	233	-	466
6,580	387	-	774
26,884	1,581	-	3,163
38,553	2,113	-	10,738
64,923	3,819	-	7,638
89,894	5,288	95,182	10,576
140,124	8,243	148,367	16,485
15,989	941	16,930	1,881
66,764	3,659	-	18,596
312,012	18,354	330,366	36,707
142,111	8,359	150,470	16,719
172,407	-	172,407	-
<u>1,042,777</u>	<u>50,776</u>	<u>913,722</u>	<u>119,340</u>

**ISOTHERMAL PLANNING & DEVELOPMENT COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**For the Year Ended June 30, 2016**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass- Through Grantor's Number</b>
Passed Through NC Dept Health and Human Services:		
Title III-E Planning and Administration	93.052	NC-03
Family Caregiver	93.052	NC-03
LCA Quality of Life Survey	93.791	NC-03
Social Services Block Grant - In-Home Services	93.667	NC-03
<b>TOTAL U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>		
<b>TOTAL FEDERAL GRANTS</b>		
<b>STATE GRANTS:</b>		
<b>N. C. DEPARTMENT OF HEALTH AND HUMAN SERVICES (AGING)</b>		
90% State Funds - In-Home Services	N/A	NC-03
90% State Funds - Home Delivered Meals	N/A	NC-03
90% State Funds - Access	N/A	NC-03
90% State Funds - Ombudsman	N/A	NC-03
Senior Center General Purpose	N/A	NC-03
AAA Administrative Support	N/A	NC-03
<b>TOTAL N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
<b>N. C. RURAL ECONOMIC DEVELOPMENT CENTER, INC.</b>		
Rutherfordton Equestrian	N/A	N/A
<b>TOTAL N. C. RURAL ECONOMIC DEVELOPMENT CENTER, INC.</b>		
<b>TOTAL STATE GRANTS</b>		
<b>FEDERAL AND STATE GRANTS TOTAL</b>		

<b>Federal (Direct &amp; Pass- Through Expenditures)</b>	<b>State Expenditures</b>	<b>Passed- Through to Subrecipients</b>	<b>Local Expenditures</b>
\$ 25,107	\$ 1,375	\$ -	\$ 6,994
116,678	7,779	-	703
21,811	-	-	-
76,103	2,174	78,277	8,698
<b>1,319,898</b>	<b>64,305</b>	<b>991,999</b>	<b>140,138</b>
<b>\$ 10,565,395</b>	<b>\$ 66,990</b>	<b>\$ 1,770,199</b>	<b>\$ 194,803</b>
\$ -	\$ 628,967	\$ 628,967	\$ 69,885
-	267,019	267,019	29,669
-	103,265	103,265	11,474
-	23,708	-	2,634
-	49,400	-	16,466
-	48,261	-	-
-	<b>1,120,620</b>	<b>999,251</b>	<b>130,128</b>
-	11,068	-	-
-	<b>11,068</b>	-	-
-	<b>1,131,688</b>	<b>999,251</b>	<b>130,128</b>
<b>\$ 10,565,395</b>	<b>\$ 1,198,678</b>	<b>\$ 2,769,450</b>	<b>\$ 324,931</b>

**Isothermal Planning and Development Commission  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2016**

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

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Commission under the programs of the federal government and the State of North Carolina for the year ended June 30, 2016. 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 SEFSA presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net position or cash flows of the Commission.

**Note 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. Pass-through identifying numbers are presented where available.

**Note 3 - Indirect Cost Rate**

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