

ISOTHERMAL PLANNING AND DEVELOPMENT COMMISSION

Financial Statements

June 30, 2018



**Isothermal Planning and Development Commission
Table of Contents
June 30, 2018**

<u>Exhibit</u>		<u>Page No.</u>
Financial Section:		
	Independent Auditors' Report	i-iii
	Management's Discussion and Analysis	iv-x
Basic Financial Statements:		
Government-wide Financial Statements:		
A	Statement of Net Position	1
B	Statement of Activities	2
Fund Financial Statements:		
C	Balance Sheet – Governmental Fund	3
	Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	4
D	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
E	Statement of Revenues, Expenditures and Changes in Fund Balance – Annual Budget and Actual – General Fund	7
F	Statement of Fiduciary Net Position – Fiduciary Funds	8
G	Statement of Changes in Fiduciary Net Position – Trust Fund	9
	Notes to the Financial Statements	10-34

Schedule**Page No.****Required Supplementary Information:**

1	Healthcare Benefits Plan – Schedule of Changes in Net OPEB Asset and Related Ratios	35
2	Healthcare Benefits Plan – Schedule of Employer Contributions	36
3	Healthcare Benefits Plan – Schedule of Investment Returns	37
4	Schedule of the Proportionate Share of the Net Pension Liability (Asset) – Local Governmental Employees’ Retirement System	38
5	Schedule of Contributions – Local Governmental Employees’ Retirement System	39

Supplementary Information:

6	HUD Financial Data Schedule – Balance Sheet	40-41
7	HUD Financial Data Schedule – Revenues and Expenses	42-43
8	Schedule of Indirect Costs	44-45
9	Schedule of Depreciation Charged to Grants – Non-GAAP	46
10	2017 ARC Administrative Grant - Revenues and Expenditures – Compared with Budget	47
11	2018 ARC Administrative Grant - Revenues and Expenditures – Compared with Budget	48
12	Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	49

Compliance Section:

	Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	50-51
	Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	52-53
	Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	54-55
	Schedule of Findings and Questioned Costs	56-57
	Schedule of Expenditures of Federal and State Awards	58-64

Financial Section



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, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Commission as of June 30, 2018, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 10 to the financial statements, beginning balance for governmental activities was restated due to the implementation of *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in 2018. Our opinion is not modified with respect to these changes.

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: Changes in Net OPEB Asset and Related Ratios; Employer Contributions; and, Investment Returns, 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 35-39 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 June 7, 2019 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
June 7, 2019

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, 2018. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The assets and deferred outflows of IPDC exceeded its liabilities and deferred inflows at the close of the fiscal year by \$1,621,023.
- IPDC's total net position increased by \$75,471, primarily due to the excess revenues over expenses of IPDC's housing programs and transportation activities.
- As of the close of the current fiscal year, IPDC's general fund reported a fund balance of \$1,472,070, an increase of \$44,882 from the prior year. The unassigned fund balance was \$171,150.
- The unrestricted portion of Net Position as of June 30, 2018 was \$60,054. This amount each year is impacted by the State requirement that Net Position resulting from funds owed to IPDC at year end must be shown separately as a component of Net Position. In addition, IPDC also operates a Housing Assistance Program that requires accumulated funds to be shown as restricted.

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 and liabilities. 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 and liabilities. 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 fund's 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 required supplementary information concerning IPDC's progress in funding its obligations to provide pension and other than pension benefits to its employees. Required supplementary information can be found beginning on page 35 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 and deferred outflow 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 Statement of Net Position
June 30

	Governmental Activities	
	2018	2017
Current and Other Assets	\$ 1,981,219	\$ 1,752,651
Capital Assets	223,563	235,693
Deferred Outflows of Resources	225,887	279,468
Total Assets and Deferred Outflows of Resources	2,430,669	2,267,812
Current Liabilities	449,323	403,362
Noncurrent Liabilities	328,972	342,468
Deferred Inflows of Resources	31,351	46,665
Total Liabilities and Deferred Inflows of Resources	809,646	792,495
Net Position		
Net Investment in Capital Assets	205,186	212,918
Restricted Net Position	1,355,783	1,305,209
Unrestricted Net Position	60,054	(42,810)
Total Net Position	\$ 1,621,023	\$ 1,475,317

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 \$1,621,023 as of June 30, 2018.

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

- Net position of IPDC increased by \$75,471 for the year ended June 30, 2018, primarily due to the excess of revenues over expenses of IPDC's housing programs and transportation activities.

Financial Analysis of IPDC's Funds

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

Table 2
Isothermal Planning and Development Commission
Condensed Statement of Activities
For the Years Ended June 30

	Governmental Activities	
	2018	2017
Revenues		
Program Revenues:		
Operating Grants and Contributions	\$ 12,358,498	\$ 12,513,871
General Revenues:		
Local Governmental Dues	110,740	92,421
Total Revenues	12,469,238	12,606,292
Expenses		
General Government	92,366	78,242
Human Services	3,191,467	3,197,094
Workforce Development	1,983,639	1,961,509
Housing Programs	6,598,139	6,853,294
Transportation	116,235	117,539
Economic and Physical Development	411,921	268,854
Total Expenses	12,393,767	12,476,532
Change in Net Position	75,471	129,760
Net Position - Beginning, Previously Reported	1,475,317	1,345,557
Net Position - Beginning, Restated	1,545,552	-
Net Position - Ending	\$ 1,621,023	\$ 1,475,317

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, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of IPDC. At the end of the current fiscal year, fund balance totaled \$1,472,070, 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 12% of total General Fund expenditures.

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 2018-2019.

One instance of noncompliance with North Carolina general statutes occurred when the budgeted amounts of revenues and expenditures were not increased through the budget amendment process to reflect the actual inflows and outflows of IPDC’s housing program. IPDC received actual housing funds in excess of the original budget and subsequently made corresponding payments that exceeded the original budget. A budget amendment to adjust the original estimates that would have corrected this noncompliance was not prepared. IPDC monitors its finances and budgets on a program basis. The housing program’s actual revenues exceeded the actual expenditures creating a surplus for the year.

Capital Assets and Debt Administration

	Governmental Activities	
	June 30	
	2018	2017
Land	\$ 27,600	\$ 27,600
Buildings	135,223	141,433
Furniture and Equipment	60,740	66,660
Total	<u>\$ 223,563</u>	<u>\$ 235,693</u>

IPDC’s investment in capital assets for its governmental activities as of June 30, 2018 and 2017 totaled \$223,563 and \$235,693 (net of accumulated depreciation), respectively. These assets include a building, the financial software system, vehicles, furniture, fixtures, and equipment.

During the year, IPDC purchased new equipment at a cost of \$9,940.

Lease payments required by IPDC’s capital leases will continue until 2022.

Budget Highlights and Other Information for the Fiscal Year Ending June 30, 2019

The approved budget for fiscal FY 18-19 was \$13,862,498, an increase of 3% over the final budget for FY 17-18. Approximately \$11 million, or 82% of the budget is passed through the Commission to various program eligible clients, property owners, private contractors, vendors, local governments and non-profit agencies that provide services to program participants.

Budgeting for the fiscal year ending June 30, 2019 was positively impacted by a commitment from the IPDC's Executive Board and local leaders to bring Economic Development activities and Local Technical Assistance to the member governments. FY 18-19 will be the third year of the five-year plan to increase local membership dues. In addition, the Board adopted a Local Government Technical Assistance program, which enhances revenues for these services by splitting the cost between the membership and funding sources such as the Appalachian Regional Commission. This results in a fee-for-service structure that facilitates project-oriented services for members and allows technical assistance dollars to meet various matching goals as well as making program dollars go further. Sixty percent of the local dues collected is used for required match funding to ARC and Aging programs.

Funding for IPDC's legacy programs (Workforce Investment and Opportunity Act, Area Agency on Aging and the Section Eight Housing Program) are expected to remain stable but are subject to appropriation by agencies outside of the control of the IPDC Board and its management. IPDC's share of federal and State revenues is subject to change as future federal and State budgets are approved. These possible changes will impact future IPDC budgets.

IPDC's Board and its management team work diligently to be in compliance with the budgetary provisions required by North Carolina General Statutes. Increases or decreases of funding sources for activities may occur throughout the fiscal year. These changes will be reflected through the Board's budget amendment process.

IPDC continues to administer two grants from the Kate B. Reynolds Foundation that facilitate health and wellness programs that benefit the community. The worker wellness program seamlessly integrates into the current workforce development program. The community food and health hub project will bring together partners from across the region to implement strategies and develop platforms to address food insecurity.

IPDC continues to pursue federal, state and local funding sources that will allow us to meet the regional goals outlined by the SET V plan for Comprehensive Economic Development Strategy.

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 Rebecca A. Evans, Finance Director, 111 West Court Street, Rutherfordton, North Carolina, (828) 287-2281, or bevans@regionc.org.

Basic Financial Statements

Isothermal Planning and Development Commission
Statement of Net Position
June 30, 2018

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and Investments - Unrestricted	\$ 616,607
Due from Other Governments	599,688
Prepaid Expenses	4,963
Cash and Investments - Restricted	700,135
Net OPEB Asset	59,826
Capital Assets	
Land	27,600
Buildings	135,223
Equipment	60,740
Total Capital Assets, Net of Depreciation	<u>223,563</u>
Total Assets	<u>2,204,782</u>
Deferred Outflows of Resources	
Contributions to Pension Plan/OPEB Plan in Current Fiscal Year	<u>225,887</u>
Liabilities	
Accounts Payable and Accrued Liabilities	322,105
Unearned Grant Revenue	127,218
Long-term liabilities:	
Due within One Year	64,400
Due in More than One Year	264,572
Total Long-term Liabilities	<u>328,972</u>
Total Liabilities	<u>778,295</u>
Deferred Inflows of Resources	
Pension Deferrals	<u>31,351</u>
Net Position	
Net Investment in Capital Assets	205,186
Restricted for:	
Housing Assistance Payments	696,269
Stabilization by State Statute	599,688
Net OPEB Asset	59,826
Unrestricted	60,054
Total Net Position	<u><u>\$ 1,621,023</u></u>

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, 2018

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
Governmental Activities:					
General Government	\$ 92,366	\$ -	\$ -	\$ -	\$ (92,366)
Human Services	3,191,467	-	3,199,566	-	8,099
Workforce Development	1,983,639	-	1,992,569	-	8,930
Housing Programs	6,598,139	-	6,631,131	-	32,992
Transportation	116,235	-	146,175	-	29,940
Economic and Physical Development	411,921	-	389,057	-	(22,864)
Total Governmental Activities	\$ 12,393,767	\$ -	\$ 12,358,498	\$ -	(35,269)
General Revenues:					
					110,740
					-
					110,740
					75,471
					1,475,317
					70,235
					1,545,552
					\$ 1,621,023

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

**Isothermal Planning and Development Commission
Balance Sheet
Governmental Fund
June 30, 2018**

Exhibit C

	General Fund
Assets	
Cash and Investments - Unrestricted	\$ 616,607
Cash and Investments - Restricted	700,135
Due from Other Governments	599,688
Prepaid Expenditures	4,963
Total Assets	\$ 1,921,393
Liabilities	
Accounts Payable and Accrued Liabilities	\$ 322,105
Unearned Grant Revenue	127,218
Total Liabilities	449,323
Fund Balances	
Non-spendable	
Prepaid Expenditures	4,963
Restricted	
Housing Assistance Payments	696,269
Stabilization by State Statute	599,688
Unassigned	171,150
Total Fund Balances	1,472,070
Total Liabilities and Fund Balances	\$ 1,921,393

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

**Isothermal Planning and Development Commission
Balance Sheet
Governmental Fund
June 30, 2018**

**Exhibit C
(Continued)**

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

Ending Fund Balance Governmental Fund	\$ 1,472,070
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund	223,563
Net OPEB Asset	59,826
Net pension liability	(240,310)
Contributions and other Pension related deferrals to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	202,955
Contributions and other OPEB related deferrals to the OPEB plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	22,932
Compensated absences not due and payable in the current period are not reported in the fund	(70,285)
Long-term debt included as net position below (includes principal payments during the year)	(18,377)
Pension-related deferrals	<u>(31,351)</u>
Net Position of Governmental Activities	<u>\$ 1,621,023</u>

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, 2018**

Exhibit D

	General Fund
REVENUES	
Federal Government	\$ 10,460,023
State of North Carolina	1,284,184
Local Governmental Agencies and Program Income	651,360
Local Governmental Dues	110,740
Total Revenues	12,506,307
EXPENDITURES	
Current	
Management and Business Operations	97,550
Human Services	3,198,850
Workforce Development	1,991,021
Housing Programs	6,601,822
Other Local Initiatives and Activities	572,182
Total Expenditures	12,461,425
Net Change in Fund Balance	44,882
Fund Balance, July 1	1,427,188
Fund Balance, June 30	\$ 1,472,070

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, 2018**

**Exhibit D
(Continued)**

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

Net change in fund balance - total governmental fund	\$ 44,882
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	(22,070)
Capital outlay expenditures that were capitalized	9,940
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	84,280
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	4,398
Some expenses reported in the statement of activities do not require the use of current financial resources in the governmental fund	
Pension expense	(74,655)
Net OPEB Expense	12,523
Compensated absences	16,173
Change in net position of governmental activities	\$ 75,471

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

**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, 2018**

Exhibit E

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Federal Government	\$ 10,968,699	\$ 11,039,160	\$ 10,460,023	\$ (579,137)
State of North Carolina	1,466,887	1,564,653	1,284,184	(280,469)
Local Governmental Agencies and Program Income	540,338	612,728	651,360	38,632
Local Governmental Dues	109,760	109,760	110,740	980
Total Revenues	13,085,684	13,326,301	12,506,307	(819,994)
EXPENDITURES				
Current				
Management and Business Operations	109,760	109,760	97,550	12,210
Human Services	3,155,945	3,230,475	3,198,850	31,625
Workforce Development	2,859,514	2,922,547	1,991,021	931,526
Housing Programs	6,482,496	6,482,496	6,601,822	(119,326)
Other Local Initiatives and Activities	477,969	581,023	572,182	8,841
Total Expenditures	13,085,684	13,326,301	12,461,425	864,876
Net Change in Fund Balance	\$ -	\$ -	44,882	\$ 44,882
Fund Balance, July 1			1,427,188	
Fund Balance, June 30			\$ 1,472,070	

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, 2018**

Exhibit F

	Post- Employment Benefit Trust Fund	Family Self Sufficiency Fund
Assets		
Cash and Investments	\$ 592,898	\$ 47,004
Liabilities		
Due to Other Sources	-	\$ 47,004
Net Position		
Restricted for Postemployment Benefits Other than Pensions	\$ 592,898	

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, 2018

Exhibit G

	<u>Post- Employment Benefit Trust Fund</u>
Additions	
Employer Contributions	\$ 22,932
Investment income:	
Net appreciation in fair value of investments	1,562
Investment Income	<u>9,258</u>
	10,820
Less investment expense	<u>31</u>
Net investment income	<u>10,789</u>
Total Additions	33,721
Deductions	
Benefits	<u>31,854</u>
Change in Net Position	1,867
Net Position	
Restricted for Postemployment Benefits Other Than Pensions	
Beginning of Year	<u>591,031</u>
End of Year	<u><u>\$ 592,898</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, 2018

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 former 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 trust 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 Fiduciary 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 54% 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.

In accordance with NC General Statute 159-30.1, IPDC has established 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 under the provisions of the Ancillary Governmental Participant Investment Program. The State Treasurer in his 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 OPEB Short Term Fund (STIF), consisting of short to intermediate treasuries, agencies and corporate issues authorized by G. S. 147-69.1, the Blackrock MSCI Equity Index Fund and the NC Non-Pension Fixed Income Fund.

IPDC's investments are reported at fair value as determined by quoted market prices. The NC Capital Management Trust Government 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 valuation basis as of fiscal year end in accordance with the its 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 fund are distributed to participants of the fund.

The North Carolina OPEB Short term Fund is valued at \$1.00 per share.

The North Carolina Non-Pension Fixed Income Fund offered by BlackRock is valued at \$1.00 per share.

The BlackRock MSCI Equity Index Non-Lendable Fund is priced at \$21.2727 per share at June 30, 2018.

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	\$ 170,890
Administrative Funds	<u>529,245</u>
Total Restricted Cash	<u>\$ 700,135</u>

Allowance 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.

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 years
Furniture and Equipment	5-10 years

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. 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 meets this criterion, its contributions to the pension plan for the 2018 fiscal year, and its contributions to its OPEB plan for the 2018 fiscal year.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. 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 a 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 2018-2019 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

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.

Pension and OPEB Plans – IPDC participates in the Local Government Employees' Retirement System (LGERS) a cost sharing, multiple-employer, defined benefit pension plan and one other postemployment benefit plan (OPEB), the Healthcare Benefits Plan (HCB).

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the state-administered defined benefit pension plan and additions to/deductions from state-administered defined benefit pension plan's fiduciary net position have been determined on the same basis as they are reported by the state-administered defined benefit pension plan. 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 state-administered defined benefit pension plans.

For purposes of measuring the net OPEB asset or liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCB and additions to/deductions from the HCB's fiduciary net position have been determined on the same basis as they are reported by the HCB. For this purpose, the HCB recognizes benefit payments when due and payable in accordance with the benefit terms. Investments for all plans 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 \$230,665 and a bank balance of \$534,482. \$250,000 of the bank balance was covered by federal depository insurance and \$284,482 in interest-bearing deposits was covered by collateral held under the Pooling Method. At June 30, 2018, IPDC's petty cash fund totaled \$250.

Investments – As of June 30, 2018, IPDC had the following investments and maturities:

Investment Type	Valuation Measurement Method	Fair Value	Maturity	Rating
<i>Held by General Fund</i>				
NC Capital Management Trust - Government Portfolio	Amortized Cost	<u>\$ 1,132,831</u>	N/A	AAAm
<i>Held by Post-Employment Benefit Trust Fund</i>				
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 52,586	N/A	AAAm
BlackRock MSCI ACWI Equity Index Non-Lendable Fund	Fair Value Level 1	242,504	N/A	N/A
North Carolina OPEB Short-term (STIF)	Fair Value Level 2	31,733	1.4 years	Unrated
North Carolina Non Pension Fixed Income	Fair Value Level 2	<u>266,075</u>	8.24 years	Unrated
Total		<u>\$ 592,898</u>		

At June 30, 2018, IPDC's Healthcare Benefits Plan Fund had invested \$52,586 in the North Carolina Capital Management Trust's Cash Portfolio and \$540,312 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 the General Statutes. At year-end, IPDC's OPEB Trust was invested as follows: State Treasurer's Short Term Investment Fund (STIF) 6%; North Carolina Non-Pension Fixed Income Fund 49% and BlackRock MSCI ACWI Equity Index Non-Lendable Fund 45% (the equities were split 54% in domestic securities and 46% in international securities).

Level of fair value hierarchy:

Ownership of the STIF is determined on a fair market valuation basis as of fiscal year end in accordance with the STIF operating procedures. STIF investments are valued by the custodian using Level 2 inputs which in this case involves inputs – other than quoted prices – included within Level 1 that are either directly or indirectly observable for the asset or

liability. The STIF is valued at \$1 per share. The STIF portfolio is unrated and had a weighted average maturity at June 30, 2018 of 1.4 years.

Ownership of the Non-Pension Fixed Income Fund is determined monthly at fair value using the same Level 2 inputs as the STIF and is based upon units of participation. Units of participation are calculated monthly based upon inflows and outflows as well as allocations of net earnings. At June 30, 2018, the fixed income index fund, which does not have a credit rating, was valued at \$1 per unit and had an average maturity of 8.24 years.

The BlackRock’s MSCI ACWI EQ Index Non-Lendable fund, authorized under G. S. 147-69.2(b)(8), is a common trust fund considered to be commingled in nature. The Fund’s fair value is the number of shares times the net asset value as determined by a third party. At June 30, 2018, the fair value of the funds was \$21.2727 per share. Fair value for this BlackRock fund is determined using Level 1 inputs which are directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

Valuation technique:

North Carolina Department of State Treasurer OPEB Trust investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

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.

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.

Note 3 – Receivables

Receivables at the government-wide level at June 30, 2018 consisted of the following:

Due From Other Governments	
Federal and State Grant Reimbursements	\$ 582,292
Sales Tax Refund	<u>17,396</u>
Total Due From Other Governments	<u>\$ 599,688</u>

Note 4 – Capital Assets

Capital asset activity for Governmental Activities for the year ended June 30, 2018 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 27,600	\$ -	\$ -	\$ 27,600
Capital Assets Being Depreciated:				
Buildings	248,400	-	-	248,400
Furniture and Equipment	247,456	9,940	-	257,396
Total Capital Assets Being Depreciated	495,856	9,940	-	505,796
Less Accumulated Depreciation For:				
Buildings	106,967	6,210	-	113,177
Furniture and Equipment	180,796	15,860	-	196,656
Total Accumulated Depreciation	287,763	22,070	-	309,833
Governmental Activities Capital Assets, Net	<u>\$ 235,693</u>			<u>\$ 223,563</u>

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

Management and Business Operations	\$ 15,386
Housing	3,700
Other Local Initiatives and Activities	2,984
Total	<u>\$ 22,070</u>

Note 5 – Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities at the government-wide level at June 30, 2018 were as follows:

	<u>Vendors</u>	<u>Grant Sub- Recipients</u>	<u>Section Eight Program</u>	<u>Total</u>
Governmental General	<u>\$ 40,499</u>	<u>\$ 261,178</u>	<u>\$ 20,428</u>	<u>\$ 322,105</u>

Note 6 – Unearned Grant Revenues

The balance in Unearned Grant Revenues at June 30, 2018 is composed of the following:

Grant receipts not yet earned	<u>\$ 127,218</u>
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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.

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, 2018 was 7.58% 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 \$84,280 for the year ended June 30, 2018.

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, 2018, IPDC reported a liability of \$240,311 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, IPDC's proportion was .01573%, which was an increase of .00107% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, IPDC recognized pension expense of \$74,655. At June 30, 2018, IPDC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,844	\$ 6,802
Changes of assumptions	34,320	-
Net difference between projected and actual earnings on pension plan investments	58,348	-
Changes in proportion and differences between IPDC contributions and proportionate share of contributions	12,163	24,549
IPDC contributions subsequent to the measurement date	84,280	-
Total	<u>\$ 202,955</u>	<u>\$ 31,351</u>

\$84,280 is reported as deferred outflows of resources related to pensions resulting from IPDC contributions subsequent to the measurement date that will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2019	\$ 5,235
2020	65,952
2021	31,489
2022	(15,355)
2023	-
Total	<u>\$ 87,321</u>

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

Inflation	3.0 percent
Salary increases	3.5 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2016 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

Sensitivity of the 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 7.20 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
IPDC's proportionate share of the net pension liability (asset)	\$ 721,419	\$ 240,311	\$ (161,262)

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 – Other Post-Employment Benefit – Health Care Benefits

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. A separate report was not issued for the plan.

While IPDC did not elect to obtain an updated actuarial valuation for the current fiscal year, an updated valuation will be obtained for the 2019 fiscal year.

Management of the HCB Plan is vested in the Board of Isothermal Planning and Development Commission.

Plan Membership. At June 30, 2016, the valuation date of the most recent actuarial plan, the HCB Plan membership consisted of the following:

	<u>2016</u>
Inactive Employees or Beneficiaries Currently	
Receiving Benefits	8
Inactive Members Entitled to but not yet	
Receiving Benefits	-
Active Employees	<u>24</u>
Total Membership	<u><u>32</u></u>

Benefits Provided. The HCB Plan provides healthcare benefits for retirees. IPDC pays a portion of the cost of coverage for retirees' health care insurance.

Contributions. IPDC's Board established the contribution requirements of the plan which may be amended by the Board. The Board establishes funding of the plan on an actuarially determined rate. For the year ended June 30, 2018, IPDC contributed \$22,932. Plan members do not contribute to the plan. IPDC's contribution is based upon the employee's number of years of creditable service. The IPDC board may amend the benefit provisions.

Eligibility for Allowance. A participant must be eligible and approved to receive retirement benefits in accordance with the regulations of the North Carolina Local Governmental Employees' Retirement System (LGERS) and have worked a minimum of ten (10) years with the Commission in order to participate in the HCB.

Amount of Allowance.

Pre-65 Benefit:

IPDC will contribute to the cost of retiree health insurance premiums based on the years of service at retirement using the following schedule for employees:

Years of Service with IPDC	IPDC Reimbursement of Pre-65 Retiree Premiums
10 - 14.99	50%
15 - 19.99	75%
20 or more	100%

For members hired after September 30, 1995, the amount IPDC will reimburse is capped at \$150 per month.

Post-65 Benefit:

Once a retiree reaches age 65, and for new retirees age 65 and above, for those retirees who worked at least 20 years for IPDC, IPDC will contribute \$100 per month towards a Medicare supplemental health plan. The retiree must show proof to IPDC that the money is going towards a health plan.

Disability Benefit: Members retiring under disability retirement are eligible to receive benefits at the 20-year service level (paid 100%) by IPDC until age 65. Upon reaching age 65, they are eligible for the same Post-65 benefit as described above.

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

Representative Monthly Retiree Premium Amounts: Each retiree is responsible for applying for their own insurance policy and will be reimbursed by IPDC as described above, once proof of insurance is submitted to IPDC.

Investments

Investment policy. The HCB Plan's policy in regard to the allocation of invested assets is established and may be amended by IPDC's Board. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 and 2017.

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
	2018	2017	2018	2017
Fixed Income	35% - 45%	35% - 45%	1.4%	1.4%
Equity Funds	55% - 65%	55% - 65%	5.3%	5.3%
Total	100.0%	100.0%		

Rate of Return. For the year ended June 30, 2018, the annual money weighted rate of return on investments, net of investment expense, was 1.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs.

IPDC's most recent actuarial plan for its OPEB was for the measurement date of June 30, 2017. Management believes that since its OPEB plan has historically been overfunded, the cost of an annual actuarial plan was not warranted.

The total OPEB liability was determined by actuarial valuation as of the valuation date of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0%
Salary increase	3.5% to 7.75%, including inflation and productivity factor
Investment rate of return	4.97%, net of OPEB plan investment expense, including price inflation
Healthcare cost trend rates	7.75% for 2016 decreasing to 5% in 2022

Total OPEB liabilities were rolled forward to June 30, 2017 for the employer and the plan, respectively, utilizing update procedures incorporating the actuarial assumptions.

The discount rate used to measure the Total OPEB Liability was based upon the long-term expected rate of return.

Mortality rates were based on the RP-2014 Healthy Annuitant base rates projected to the valuation date using MP-2015, projected forward generationally from the valuation date using MP-2015.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study for the period 2010-2014.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the major target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocations as of June 30 are presented above.

Discount Rate (SEIR). The discount rate used to measure the total OPEB liability at June 30, 2016 was 4.97%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2016. In addition to the actuarial methods and assumptions of the June 30, 2016 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Active employees do not explicitly contribute to the Plan.
- Benefit payments will be paid from the Trust.
- Projected assets assume employer contributions equal to the actuarially determined contributions will be deposited.
- Cash flows occur mid-year.

Based upon these assumptions, the Plan's Fiduciary Net Position was projected not to be depleted.

Net OPEB Asset of IPDC. As of June 30, 2017, (the Measurement Date), IPDC's Net OPEB asset is presented in the following table.

Measurement Date of June 30, 2017	
Total OPEB Liability	\$ 531,205
Plan Fiduciary Net Position	<u>591,031</u>
Net OPEB Asset	<u>\$ 59,826</u>
Plan Fiduciary Net Position as a percentage of the total OPEB liability	<u>111%</u>

Sensitivity of the net OPEB asset to changes in the healthcare cost trend rates.

The following exhibit presents the net OPEB asset of the Plan, calculated using the health care cost trend rates, as well as what the Plan's net OPEB asset would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher.

	Health Care Cost Trend Rates		
	1%		1%
	Decrease	Current	Increase
Net OPEB Asset	\$ 76,860	\$ 59,826	\$ 41,366

Sensitivity of the net OPEB asset to changes in the discount rate.

The following exhibit presents the net OPEB Asset of the Plan, calculated using the discount rate of 4.97%, as well as what the Plan's Net OPEB Asset would be if it were calculated using a Discount Rate that is 1 percentage point lower or 1 percentage point higher.

	Discount Trend Rates		
	1%		1%
	Decrease	Current	Increase
Net OPEB Asset	\$ 11,990	\$ 59,826	\$ 101,500

At June 30, 2018, the components of IPDC's net OPEB asset, measured as of June 30, 2017 were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Asset
	(a)	(b)	(b) - (a)
Balances at June 30, 2016	\$ 540,768	\$ 588,071	\$ 47,303
Changes for the Year:			
Service Cost	12,179	-	(12,179)
Interest	25,697	-	(25,697)
Contributions	-	22,932	22,932
Net Investment Income	-	27,467	27,467
Benefit Payments	(47,439)	(47,439)	-
Net Changes	(9,563)	2,960	12,523
Balances at June 30, 2017	\$ 531,205	\$ 591,031	\$ 59,826

For the year ended June 30, 2018, IPDC recognized OPEB expense of \$(12,523). At June 30, 2018, IPDC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions made subsequent to measurement date	\$ 22,932	\$ -
Difference between expected and actual experience	-	-
	<u>\$ 22,932</u>	<u>\$ -</u>

\$22,932 reported as deferred outflows of resources related to OPEB resulting from IPDC contributions subsequent to the measurement date will be recognized as an increase in the net OPEB asset in the year ending June 30, 2019.

Note 10 – Change in Accounting Principles/Restatement

IPDC implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the fiscal year ended June 30, 2018. The implementation of the statement required IPDC to record beginning net OPEB asset or liability and the effects on net position of contributions paid by IPDC to the OPEB Trust during the measurement period. As a result, net position for the governmental activities increased by \$70,235.

Note 11 – Long-term Obligations

a. Capital Lease

During the fiscal 2017, IPDC entered into a capital lease to purchase two new copiers. This lease requires sixty-three monthly payments of \$462, after which the copiers can be purchased for their remaining fair market value. The lease reflects an inherent interest rate of approximately 5.5% per annum.

Interest expense of \$1,151 was incurred during the year ended June 30, 2018. 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, 2018:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	<u>\$ 25,231</u>	<u>\$ 5,406</u>	<u>\$ 19,825</u>

The following minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 4,648	\$ 901	\$ 5,549
2020	4,912	637	5,549
2022	5,192	357	5,549
2022	3,625	76	3,701
2023	-	-	-
Total minimum lease payments	\$ 18,377	\$ 1,971	20,348
Less: amount representing interest			1,971
Present value of the minimum lease payments			\$ 18,377

Changes in Long-term Liabilities

	Totals July 1, 2017	Additions	Retire- ments	Totals June 30, 2018	Current Portion
Capital Leases	\$ 22,775	\$ -	\$ 4,398	\$ 18,377	\$ 4,650
Compensated Absences	86,457	-	16,173	70,284	59,750
Net Pension Liability (LGERS)	311,134	-	70,823	240,311	-
Total	\$ 420,366	\$ -	\$ 91,394	328,972	\$ 64,400
Less: Current Portion of Long-term Obligations				64,400	
Total Noncurrent Obligations, Net of Current Portion				\$ 264,572	

Note 12 – 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 13 – 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.

Note 14 – Stewardship, Compliance, and Accountability

1. Noncompliance with North Carolina General Statutes

Actual revenues received and expenditures expended in IPDC’s housing programs exceeded the amount budgeted for those programs; a violation of NC General Statute 159-8. This budget variance occurred when the original budget for housing programs was not amended to reflect an increase in housing revenues and related increase in housing expenditures. Overlooking the budget amendment was an administrative oversight. The housing program’s actual revenues exceeded the actual expenditures for the year, resulting in a surplus. Corrective action to be taken will include making certain that year-end budget amendments are made when necessary.

2. Noncompliance with Uniform Guidance

IPDC did not submit its financial statements to the Federal Audit Clearinghouse by the March 31, 2019 deadline. This is a violation of the Uniform Guidance requirements. Management believes this violation will not have a material effect on the financial statements as this is IPDC's first instance of noncompliance. The corrective action to be taken includes making sure that audit reports issued for future periods will be submitted prior to the March 31 deadline.

Required Supplementary Information

Isothermal Planning and Development Commission
Healthcare Benefits Plan
Schedule of Changes in Net OPEB Asset and Related Ratios
Measurement Date of June 30, 2017

Schedule 1

Total OPEB Liability	
Service Cost at end of year	\$ 12,179
Interest on the total OPEB Liability	25,697
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions or other inputs	-
Benefit payments	(47,439)
Net Change in Total OPEB Liability	<u>(9,563)</u>
Total OPEB Liability - beginning	<u>540,768</u>
Total OPEB Liability - ending (a)	<u><u>\$ 531,205</u></u>
 Plan Fiduciary Net Position	
Contributions - employer	\$ 22,932
Contributions - non-employer	-
Contributions - active member	-
Net investment income	27,467
Benefit payments	(47,439)
Administrative expenses	-
Net Change in Plan Fiduciary Net Position	<u>2,960</u>
Plan Fiduciary Net Position - Beginning	<u>588,071</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 591,031</u></u>
 Net OPEB Asset (b-a)	 <u><u>\$ 59,826</u></u>
 Plan Fiduciary Net Position as a percentage of the total OPEB Liability	 <u><u>111.26%</u></u>
 Covered Payroll	 <u><u>\$ 996,922</u></u>
 IPDC's Net OPEB Asset as a percentage of covered payroll	 <u><u>6.00%</u></u>

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

Schedule 2

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 22,932	\$ 22,932	\$ 22,932
Contributions in relation to the actuarially determined contribution	<u>22,932</u>	<u>22,932</u>	<u>22,932</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll (*)	\$ 996,922	\$ 996,922	\$ 996,922
Contributions as a percentage of covered payroll	2.30%	2.30%	2.30%

Notes to Schedule

(*) For years following the valuation date (when no valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Simplified Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	30 years, Open
Asset valuation method	Market Value of Assets
Inflation	3.30%
Healthcare cost trend rates	5.00% for all years for those hired before 10/1/95. No trend was applied to the benefit caps.
Salary increases	3.30%
Investment rate of return, net of investment fees	4.97%
Retirement age	Assumed Life expectancies were adjusted as a result of adopting the RP-2014 Healthy Annuitant Mortality Table.
Mortality	Assumed Life expectancies were adjusted as a result of adopting the RP-2014 Healthy Annuitant Mortality Table.

**Isothermal Planning and Development Commission
Healthcare Benefits Plan
Schedule of Investment Returns
Last Three Fiscal Years (*)**

Schedule 3

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	<u>1.82%</u>	<u>4.66%</u>	<u>-0.93%</u>

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

**Isothermal Planning and Development Commission
Proportionate Share of Net Pension Liability (Asset)
Last Five Fiscal Years ***

Schedule 4

Local Governmental Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
IPDC's proportion of the net pension liability	0.01573%	0.01466%	0.02068%	0.02127%	0.02470%
IPDC's proportion of the net pension liability (asset) (\$)	\$ 240,311	\$ 311,134	\$ 92,811	\$ (125,439)	\$ 297,730
IPDC's covered-employee payroll	\$ 1,111,879	\$ 1,047,386	\$ 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	21.61%	29.71%	6.85%	-8.30%	18.11%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**Isothermal Planning and Development Commission
Schedule of Contributions
Last Five Fiscal Years (*)**

Schedule 5

Local Governmental Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 84,280	\$ 77,276	\$ 67,791	\$ 94,227	\$ 105,240
Contributions in relation to the contractually required contribution	<u>84,280</u>	<u>77,276</u>	<u>67,791</u>	<u>94,227</u>	<u>105,240</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
IPDC's covered-employee payroll	\$ 1,111,879	\$ 1,049,949	\$ 1,047,386	\$ 1,355,356	\$ 1,511,099
Contributions as a percentage of covered-employee payroll	<u>7.58%</u>	<u>7.36%</u>	<u>6.47%</u>	<u>6.95%</u>	<u>6.96%</u>

(*) This schedule will build to a ten year schedule as information becomes available.

Supplementary Information

Isothermal Planning and Development Commission
HUD Financial Data Schedule - Balance Sheet
June 30, 2018

Schedule 6

<u>Line Item #</u>		<u>14.871 Housing Choice Vouchers</u>	<u>14.896 FSS Coordinator Program</u>
	Assets		
	Current Assets		
111	Cash - unrestricted	\$ 628,394	\$ -
113	Cash - other restricted	150,462	47,004
115	Cash - restricted for payment of current liabilities	20,428	-
100	Total Cash	<u>799,284</u>	<u>47,004</u>
	Accounts Receivable		
128	Fraud Recovery	18,352	-
128.1	Allowance for doubtful accounts - fraud	1,790	-
120	Total Receivables, net of allowances for doubtful accounts	<u>16,562</u>	<u>-</u>
150	Total Current Assets	<u>815,846</u>	<u>47,004</u>
	Noncurrent Assets		
	Capital Assets		
164	Furniture, equipment and machinery - administration	61,060	-
166	Less: Accumulated depreciation	56,209	-
160	Total Capital Assets, net of accumulated depreciation	<u>4,851</u>	<u>-</u>
180	Total Noncurrent Assets	<u>4,851</u>	<u>-</u>
190	Total Assets	<u>\$ 820,697</u>	<u>\$ 47,004</u>
	Liabilities and Equity		
	Liabilities		
	Current Liabilities		
312	Accounts payable - due within 90 days	\$ 20,428	\$ -
310	Total Current Liabilities	<u>20,428</u>	<u>-</u>
	Noncurrent Liabilities		
353	Noncurrent liabilities - other	-	47,004
350	Total Noncurrent Liabilities	<u>-</u>	<u>47,004</u>
300	Total Liabilities	<u>20,428</u>	<u>47,004</u>

**Isothermal Planning and Development Commission
Financial Data Schedule - Balance Sheet
June 30, 2018**

**Schedule 6
(continued)**

<u>Line Item #</u>		<u>14.871 Housing Choice Vouchers</u>	<u>14.896 FSS Coordinator Program</u>
	Equity		
508.1	Invested in Capital Assets, Net of related debt	\$ 4,851	\$ -
511.1	Restricted Net Position	158,743	-
512.1	Unrestricted Net Position	636,675	-
513	Total Equity/Net Position	<u>800,269</u>	<u>-</u>
600	Total Liabilities and Equity/Net Position	<u>\$ 820,697</u>	<u>\$ 47,004</u>

Isothermal Planning and Development Commission
HUD Financial Data Schedule - Revenues and Expenses
For the Year Ended June 30, 2018

Schedule 7

<u>Line Item #</u>		<u>14.871 Housing Choice Vouchers</u>	<u>14.896 FSS Coordinator Program</u>
	Revenues		
70600	HUD PHA Operating Grants	\$ 6,542,688	\$ 35,745
71100	Investment Income - Unrestricted	12,811	-
71400	Fraud Recovery	9,508	-
71500	Other Revenue	30,379	-
72000	Investment Income - Restricted	-	-
70000	Total Revenues	<u>6,595,386</u>	<u>35,745</u>
	Expenses		
91100	Administrative Salaries	316,803	-
91200	Auditing Fees	7,000	-
91400	Advertising and Marketing	3,410	-
91500	Employee Benefit Contributions - Administrative	96,577	-
91800	Travel Expense	3,314	-
91810	Allocated Overhead	160,813	-
91900	Other	77,134	-
91000	Total Operating - Administrative	<u>665,051</u>	<u>-</u>
92100	Tenant Services - Salaries	1,267	35,745
92300	Employee Benefit Contributions - Tenant Services	15,277	-
92400	Tenant Services - Other	18,696	-
92500	Total Tenant Services	<u>35,240</u>	<u>35,745</u>
96400	Bad Debt - Tenant Rents	-	-
	Total Other General Expenses	<u>-</u>	<u>-</u>
96900	Total Operating Expenses	<u>700,291</u>	<u>35,745</u>
97000	Excess of Operating Revenues over Operating Expenses	<u>5,895,095</u>	<u>-</u>
97300	Housing Assistance Payments	5,867,630	-
97400	Depreciation Expense	3,700	-
97500	Fraud Losses	-	-
90000	Total Expenses	<u>6,571,621</u>	<u>35,745</u>

Isothermal Planning and Development Commission
HUD Financial Data Schedule - Revenues and Expenses
For the Year Ended June 30, 2018

Schedule 7
(continued)

<u>Line Item #</u>		<u>14.871 Housing Choice Vouchers</u>	<u>14.896 FSS Coordinator Program</u>
10000	Total Revenue Over Total Expenses	\$ 23,765	\$ -
11030	Beginning Equity	753,219	-
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	23,285	-
11170	Administrative Fee Equity	641,526	-
11180	Housing Assistance Payments Equity	158,743	-
11190	Unit Months Available	16,896	
11210	Number of Unit Months Leased	15,811	

Isothermal Planning and Development Commission
Schedule of Indirect Costs
For the Year Ended June 30, 2018

Schedule 8

Expenditure Description	Indirect Cost Allocated
Salaries	\$ 236,510
Fringe Benefits	106,647
Insurance and Bonds	29,653
Professional Fees	35,125
Equipment Leasing	14,105
Equipment and Maintenance	6,432
Other	22,830
Communications	9,357
Utilities	11,362
Supplies	6,518
State Unemployment Taxes	1,910
Building Maintenance	13,440
Contract Services	9,730
Depreciation	5,572
Payroll Processing	5,187
Advertising	507
Dues and Subscriptions	2,078
Travel	4,136
Equipment	2,454
Building Rental	1,850
Staff Development	1,280
Transportation	3,493
Total	\$ 530,176

**Isothermal Planning and Development Commission
Schedule of Indirect Costs
For the Year Ended June 30, 2018**

**Schedule 8
(continued)**

Grant Description	Indirect Cost Allocated
Development Programs:	
ARC Administrative	\$ 26,524
Other	24,583
Aging Programs:	
Planning and Administrative	51,033
Ombudsman/Elder Abuse	31,811
SB1559	1,122
Title V	15,562
Family Caregivers	10,876
Housing	
Section Eight	176,152
Workforce Development	
WIOA Programs	147,314
Rural Transportation Planning Organization	26,973
Worker Wellness	9,521
Other Local Activities	8,705
 Total Indirect Cost	 \$ 530,176

Isothermal Planning and Development Commission
Schedule of Depreciation Charged to Grants
Non-GAAP
For the Year Ended June 30, 2018

Schedule 9

Grant Description	Indirect Cost Allocated	Depreciation
Development Programs:		
ARC Administrative	\$ 26,524	\$ 279
Other	24,583	258
Aging Programs:		
Planning and Administrative	51,033	536
Ombudsman/Elder Abuse	31,811	334
SB1559	1,122	12
Title V	15,562	164
Family Caregivers	10,876	114
Section Eight Housing	176,152	1,851
WIOA Programs	147,314	1,548
Local Activities	8,705	91
Worker Wellness	9,521	100
Rural Transportation Planning Organization	26,973	285
Total Indirect Cost	<u>\$ 530,176</u>	<u>\$ 5,572</u>

**Isothermal Planning and Development Commission
2017 ARC Administrative Grant
Revenues and Expenditures Compared With Budget
For the Year Ended June 30, 2018**

Schedule 10

	Budget	Actual		Total	Variance
		1/1/17 to 6/30/17	7/1/2017 to 12/31/17		
Revenues:					
Federal - ARC Administrative	\$ 88,194	\$ 39,561	\$ 48,633	\$ 88,194	\$ -
Local	29,398	14,699	14,699	29,398	-
Total Revenues	\$ 117,592	\$ 54,260	\$ 63,332	\$ 117,592	\$ -
Expenditures:					
Personnel	\$ 54,307	\$ 25,215	\$ 29,092	\$ 54,307	\$ -
Fringe Benefits	14,484	6,604	7,880	14,484	-
Travel	4,900	1,390	3,510	4,900	-
Other	16,302	8,337	7,965	16,302	-
Indirect Cost	27,599	12,714	14,885	27,599	-
Total Expenditures	\$ 117,592	\$ 54,260	\$ 63,332	\$ 117,592	\$ -

**Isothermal Planning and Development Commission
2018 ARC Administrative Grant
Revenues and Expenditures Compared With Budget
For the Year Ended June 30, 2018**

Schedule 11

	Budget	Actual	Variance
Revenues:			
Federal - ARC Administrative	\$ 41,040	\$ 41,040	\$ -
Local	18,235	18,235	-
Total Revenues	\$ 59,275	\$ 59,275	\$ -
Expenditures:			
Personnel	\$ 24,300	\$ 24,134	\$ 166
Fringe Benefits	8,650	8,655	(5)
Travel	3,850	3,821	29
Other	10,775	11,025	(250)
Indirect Cost	11,700	11,640	60
Total Expenditures	\$ 59,275	\$ 59,275	\$ -

Isothermal Planning and Development Commission
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2018

Schedule 12

Family Self Sufficiency Fund:	Balance			Balance
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2018</u>
Cash and Investments	<u>\$ 70,289</u>	<u>\$ 25,714</u>	<u>\$ 48,999</u>	<u>\$ 47,004</u>
Due to Others	<u>\$ 70,289</u>	<u>\$ 25,714</u>	<u>\$ 48,999</u>	<u>\$ 47,004</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, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated June 7, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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
June 7, 2019

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, 2018. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Dixon Hughes Goodman LLP

Asheville, North Carolina
June 7, 2019

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

Independent Auditors' Report

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, 2018. The Commission's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the requirements that could have a direct and material effect on a major state program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with 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
June 7, 2019

**Isothermal Planning and Development Commission
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018**

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 identified? yes no
- Significant deficiency identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness identified? yes no
- Significant deficiency identified? yes 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 no

Identification of major federal programs:

<u>Name of Program or Cluster</u>	<u>CFDA #</u>
Workforce Innovation and Opportunity Act (“WIOA”) Cluster	17.258, 17.259, and 17.278
Aging Cluster	93.044, 93.045 and 93.053



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**ISOTHERMAL PLANNING & DEVELOPMENT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor's Number
FEDERAL GRANTS:		
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Grants:		
Section 8 Voucher Choice Program	14.871	N/A
Family Self-Sufficiency Program Coordinators	14.896	N/A
TOTAL U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT		
U.S. DEPARTMENT OF LABOR		
Passed through NC Dept of Health & Human Services:		
Division of Aging and Adult Services		
Title V - Senior Community Service Employment Program	17.235	NC-03
Passed through NC Dept of Commerce:		
Division of Workforce Solutions:		
WIOA 3130 Career Pathways	17.277	15-3130
Workforce Innovation & Opportunity Act Cluster:		
WIOA 4010 Admin - PY 2016, 2017	17.258	15-4010
WIOA 4020 Adult - PY 2016, 2017	17.258	15-4020
WIOA 4030 Dislocated Workers - PY 2015, 2016	17.278	15-4030
WIOA 4040 Youth - PY 2016, 2017	17.259	15-4040
WIOA 4050 Statewide Activities - PY 2016	17.259	15-4050
WIOA 4050 Infrastructure - PY 2016	17.259	15-4050
Subtotal - Workforce Innovation & Opportunity Act Cluster		
TOTAL U.S. DEPARTMENT OF LABOR		
U.S. DEPARTMENT OF TRANSPORTATION		
Passed through NC Department of Transportation:		
Rural Transportation Planning Program	20.205	
Charlotte Street/Main Street Corridor Study	20.205	
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		

Federal (Direct & Pass- Through Expenditures)	State Expenditures	Passed- Through to Subrecipients	Local Expenditures	Total Expenditures
\$ 6,542,688	\$ -	\$ -	\$ 25,233	\$ 6,567,921
35,745	-	-	-	35,745
6,578,433	-	-	25,233	6,603,666
272,239	-	-	30,249	302,488
106,000	-	63,424	-	106,000
162,402	-	-	-	162,402
912,699	-	274,155	-	912,699
268,129	-	71,532	-	268,129
480,398	-	312,467	-	480,398
61,679	-	59,880	-	61,679
1,261	-	-	-	1,261
1,886,568	-	718,034	-	1,886,568
2,264,807	-	781,458	30,249	2,295,056
101,191	-	-	24,985	126,176
20,000	2,500	25,000	2,500	25,000
121,191	2,500	25,000	27,485	151,176

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

For the Year Ended June 30, 2018

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor's Number
APPALACHIAN REGIONAL COMMISSION		
Passed through NC Dept of Commerce:		
Oct 2016 - Sep 2017 ARC - Local Government Technical Assistance	23.002	N/A
Oct 2017 - Sep 2018 ARC - Local Government Technical Assistance	23.002	N/A
Subtotal - NC Dept of Commerce		
Direct Grants:		
Jan 2017 - Dec 2017 ARC Administrative Grant	23.009	N/A
Jan 2018 - Dec 2018 ARC Administrative Grant	23.009	N/A
Subtotal - Direct Grants		
TOTAL APPALACHIAN REGIONAL COMMISSION		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
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
Title III-D Preventive Health	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 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		

Federal (Direct & Pass- Through Expenditures)	State Expenditures	Passed- Through to Subrecipients	Local Expenditures	Total Expenditures
\$ 1,124	\$ -	\$ -	\$ -	\$ 1,124
17,037	-	-	-	17,037
18,161	-	-	-	18,161
48,633	-	-	14,699	63,332
41,040	-	-	18,235	59,275
89,673	-	-	32,934	122,607
107,834	-	-	32,934	140,768
3,855	227	-	462	4,544
22,651	1,332	-	2,665	26,648
13,118	772	-	1,543	15,433
38,742	2,123	-	10,791	51,656
46,777	2,752	-	5,536	55,065
227,271	13,500	240,771	26,764	267,535
20,723	1,206	21,931	2,440	24,369
67,091	3,677	-	18,687	89,455
322,198	18,953	341,151	37,906	379,057
210,343	12,373	222,716	24,746	247,462
173,776	-	173,776	-	173,776
1,106,921	54,584	1,000,345	126,870	1,288,375

**ISOTHERMAL PLANNING & DEVELOPMENT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor's Number
Passed Through NC Dept Health and Human Services:		
Title III-E Planning and Administration	93.052	NC-03
Family Caregiver	93.052	NC-03
Medicare Enrollment Assistance Program (MIPPA)	93.071	NC-03
Social Services Block Grant	93.667	NC-03
LCA Money Follows the Person	93.791	NC-03
Passed Through UNC-Asheville:		
Falls Prevention Program	93.761	
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES		
TOTAL FEDERAL GRANTS		
STATE GRANTS:		
N. C. DEPARTMENT OF HEALTH AND HUMAN SERVICES (AGING)		
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 Development	N/A	NC-03
AAA Administrative Support	N/A	NC-03
Duke Power Fan Program	N/A	N/A
TOTAL N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
N. C. DEPARTMENT OF TRANSPORTATION		
Regional Bicycle Plan	N/A	N/A
TOTAL N.C. DEPARTMENT OF TRANSPORTATION		
N. C. DEPARTMENT OF ENVIRONMENTAL QUALITY		
Passed through the Town of Grover		
Water System Feasibility Study	N/A	N/A
TOTAL N.C. DEPARTMENT OF ENVIRONMENTAL QUALITY		
TOTAL STATE GRANTS		
FEDERAL AND STATE GRANTS TOTAL		

Federal (Direct & Pass- Through Expenditures)	State Expenditures	Passed- Through to Subrecipients	Local Expenditures	Total Expenditures
\$ 25,229	\$ 1,383	\$ -	\$ 7,027	33,639
117,177	7,812	73,297	379	125,368
1,669	-	-	-	1,669
71,305	2,037	73,342	8,149	81,491
24,169	-	-	-	24,169
1,662	-	-	-	1,662
1,387,756	68,147	1,146,984	147,095	1,602,998
\$ 10,460,021	\$ 70,647	\$ 1,953,442	\$ 262,996	\$ 10,793,664
\$ -	\$ 701,591	\$ 701,591	\$ 77,955	\$ 779,546
-	187,156	187,156	20,795	207,951
-	27,222	27,222	3,025	30,247
-	33,214	-	3,690	36,904
-	43,754	43,754	14,586	58,340
-	48,261	-	-	48,261
-	1,764	1,645	-	1,764
-	1,042,962	961,368	120,051	1,163,013
-	148,076	139,948	-	148,076
-	148,076	139,948	-	148,076
-	22,500	22,500	2,500	25,000
-	22,500	22,500	2,500	25,000
-	1,213,538	1,123,816	122,551	1,336,089
\$ 10,460,021	\$ 1,284,185	\$ 3,077,258	\$ 385,547	\$ 12,129,753

**Isothermal Planning and Development Commission
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2018**

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, 2018. 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 assets 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 ten percent de minimis cost rate allowed under Uniform Guidance.

Note 4 - Subsequent Event

IPDC did not submit its financial statements to the Federal Audit Clearinghouse by the March 31, 2019 deadline. This is a violation of the Uniform Guidance requirements. Management believes this violation will not have a material effect on the SEFSA as this is IPDC's first instance of noncompliance.