

**ISOTHERMAL PLANNING AND DEVELOPMENT COMMISSION**

Financial Statements

June 30, 2017



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June 30, 2017**

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## **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, 2017, 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, 2017, 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***

As discussed in Note 10 to the financial statements, the Commission implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (an Amendment of GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans)*, as of and for the year ended June 30, 2017. The statement was implemented retrospectively and had no impact on beginning balances. 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: Funding Progress and Employer Contributions; Investment Returns; Changes in the Net OPEB Liability (Asset) and Related Ratios; and, Employer Contributions, and the Local Governmental Employees' Retirement System Schedules of: the Proportionate Share of Net Pension Liability (Asset); and, Contributions on pages iv-x and pages 35-40 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 March 8, 2018 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  
March 8, 2018

## 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, 2017. This information should be read in conjunction with the audited financial statements included in this report.

### Financial Highlights

- The assets of IPDC exceeded its liabilities at the close of the fiscal year by \$1,475,317.
- IPDC's total net position increased by \$129,760, primarily due to the excess revenues over expenditures of IPDC's Section 8 Housing Program.
- As of the close of the current fiscal year, IPDC's general fund reported a fund balance of \$1,427,187, an increase of \$140,630 from the prior year. The unassigned fund balance was a positive \$117,529.
- The unrestricted portion of Net Position as of June 30, 2017 was a negative \$42,810. Two reasons explain why this occurs. As with other Councils of Government, IPDC incurs grant expenditures in advance of its receipt of grant revenues. This results in significant amounts receivable to IPDC at year end. These receivables must be presented as a portion of Restricted Net Position. The portion of restricted net position related to receivables increased \$127,256 from the previous year, thus directly decreasing unrestricted net position. 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 funds statements, in the form of reconciliation, explains the relationship (or differences) between the government-wide and the fund financial statements. IPDC has one governmental fund: the General Fund. The governmental fund statements are shown as Exhibits C, D, and E of this report.

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

### **Notes to the Financial Statements**

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

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report includes certain other supplementary information. This information begins on Page 34 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**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
Current Assets	\$ 1,752,651	\$ 1,584,176
Capital Assets	235,693	225,314
Deferred Outflows of Resources	279,468	71,879
<b>Total Assets and Deferred Outflows of Resources</b>	<b>2,267,812</b>	<b>1,881,369</b>
Current Liabilities	403,362	370,962
Noncurrent Liabilities	342,468	104,587
Deferred Inflows of Resources	46,665	60,263
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>792,495</b>	<b>535,812</b>
Net Investment in Capital Assets	212,918	218,671
Restricted Net Position	1,305,209	1,020,685
Unrestricted Net Position	(42,810)	106,201
<b>Total Net Position</b>	<b>\$ 1,475,317</b>	<b>\$ 1,345,557</b>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of IPDC exceeded liabilities by \$1,475,317 as of June 30, 2017.

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

- Net position of IPDC increased by \$129,760 for the year ended June 30, 2017, primarily due to the excess of revenues over expenditures of IPDC's Section Eight Housing Program.

## 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**

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenues</b>		
Program Revenues:		
Operating Grants and Contributions	\$ 12,513,871	\$ 12,334,020
General Revenues:		
Local Governmental Dues	92,421	75,356
<b>Total Revenues</b>	<b>12,606,292</b>	<b>12,409,376</b>
<b>Expenses</b>		
General Government	78,242	92,438
Human Services	3,197,094	3,236,734
Workforce Development	1,961,509	1,926,306
Housing Programs	6,853,294	6,809,609
Transportation	117,539	109,459
Economic and Physical Development	268,854	217,603
<b>Total Expenses</b>	<b>12,476,532</b>	<b>12,392,149</b>
Change in Net Position	129,760	17,227
Beginning Net Position	1,345,557	1,328,330
Ending Net Position	<b>\$ 1,475,317</b>	<b>\$ 1,345,557</b>

*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 \$1,427,187, 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 11.4% of total General Fund expenditures.

Operating Grants and Contributions increased for the current year due to increases in funding for IPDC’s Housing and Workforce Development Programs.

*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 2017-2018.

**Capital Assets and Debt Administration**

	<b>Governmental Activities</b>	
	<b>June 30</b>	
	<b>2017</b>	<b>2016</b>
Land	\$ 27,600	\$ 27,600
Buildings	141,433	147,643
Furniture and Equipment	66,660	50,071
Total	<u>\$ 235,693</u>	<u>\$ 225,314</u>

IPDC’s investment in capital assets for its governmental activities as of June 30, 2017 and 2016 totaled \$235,693 and \$225,314 (net of accumulated depreciation), respectively. These assets include a building, the financial software system, vehicles, furniture, fixtures, and equipment.

IPDC purchased a new computer server during the current year. IPDC also acquired two new copiers financed under a capital lease.

The 2012 capital lease for the purchase of a telephone system was paid in full during the current year. The lease payments required under the new copier capital lease began this year and will continue until 2022.

## **Budget Highlights and Other Information for the Fiscal Year Ending June 30, 2018**

Budgeting for the fiscal year ending June 30, 2018 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.

The IPDC Board adopted a five-year revenue enhancement program, specifically providing for successive dues increases on membership. 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.

IPDC's legacy programs (Workforce Investment and Opportunity Act, Aging Services and the Section Eight Housing Program) 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 worked 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 contracted an actuarial study to review the funding adequacy of its Other Post Employment Benefit (OPEB) trust. The trust provides health insurance benefits to eligible retirees. The results indicated that IPDC is sufficiently funded and may even consider future reduction of the annual contributions. More information regarding the trust funding can be found in the notes to the financial statements.

IPDC has received two grants from the Kate B. Reynolds Foundation to facilitate new programs that will 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.

### **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](mailto:bevans@regionc.org).

## **Basic Financial Statements**

**Isothermal Planning and Development Commission**  
**Statement of Net Position**  
**June 30, 2017**

**Exhibit A**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Current Assets	
Cash and Investments - Unrestricted	\$ 441,712
Due from Other Governments	659,690
Prepaid Expenses	4,449
Cash and Investments - Restricted	646,800
Total Current Assets	<u>1,752,651</u>
Noncurrent Assets	
Capital Assets	
Land	27,600
Buildings	141,433
Equipment	66,660
Total Capital Assets, Net of Depreciation	<u>235,693</u>
Total Assets	<u>1,988,344</u>
<b>Deferred Outflows of Resources</b>	
Contributions to Pension Plan in Current Fiscal Year	<u>279,468</u>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable and Accrued Liabilities	296,800
Unearned Grant Revenue	28,664
Current Portion of Long-term Liabilities	77,898
Total Current Liabilities	<u>403,362</u>
Noncurrent Liabilities	
Net Pension Liability	311,134
Due in More than One Year	31,334
Total Noncurrent Liabilities	<u>342,468</u>
Total Liabilities	<u>745,830</u>
<b>Deferred Inflows of Resources</b>	
Pension Deferrals	<u>46,665</u>
<b>Net Position</b>	
Net Investment in Capital Assets	212,918
Restricted for:	
Housing Assistance Payments	645,519
Stabilization by State Statute	659,690
Unrestricted	<u>(42,810)</u>
Total Net Position	<u>\$ 1,475,317</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, 2017**

**Exhibit B**

<b>Functions / Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental Activities:</b>					
General Government	\$ 78,242	\$ -	\$ 311	\$ -	\$ (77,931)
Human Services	3,197,094	-	3,184,659	-	(12,435)
Workforce Development	1,961,509	-	1,962,007	-	498
Housing Programs	6,853,294	-	7,002,258	-	148,964
Transportation	117,539	-	115,623	-	(1,916)
Economic and Physical Development	268,854	-	249,013	-	(19,841)
Total Governmental Activities	<u>\$ 12,476,532</u>	<u>\$ -</u>	<u>\$ 12,513,871</u>	<u>\$ -</u>	<u>37,339</u>
General Revenues:					
					92,421
					-
					92,421
					129,760
					1,345,557
					\$ 1,475,317

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

**Isothermal Planning and Development Commission  
Balance Sheet  
Governmental Fund  
June 30, 2017**

**Exhibit C**

	<b>General Fund</b>
<b>Assets</b>	
Cash and Investments - Unrestricted	\$ 441,712
Cash and Investments - Restricted	646,800
Due from Other Governments	659,690
Prepaid Expenditures	4,449
Total Assets	\$ 1,752,651
<b>Liabilities</b>	
Accounts Payable and Accrued Liabilities	\$ 296,800
Unearned Grant Revenue	28,664
Total Liabilities	325,464
<b>Fund Balances</b>	
Non-spendable	
Prepaid Expenditures	4,449
Restricted	
Housing Assistance Payments	645,519
Stabilization by State Statute	659,690
Unassigned	117,529
Total Fund Balances	1,427,187
Total Liabilities and Fund Balances	\$ 1,752,651

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

**Isothermal Planning and Development Commission**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2017**

**Exhibit C**  
**(Continued)**

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

Ending Fund Balance Governmental Fund	\$ 1,427,187
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund	235,693
Net pension liability	(311,134)
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	279,468
Compensated absences not due and payable in the current period are not reported in the fund	(86,457)
Long-term debt included as net position below (includes principal payments during the year)	(22,775)
Pension-related deferrals	<u>(46,665)</u>
Net Position of Governmental Activities	<u><u>\$ 1,475,317</u></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, 2017**

**Exhibit D**

	<b>General Fund</b>
<b>REVENUES</b>	
Federal Government	\$ 10,831,586
State of North Carolina	1,125,332
Local Governmental Agencies and Program Income	556,953
Local Governmental Dues	92,421
Total Revenues	12,606,292
<b>EXPENDITURES</b>	
Current	
Management and Business Operations	75,361
Human Services	3,194,701
Workforce Development	1,960,532
Housing Programs	6,851,493
Other Local Initiatives and Activities	408,806
Total Expenditures	12,490,893
Excess of Revenues over Expenditures	115,399
<b>OTHER FINANCING SOURCES</b>	
Capital Lease Obligation Issued	25,231
Net Change in Fund Balance	140,630
Fund Balance, July 1	1,286,557
Fund Balance, June 30	\$ 1,427,187

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, 2017**

**Exhibit D  
(Continued)**

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

Net change in fund balance - total governmental fund	\$ 140,630
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	(24,651)
Capital outlay expenditures that were capitalized	35,030
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	77,278
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	9,099
Capital lease obligation issued	(25,231)
Some expenses reported in the statement of activities do not require the use of current financial resources in the governmental fund	
Pension expense	(74,414)
Compensated absences	(7,981)
Change in net position of governmental activities	\$ 129,760

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, 2017**

**Exhibit E**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Federal Government	\$ 11,396,995	\$ 11,957,937	\$ 10,831,586	\$ (1,126,351)
State of North Carolina	1,551,887	1,447,018	1,125,332	(321,686)
Local Governmental Agencies and Program				
Income	689,202	725,724	556,953	(168,771)
Local Governmental Dues	92,921	92,921	92,421	(500)
Total Revenues	13,731,005	14,223,600	12,606,292	(1,617,308)
<b>EXPENDITURES</b>				
Current				
Management and Business Operations	92,921	92,921	75,361	17,560
Human Services	3,155,945	3,213,958	3,194,701	19,257
Workforce Development	2,990,820	3,425,402	1,960,532	1,464,870
Housing Programs	6,918,361	6,918,361	6,851,493	66,868
Other Local Initiatives and Activities	572,958	572,958	408,806	164,152
Total Expenditures	13,731,005	14,223,600	12,490,893	1,732,707
Revenues over Expenditures	-	-	115,399	115,399
<b>OTHER FINANCING SOURCES</b>				
Capital Lease Obligation Issued	-	-	25,231	25,231
Fund Balance Appropriated	-	-	-	-
Total Other Financing Sources	-	-	25,231	25,231
Net Change in Fund Balance	\$ -	\$ -	140,630	\$ 140,630
<b>Fund Balance, July 1</b>			1,286,557	
<b>Fund Balance, June 30</b>			\$ 1,427,187	

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, 2017**

**Exhibit F**

	<b>Post- Employment Benefit Trust Fund</b>	<b>Family Self Sufficiency Fund</b>
<b>Assets</b>		
Cash and Investments	\$ 591,031	\$ 70,289
<b>Liabilities</b>		
Due to Other Sources	-	\$ 70,289
<b>Net Position</b>		
Restricted for Postemployment Benefits Other than Pensions	\$ 591,031	

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, 2017**

**Exhibit G**

	<u><b>Post- Employment Benefit Trust Fund</b></u>
<b>Additions</b>	
Employer Contributions	\$ 22,932
Investment income:	
Net appreciation in fair value of investments	17,946
Investment Income	<u>10,233</u>
	28,179
Less investment expense	<u>712</u>
Net investment income	<u>27,467</u>
Total Additions	50,399
<b>Deductions</b>	
Benefits	<u>47,439</u>
Change in Net Position	2,960
<b>Net Position</b>	
Restricted for Postemployment Benefits Other Than Pensions	
Beginning of Year	<u>588,071</u>
End of Year	<u><u>\$ 591,031</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, 2017**

**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.

General Statute 159-30.1 allows IPDC to establish an Other Postemployment Benefit (OPEB) Trust managed by the staff of the Department of the State Treasurer and operated in accordance with state laws and regulations. It is not registered with the SEC. G.S. 159-30(g) allows IPDC to make contributions to the Trust 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 Short Term Investment Fund (STIF), consisting of short to intermediate treasuries, agencies and corporate issues authorized by G. S. 147-69.1, the Bond Index Fund (BIF) and the Equity Index Fund (EIF).

The BIF is managed by BlackRock Financial Management, Inc. The BIF invests in high quality debt securities, as allowed by G.S. 147-69.2(b)(1)-(6). The BIF maintains a low cost approach to investing in investment grade fixed income assets through a passive index strategy. The BIF is designed to produce a return consistent with its Barclays U.S. Aggregate Bond Index benchmark.

The EIF is managed by BlackRock Institutional Trust Company, N.A. The EIF invests primarily in U.S. and non-U.S. equity securities eligible under G.S. 147-69.2(b)(8) with the objective of closely approximating the capitalization weighted total return of the

markets for global publicly traded equity securities while maintaining a low cost approach. The EIF is designed to produce a return consistent with its Morgan Stanley Capital International All Country World Index benchmark.

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 STIF operating procedures. Valuation of the underlying assets is performed by the custodian. Under the authority of G.S. 147-69.3, no unrealized gains or losses of the STIF are distributed to participants of the fund.

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

The BlackRock MSCI ACWI Ex-U.S. Index Non-Lendable Fund F is priced at \$19.1579 per share at June 30, 2017.

**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	\$ 157,405
Administrative Funds	<u>489,395</u>
Total Restricted Cash	<u><u>\$ 646,800</u></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 one item that meets this criterion, its contributions to the pension plan for the 2017 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 2017-2018 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.

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

## **Note 2 – Deposits and Investments**

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

At year-end, IPDC's deposits had a carrying amount of \$203,817 and a bank balance of \$573,290. \$250,000 of the bank balance was covered by federal depository insurance and \$323,290 in interest-bearing deposits was covered by collateral held under the Pooling Method. At June 30, 2017, IPDC's petty cash fund totaled \$250.

**Investments** – As of June 30, 2017, IPDC had the following investments and maturities:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
<i>Held by General Fund</i>				
NC Capital Management Trust - Government Portfolio	Amortized Cost	<u>\$ 954,734</u>	N/A	AAAm
<i>Held by Post-Employment Benefit Trust Fund</i>				
NC Capital Management Trust - Government Portfolio	Amortized Cost	\$ 60,847	N/A	AAAm
BlackRock MSCI ACWI Ex-U.S. Index Non-Lendable Fund	Fair Value Level 2	102,171	N/A	N/A
North Carolina OPEB Short-term	Fair Value Level 2	46,690	1.6 years	Unrated
North Carolina Non Pension Fixed Income	Fair Value Level 2	<u>381,323</u>	17.9 years	Unrated
Total		<u>\$ 591,031</u>		

At June 30, 2017, IPDC's Healthcare Benefits Plan Fund had invested \$60,847 in the North Carolina Capital Management Trust's Cash Portfolio and \$530,184 invested in the State Treasurer's Local Government Other Post-Employment Benefits (OPEB) Trust pursuant to G. S. 159-30.1.

The State Treasurer's OPEB Trust may invest in public equities and both long-term and short-term fixed income obligations as determined by the State Treasurer pursuant to G. S. 147-69.2. At year-end, the State Treasurer's OPEB Trust was invested as follows: State Treasurer's Short-Term Investment Fund (STIF) 9%; North Carolina Non Pension Fixed Income Fund 72% and BlackRock MSCI ACWI Ex-U.S. Index Non-Lendable Fund 19%.

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

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

The State Treasurer's Short-Term Investment Fund (STIF) is unrated and authorized under G.S 147-69.1. The STIF had a weighted average maturity of 1.6 years at June 30, 2017. The State Treasurer's STIF is invested in highly liquid fixed income securities consisting primarily of short to intermediate treasuries, agencies, and money market instruments.

The Bond Index Fund (BIF) is unrated and had a weighted average maturity of 7.99 years.

The Equity Index Fund (EIF) is unrated. The entire equity portion was invested in the BlackRock's MSCI ACWI Ex-U.S. Index Non-Lendable Fund.

**Note 3 – Receivables**

Receivables at the government-wide level at June 30, 2017 consisted of the following:

Due From Other Governments	
Federal and State Grant Reimbursements	\$ 642,707
Sales Tax Refund	<u>16,983</u>
Total Due From Other Governments	<u>\$ 659,690</u>

**Note 4 – Capital Assets**

Capital asset activity for Governmental Activities for the year ended June 30, 2017 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	<u>\$ 27,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,600</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings	248,400	-	-	248,400
Furniture and Equipment	<u>218,792</u>	<u>35,030</u>	<u>6,366</u>	<u>247,456</u>
Total Capital Assets Being Depreciated	<u>467,192</u>	<u>35,030</u>	<u>6,366</u>	<u>495,856</u>
<b>Less Accumulated Depreciation For:</b>				
Buildings	100,757	6,210	-	106,967
Furniture and Equipment	<u>168,721</u>	<u>18,441</u>	<u>6,366</u>	<u>180,796</u>
Total Accumulated Depreciation	<u>269,478</u>	<u>24,651</u>	<u>6,366</u>	<u>287,763</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 225,314</u>			<u>\$ 235,693</u>

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

Management and Business Operations	\$ 13,798
Housing	6,619
Other Local Initiatives and Activities	2,818
Area Agency on Aging	<u>1,416</u>
Total	<u><u>\$ 24,651</u></u>

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

Accounts Payable and Accrued Liabilities at the government-wide level at June 30, 2017 were as follows:

	<u>Vendors</u>	<u>Grant Sub- Recipients</u>	<u>Section Eight Program</u>	<u>Total</u>
Governmental General	<u>\$ 36,719</u>	<u>\$ 242,659</u>	<u>\$ 17,422</u>	<u>\$ 296,800</u>

**Note 6 – Unearned Grant Revenues**

The balance in Unearned Grant Revenues at June 30, 2017 is composed of the following:

Grant receipts not yet earned	<u>\$ 28,664</u>
-------------------------------	------------------

**Note 7 – Risk Management**

IPDC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. IPDC has an insurance program in place with Markel Insurance Company and Eastern Alliance Insurance Group. Through Markel Insurance Company, IPDC obtains general liability and auto liability coverage of \$2,000,000 per occurrence; property coverage up to the total insurance values of the property policy and the Board of Directors with coverage up to \$2,000,000 aggregate limit of liability. Eastern Alliance Insurance Group handles the workers’ compensation coverage up to statutory limits for IPDC. Markel Insurance Company and Eastern Alliance Insurance Group both have an A. M. Best rating of “A” or better.

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

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

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

## **Note 8 – Pension Plan Obligation**

### **Local Governmental Employees' Retirement System**

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

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's

contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. IPDC employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. IPDC's contractually required contribution rate for the year ended June 30, 2017 was 7.36% 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 \$77,276 for the year ended June 30, 2017.

*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, 2017, IPDC reported a liability of \$311,134 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016, IPDC's proportion was .01466%, which was a decrease of .00602% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, IPDC recognized pension expense of \$74,414. At June 30, 2017, IPDC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 5,846	\$ 10,902
Changes of assumptions	21,310	-
Net difference between projected and actual earnings on pension plan investments	172,018	-
Changes in proportion and differences between IPDC contributions and proportionate share of contributions	3,018	35,763
IPDC contributions subsequent to the measurement date	<u>77,276</u>	<u>-</u>
Total	<u>\$ 279,468</u>	<u>\$ 46,665</u>

\$77,276 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30</b>	
2018	\$ 18,439
2019	18,502
2020	75,348
2021	43,238
2022	<u>-</u>
Total	<u>\$ 155,527</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 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	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 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, 2016 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
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%
	100.0%	

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 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions

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

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

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
IPDC's proportionate share of the net pension liability (asset)	<u>\$ 738,467</u>	<u>\$ 311,134</u>	<u>\$ (45,806)</u>

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

#### **Note 9 – Other Post-Employment Benefit - Medical Insurance Payments**

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

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

*Plan Membership.* At June 30, 2016, the HCB Plan membership consisted of the following:

	<u>Number</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, 2017, 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 (NCLGERS) 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:

<u>Years of Service with IPDC</u>	<u>IPDC Reimbursement of Pre-65 Retiree Premiums</u>
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 as of June 30, 2017.

<u>Asset Class</u>	<u>Current Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	35% - 45%	1.4%
Equity Funds	55% - 65%	5.3%
Total	100%	

*Rate of Return.* For the year ended June 30, 2017, the annual money weighted rate of return on investments, net of investment expense, was 4.7%. 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.*

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following key actuarial assumptions and other inputs:

Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	
General Employees	3.50% - 7.75%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	4.97%
Municipal Bond Index Rate	
Prior Measurement Date	3.01%
Measurement Date	3.56%
Year FNP is projected to be depleted	
Prior Measurement Date	N/A
Measurement Date	N/A
Single Equivalent Interest Rate, net of OPEB plan investment expenses, including price inflation	
Prior Measurement Date	4.97%
Measurement Date	4.97%
Health Care Cost Trends	
Pre-Medicare	7.75% for 2016 decreasing to an ultimate rate of 5.00% by 2022
Medicare	5.75% for 2016 decreasing to an ultimate rate of 5.00% by 2019

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 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 - December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation

were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges should be 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 then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

As of the most recent adoption of the current long-term rate of return by the Plan, the current asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

<u>Asset Class</u>	<u>Current Allocation</u>
Fixed Income	64.5%
Equity Funds	17.3%
Cash and Cash Equivalents	7.9%
Money Market	10.3%
Total	<u>100.0%</u>

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

<u>Measurement Date of June 30, 2017</u>	
Total OPEB Liability (TOL)	\$ 531,205
Fiduciary Net Position (FNP)	<u>591,031</u>
Net OPEB Liability (Asset)	<u>(59,826)</u>
FNP as a percentage of TOL	<u>111.26%</u>

*Discount Rate (SEIR).* The discount rate used to measure the TOL as of the Measurement Date 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 FNP was projected to not be depleted.

The FNP projections are based upon the Plan’s financial status on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan’s ability to make benefit payments in future years.

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

<b>Health Care Cost Trend Rates</b>			
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Net OPEB Asset	<u>\$ (76,860)</u>	<u>\$ (59,826)</u>	<u>\$ (41,366)</u>

Sensitivity of the net OPEB asset to changes in the discount rate. The following exhibit presents the NOL of the Plan, calculated using the discount rate of 4.97%, as well as what the Plan’s NOL would be if it were calculated using a Discount Rate that is 1 percentage point lower or 1 percentage point higher.

<b>Discount Trend Rates</b>			
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Net OPEB Asset	\$ (11,990)	\$ (59,826)	\$ (101,500)

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

IPDC has created a Post-Employment Benefit Trust Fund which accounts for the funds set aside in previous years to cover the HSB costs. Annual contributions to the trust fund have been based upon actuarially determined amounts designed to cover the plan costs. The most recent actuarial valuation was prepared as of June 30, 2016.

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

For the current year, IPDC contributed \$22,932, or 2.3% of annual covered payroll. IPDC obtains health care coverage through private insurance companies. There were no contributions made by employees. IPDC's obligation to contribute to the HCB Plan is established and may be amended by its Board.

*Annual OPEB Cost and Net OPEB Obligation.* IPDC's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

IPDC's annual OPEB cost, the percentage of annual OPEB cost contributed to the HCB Plan, and the net OPEB obligation for 2017 are as follows:

<b>Three Year Trend Information</b>			
<b>For Year Ended June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2017	\$ 8,681	264%	\$ -
2016	\$ 9,033	253%	\$ -
2015	\$ 9,033	253%	\$ -

*Funded Status and Funding Progress.* As of June 30, 2016, the most recent actuarial valuation date, the plan was 111% funded. The actuarially accrued liability for benefits was \$531,205, and the actuarial value of assets was \$591,031, resulting in an Overfunded Actuarial Accrued Liability (UAAL) of \$59,826. The covered payroll (annual payroll of active employees covered by the plan) was \$996,922, and the ratio of UAAL to the covered payroll was (6.00%).

## Note 10 – Change in Accounting Principles/Restatement

IPDC has implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* for the Healthcare Benefits Plan. The implementation of this statement had no effect on net position.

## Note 11 – Long-term Obligations

### a. Capital Leases

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

During the current year, 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 reflect an inherent interest rate of approximately 5.5% per annum.

Interest expense of \$1,078 was incurred during the year ended June 30, 2017. 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, 2017:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	<u>\$ 25,231</u>	<u>\$ 1,802</u>	<u>\$ 23,429</u>

The following minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,398	\$ 1,151	\$ 5,549
2019	4,648	901	5,549
2020	4,912	637	5,549
2021	5,192	357	5,549
2022	3,625	76	3,701
Total minimum lease payments	<u>\$ 22,775</u>	<u>\$ 3,122</u>	25,897
Less: amount representing interest			<u>3,122</u>
Present value of the minimum lease payments			<u>\$ 22,775</u>

**b. Changes in Long-term Liabilities**

	<u>Totals</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retire-</u> <u>ments</u>	<u>Totals</u> <u>June 30, 2017</u>	<u>Current</u> <u>Portion</u>
Capital Leases	\$ 6,643	\$ 25,231	\$ 9,099	\$ 22,775	\$ 4,398
Compensated Absences	78,476	7,981	-	86,457	73,500
Net Pension Liability (LGERS)	<u>92,811</u>	<u>218,323</u>	<u>-</u>	<u>311,134</u>	<u>-</u>
Total	<u>\$ 177,930</u>	<u>\$ 251,535</u>	<u>\$ 9,099</u>	420,366	<u>\$ 77,898</u>
Less: Current Portion of Long-term Obligations				<u>77,898</u>	
Total Noncurrent Obligations, Net of Current Portion				<u>\$ 342,468</u>	

**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.

**Required Supplementary Information**

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

Schedule 1

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Accrued Actuarial Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll (b-a)/c)</b>
December 31, 2010	\$ 412,099	\$ 423,519	\$ 11,420	97.3%	\$ 1,934,322	0.6%
June 30, 2015 (*)	\$ 615,049	\$ 559,115	\$ (55,934)	110.0%	\$ 1,355,356	-4.1%
June 30, 2016	\$ 591,031	\$ 531,205	\$ (59,826)	111.3%	\$ 996,922	-6.0%

**Schedule of Employer Contributions**

<b>Year Ended June 30</b>	<b>Required Contribution</b>	<b>Percentage Contributed</b>
2015	\$ 9,033	253%
2016	\$ 9,033	253%
2017	\$ 22,932	100%

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

**Isothermal Planning and Development Commission  
Healthcare Benefits Plan  
Required Supplementary Information  
Schedule of Investment Returns  
Last Two Fiscal Years (\*)**

Schedule 2

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

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

**Isothermal Planning and Development Commission**  
**Healthcare Benefits Plan**  
**Required Supplementary Information**  
**Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios**

Schedule 3

	2017	2016
<b>Total OPEB Liability</b>		
Service Cost at end of year	\$ 12,179	\$ 12,179
Interest on the total OPEB Liability	25,697	25,697
Changes in benefit terms	-	-
Difference between expected and actual experience	-	-
Changes of assumptions or other inputs	-	-
Benefit payments	(47,439)	(44,323)
Net Change in Total OPEB Liability	(9,563)	(6,447)
Total OPEB Liability - beginning	540,768	547,215
Total OPEB Liability - ending <b>(a)</b>	531,205	540,768
 <b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 22,932	\$ 22,932
Contributions - non-employer	-	-
Contributions - active member	-	-
Net investment income	27,467	(5,587)
Benefit payments *	(47,439)	(44,323)
Administrative expenses	-	-
Net Change in Plan Fiduciary Net Position	2,960	(26,978)
Plan Fiduciary Net Position - Beginning	588,071	615,049
Plan Fiduciary Net Position - Ending <b>(b)</b>	\$ 591,031	\$ 588,071
 Net OPEB Liability (Asset) <b>(a-b)</b>	 \$ (59,826)	 \$ (47,303)
Plan Fiduciary Net Position as a percentage of the total OPEB Liability	111.26%	108.75%
Covered Payroll	\$ 996,922	\$ 996,922
IPDC's Net OPEB liability (Asset) as a percentage of covered payroll	-6.00%	-4.74%

\* Benefit payments are net of participant contributions.

**Isothermal Planning and Development Commission  
Schedule of Employer Contributions  
HCB Plan**

**Schedule 4**

	<b>2017</b>	<b>2016</b>
Actuarially Determined Contribution	\$ 22,932	\$ 22,932
Contributions in relation to the actuarially determined contribution	22,932	22,932
Contribution deficiency (excess)	\$ -	\$ -
Covered Payroll (*)	\$ 996,922	\$ 996,922
Contributions as a percentage of covered payroll	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  
Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Four Fiscal Years \***

**Schedule 5**

**Local Governmental Employees' Retirement System**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
IPDC's proportion of the net pension liability	0.01466%	0.02068%	0.02127%	0.02470%
IPDC's proportion of the net pension liability (asset) (\$)	\$ 311,134	\$ 92,811	\$ (125,439)	\$ 297,730
IPDC's covered-employee payroll	\$ 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	29.71%	6.85%	-8.30%	18.11%
Plan fiduciary net position as a percentage of the total pension liability**	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  
Required Supplementary Information  
Last Four Fiscal Years (\*)**

**Schedule 6**

**Local Governmental Employees' Retirement System**

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

## **Supplementary Information**

**Isothermal Planning and Development Commission**  
**HUD Financial Data Schedule - Balance Sheet**  
**June 30, 2017**

Schedule 7

<u>Line Item #</u>		<u>14.871 Housing Choice Vouchers</u>	<u>14.896 FSS Coordinator Program</u>
	<b>Assets</b>		
	<b>Current Assets</b>		
111	Cash - unrestricted	\$ 587,028	\$ -
113	Cash - other restricted	141,532	70,289
115	Cash - restricted for payment of current liabilities	17,422	-
100	<b>Total Cash</b>	<u>745,982</u>	<u>70,289</u>
	<b>Accounts Receivable</b>		
128	Fraud Recovery	17,899	-
128.1	Allowance for doubtful accounts - fraud	1,791	-
120	Total Receivables, net of allowances for doubtful accounts	<u>16,108</u>	<u>-</u>
150	<b>Total Current Assets</b>	<u>762,090</u>	<u>70,289</u>
	<b>Noncurrent Assets</b>		
	<b>Capital Assets</b>		
164	Furniture, equipment and machinery - administration	61,060	-
166	Less: Accumulated depreciation	52,509	-
160	<b>Total Capital Assets, net of accumulated depreciation</b>	<u>8,551</u>	<u>-</u>
180	<b>Total Noncurrent Assets</b>	<u>8,551</u>	<u>-</u>
190	<b>Total Assets</b>	<u>\$ 770,641</u>	<u>\$ 70,289</u>
	<b>Liabilities and Equity</b>		
	<b>Liabilities</b>		
	<b>Current Liabilities</b>		
312	Accounts payable - due within 90 days	\$ 17,422	\$ -
310	<b>Total Current Liabilities</b>	<u>17,422</u>	<u>-</u>
	<b>Noncurrent Liabilities</b>		
353	Noncurrent liabilities - other	-	70,289
350	<b>Total Noncurrent Liabilities</b>	<u>-</u>	<u>70,289</u>
300	<b>Total Liabilities</b>	<u>17,422</u>	<u>70,289</u>

**Isothermal Planning and Development Commission**  
**Financial Data Schedule - Balance Sheet**  
**June 30, 2017**

**Schedule 7**  
**(continued)**

<u>Line Item #</u>		<u>14.871 Housing Choice Vouchers</u>	<u>14.896 FSS Coordinator Program</u>
	<b>Equity</b>		
508.1	Invested in Capital Assets, Net of related debt	\$ 8,551	\$ -
511.1	Restricted Net Position	149,586	-
512.1	Unrestricted Net Position	595,082	-
513	<b>Total Equity/Net Position</b>	<u>753,219</u>	<u>-</u>
600	<b>Total Liabilities and Equity/Net Position</b>	<u>\$ 770,641</u>	<u>\$ 70,289</u>

**Isothermal Planning and Development Commission**  
**HUD Financial Data Schedule - Revenues and Expenses**  
**For the Year Ended June 30, 2017**

**Schedule 8**

<u>Line Item #</u>		<u>14.871 Housing Choice Vouchers</u>	<u>14.896 FSS Coordinator Program</u>
	<b>Revenues</b>		
70600	HUD PHA Operating Grants	\$ 6,928,570	\$ 35,748
71100	Investment Income - Unrestricted	4,758	-
71400	Fraud Recovery	15,364	-
71500	Other Revenue	9,253	-
72000	Investment Income - Restricted	-	-
70000	<b>Total Revenues</b>	<u>6,957,945</u>	<u>35,748</u>
	<b>Expenses</b>		
91100	Administrative Salaries	312,415	-
91200	Auditing Fees	7,000	-
91400	Advertising and Marketing	3,265	-
91500	Employee Benefit Contributions - Administrative	88,366	-
91800	Travel Expense	5,456	-
91810	Allocated Overhead	165,732	-
91900	Other	67,826	-
91000	<b>Total Operating - Administrative</b>	<u>650,060</u>	<u>-</u>
92100	Tenant Services - Salaries	357	35,748
92300	Employee Benefit Contributions - Tenant Services	14,469	-
92400	Tenant Services - Other	19,245	-
92500	<b>Total Tenant Services</b>	<u>34,071</u>	<u>35,748</u>
96400	Bad Debt - Tenant Rents	13,988	-
	<b>Total Other General Expenses</b>	<u>13,988</u>	<u>-</u>
96900	<b>Total Operating Expenses</b>	<u>698,119</u>	<u>35,748</u>
97000	<b>Excess of Operating Revenues over Operating Expenses</b>	<u>6,259,826</u>	<u>-</u>
97300	Housing Assistance Payments	6,122,170	-
97400	Depreciation Expense	6,620	-
97500	Fraud Losses	-	-
90000	<b>Total Expenses</b>	<u>6,826,909</u>	<u>35,748</u>

**Isothermal Planning and Development Commission  
 HUD Financial Data Schedule - Revenues and Expenses  
 For the Year Ended June 30, 2017**

**Schedule 8  
 (continued)**

<u>Line Item #</u>		<u>14.871 Housing Choice Vouchers</u>	<u>14.896 FSS Coordinator Program</u>
<b>10000</b>	<b>Total Revenue Over Total Expenses</b>	\$ 131,036	\$ -
<b>11030</b>	Beginning Equity	602,571	-
<b>11040</b>	Prior Period Adjustments, Equity Transfers and Correction of Errors	19,612	-
<b>11170</b>	Administrative Fee Equity	603,633	-
<b>11180</b>	Housing Assistance Payments Equity	149,586	-
<b>11190</b>	Unit Months Available	16,896	
<b>11210</b>	Number of Unit Months Leased	16,218	

**Isothermal Planning and Development Commission**  
**Schedule of Indirect Costs**  
**For the Year Ended June 30, 2017**

**Schedule 9**

<b>Expenditure Description</b>	<b>Indirect Cost Allocated</b>
Salaries	\$ 216,957
Fringe Benefits	89,922
Insurance and Bonds	39,854
Professional Fees	39,775
Equipment Leasing	27,271
Equipment and Maintenance	16,193
Other	12,051
Communications	11,860
Utilities	10,855
Supplies	8,799
State Unemployment Taxes	6,952
Building Maintenance	6,792
Contract Services	6,378
Depreciation	5,706
Payroll Processing	5,224
Advertising	2,566
Dues and Subscriptions	2,492
Travel	2,462
Equipment	2,254
Building Rental	1,800
Staff Development	1,051
Transportation	(597)
<b>Total</b>	<b>\$ 516,617</b>

**Isothermal Planning and Development Commission  
Schedule of Indirect Costs  
For the Year Ended June 30, 2017**

**Schedule 9  
(continued)**

<b>Grant Description</b>	<b>Indirect Cost Allocated</b>
Development Programs:	
ARC Administrative	\$ 21,984
Other	7,770
Aging Programs:	
Planning and Administrative	59,407
Ombudsman/Elder Abuse	35,582
SB1559	1,145
Title V	12,181
Family Caregivers	13,337
Housing	
Section Eight	184,978
Workforce Development	
WIOA Programs	133,555
Rural Transportation Planning Organization	25,639
Other Local Activities	21,039
Total Indirect Cost	<b>\$ 516,617</b>

**Isothermal Planning and Development Commission**  
**Schedule of Depreciation Charged to Grants**  
**Non-GAAP**  
**For the Year Ended June 30, 2017**

**Schedule 10**

<u>Grant Description</u>	<u>Indirect Cost Allocated</u>	<u>Depreciation</u>
Development Programs:		
ARC Administrative	\$ 21,984	\$ 243
Other	7,770	86
Aging Programs:		
Planning and Administrative	59,407	656
Ombudsman/Elder Abuse	35,582	393
SB1559	1,145	13
Title V	12,181	135
Family Caregivers	13,337	147
Section Eight Housing	184,978	2,043
WIOA Programs	133,555	1,475
Local Activities	21,039	232
Rural Transportation Planning Organization	25,639	283
Total Indirect Cost	<u>\$ 516,617</u>	<u>\$ 5,706</u>

**Isothermal Planning and Development Commission  
2016 ARC Administrative Grant  
Revenues and Expenditures Compared With Budget  
For the Year Ended June 30, 2017**

Schedule 11

	<u>Budget</u>	<u>Actual</u>		<u>Total</u>	<u>Variance</u>
		<u>1/1/16 to 6/30/16</u>	<u>7/1/2016 to 12/31/16</u>		
<b>Revenues:</b>					
Federal - ARC Administrative	\$ 88,194	\$ 52,978	\$ 35,216	\$ 88,194	\$ -
Local	30,371	18,223	12,148	30,371	-
<b>Total Revenues</b>	<u>\$ 118,565</u>	<u>\$ 71,201</u>	<u>\$ 47,364</u>	<u>\$ 118,565</u>	<u>\$ -</u>
<b>Expenditures:</b>					
Personnel	\$ 57,670	\$ 35,902	\$ 21,768	\$ 57,670	\$ -
Fringe Benefits	15,187	9,782	5,405	15,187	-
Travel	4,376	4,097	279	4,376	-
Other	9,347	1,903	7,444	9,347	-
Indirect Cost	31,985	19,517	12,468	31,985	-
<b>Total Expenditures</b>	<u>\$ 118,565</u>	<u>\$ 71,201</u>	<u>\$ 47,364</u>	<u>\$ 118,565</u>	<u>\$ -</u>

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

**Schedule 12**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>			
Federal - ARC Administrative	\$ 39,561	\$ 39,561	\$ -
Local	14,699	14,699	-
<b>Total Revenues</b>	<b>\$ 54,260</b>	<b>\$ 54,260</b>	<b>\$ -</b>
<b>Expenditures:</b>			
Personnel	\$ 25,220	\$ 25,215	\$ 5
Fringe Benefits	6,580	6,604	(24)
Travel	1,400	1,390	10
Other	8,360	8,337	23
Indirect Cost	12,700	12,714	(14)
<b>Total Expenditures</b>	<b>\$ 54,260</b>	<b>\$ 54,260</b>	<b>\$ -</b>

**Isothermal Planning and Development Commission**  
**Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Fund**  
**For the Year Ended June 30, 2017**

**Schedule 13**

<b>Family Self Sufficiency Fund:</b>	<b>Balance</b>			<b>Balance</b>
	<b><u>July 1, 2016</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>June 30, 2017</u></b>
Cash and Investments	<u>\$ 89,901</u>	<u>\$ 26,044</u>	<u>\$ 45,656</u>	<u>\$ 70,289</u>
Due to Others	<u>\$ 89,901</u>	<u>\$ 26,044</u>	<u>\$ 45,656</u>	<u>\$ 70,289</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, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 8, 2018.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Dixon Hughes Goodman LLP*

Asheville, North Carolina  
March 8, 2018

**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, 2017. 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, 2017.

**Report on Internal Control over Compliance**

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

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

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

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

*Dixon Hughes Goodman LLP*

Asheville, North Carolina  
March 8, 2018

**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, 2017. 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, 2017.

**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  
March 8, 2018

**Isothermal Planning and Development Commission  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2017**

**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:

Name of Program or Cluster	CFDA #
Section 8 Voucher Choice Program	14.871
Aging Cluster	93.044, 93.045 and 93.053



**ISOTHERMAL PLANNING & DEVELOPMENT COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended June 30, 2017**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor's Number
<b>FEDERAL GRANTS:</b>		
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
<b>Direct Grants:</b>		
Section 8 Voucher Choice Program	14.871	N/A
Family Self-Sufficiency Program Coordinators	14.896	N/A
<b>TOTAL U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>		
<b>U.S. DEPARTMENT OF LABOR</b>		
Passed through NC Dept of Health & Human Services:		
Division of Aging and Adult Services		
Senior Community Service Employment Program	17.235	NC-03
Passed through NC Dept of Commerce:		
Division of Workforce Solutions:		
WIOA 3030 National Emergency Grant OJT Prog	17.277	15-3030
WIOA 3031 National Emergency Grant OJT Prog Staff	17.277	15-3031
WIOA 3130 Career Pathways	17.277	15-3130
Workforce Innovation & Opportunity Act Cluster:		
WIOA 4010 Admin PY - 2015, 2016	17.258	15-4010
WIOA 4020 Adult PY 2015, 2016	17.258	15-4020
WIOA 4030 Dislocated Workers PY 2015, 2016	17.278	15-4030
WIOA 4040 Youth PY 2015, 2016 OS	17.259	15-4040
Subtotal - Workforce Innovation & Opportunity Act Cluster		
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>		
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>		
Passed through NC Department of Transportation:		
Rural Transportation Planning Program	20.205	

<b>Federal (Direct &amp; Pass- Through Expenditures)</b>	<b>State Expenditures</b>	<b>Passed- Through to Subrecipients</b>	<b>Local Expenditures</b>	<b>Total Expenditures</b>
\$ 6,820,289	\$ -	\$ -	\$ -	\$ 6,820,289
35,747	-	-	-	35,747
<b>6,856,036</b>	-	-	-	<b>6,856,036</b>
278,681	-	-	30,857	309,538
27,166	-	-	-	27,166
50,360	-	-	-	50,360
8,326	-	-	-	8,326
174,077	-	-	-	174,077
778,154	-	186,728	-	964,882
296,492	-	54,109	-	350,601
627,431	-	525,639	-	1,153,070
1,876,154	-	766,476	-	2,642,630
<b>2,240,687</b>	-	<b>766,476</b>	<b>30,857</b>	<b>3,038,020</b>
<b>92,500</b>	-	-	<b>23,123</b>	<b>115,623</b>

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

**For the Year Ended June 30, 2017**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass- Through Grantor's Number</b>
<b>APPALACHIAN REGIONAL COMMISSION</b>		
Passed through NC Dept of Commerce:		
Oct 2015 - Sep 2016 ARC Economic Devel	23.001	
Oct 2016 - Sep 2017 ARC Economic Devel	23.001	
Oct 2015 - Sep 2016 ARC Planning and Tech Assistance	23.001	
Oct 2016 - Sep 2017 ARC Planning and Tech Assistance	23.001	
Oct 2015 - Sep 2016 ARC Infrastructure	23.001	CWP-11-C
Oct 2016 - Sep 2017 ARC Infrastructure	23.001	
Subtotal - NC Dept of Commerce		
<b>Direct Grants:</b>		
Jan 2016 - Dec 2016 ARC Administrative Grant	23.009	N/A
Jan 2017 - Dec 2017 ARC Administrative Grant	23.009	N/A
Subtotal - Direct Grants		
<b>TOTAL APPALACHIAN REGIONAL COMMISSION</b>		
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Passed Through NC Dept of Health and Human Services:		
Title VII-B Elder Abuse	93.041	NC-03
Title VII-E Ombudsman	93.042	NC-03
Preventive Health 85% Fed 5% State	93.043	NC-03
Passed Through NC Dept Health and Human Services:		
Aging Cluster:		
Title III-B Planning and Administration	93.044	NC-03
Title III-B Ombudsman	93.044	NC-03
Title III-B Access	93.044	NC-03
Title III-B Legal Services	93.044	NC-03
Title III-C1 Planning and Administration	93.045	NC-03
Title III-C1 Congregate Meals	93.045	NC-03
Title III-C2 Home Delivered Meals	93.045	NC-03
Nutrition Service Incentive Program	93.053	NC-03
Subtotal - Aging Cluster		

<b>Federal (Direct &amp; Pass- Through Expenditures)</b>	<b>State Expenditures</b>	<b>Passed- Through to Subrecipients</b>	<b>Local Expenditures</b>	<b>Total Expenditures</b>
\$ 1,724	\$ -	\$ -	\$ -	\$ 1,724
5,000	-	-	-	5,000
986	-	-	-	986
11,250	-	-	-	11,250
4,109	-	-	-	4,109
10,126	-	-	-	10,126
<u>33,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,195</u>
35,216	-	-	14,699	49,915
39,561	-	-	-	39,561
<u>74,777</u>	<u>-</u>	<u>-</u>	<u>14,699</u>	<u>89,476</u>
<b><u>107,972</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>14,699</u></b>	<b><u>122,671</u></b>
3,844	226	-	488	4,558
6,002	353	-	-	6,355
21,127	1,243	-	2,486	24,856
38,666	2,119	-	10,770	51,555
54,460	3,204	-	11,006	68,670
265,238	15,602	280,840	31,205	312,045
15,990	941	16,931	2,032	18,963
66,959	3,669	-	18,651	89,279
300,636	17,686	318,322	35,394	353,716
295,939	17,408	313,347	34,816	348,163
171,414	-	-	-	171,414
<u>1,209,302</u>	<u>60,629</u>	<u>929,440</u>	<u>143,874</u>	<u>1,413,805</u>

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

**For the Year Ended June 30, 2017**

<b>Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass- Through Grantor's Number</b>
Passed Through NC Dept Health and Human Services:		
Title III-E Planning and Administration	93.052	NC-03
Family Caregiver	93.052	NC-03
Medicare Enrollment Assistance Program (MIPPA)	93.071	NC-03
LCA Quality of Life Survey	93.791	NC-03
<b>TOTAL U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>		
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Rural Development:		
Office of Community and Economic Development:		
Passed Through Mississippi State University:		
Asset Mapping SET Plan	10.U01	018000. 3410753.47
<b>TOTAL FEDERAL GRANTS</b>		
<b>STATE GRANTS:</b>		
<b>N. C. DEPARTMENT OF HEALTH AND HUMAN SERVICES (AGING)</b>		
90% State Funds - In-Home Services	N/A	NC-03
90% State Funds - Home Delivered Meals	N/A	NC-03
90% State Funds - Access	N/A	NC-03
90% State Funds - Ombudsman	N/A	NC-03
Senior Center General Purpose	N/A	NC-03
AAA Administrative Support	N/A	NC-03
Duke Power Fan Program	N/A	N/A
<b>TOTAL N.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
<b>N. C. DEPARTMENT OF TRANSPORTATION</b>		
Regional Bicycle Plan	N/A	N/A
<b>TOTAL N. C. RURAL ECONOMIC DEVELOPMENT CENTER, INC.</b>		
<b>TOTAL STATE GRANTS</b>		
<b>FEDERAL AND STATE GRANTS TOTAL</b>		

<b>Federal (Direct &amp; Pass- Through Expenditures)</b>	<b>State Expenditures</b>	<b>Passed- Through to Subrecipients</b>	<b>Local Expenditures</b>	<b>Total Expenditures</b>
\$ 25,180	\$ 1,380	\$ -	\$ 7,014	33,574
131,214	8,748	-	350	140,312
2,500	-	-	-	2,500
21,942	-	-	-	21,942
<b>1,421,111</b>	<b>72,579</b>	<b>929,440</b>	<b>154,212</b>	<b>1,647,902</b>
<b>5,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,000</b>
<b>\$ 10,723,306</b>	<b>\$ 72,579</b>	<b>\$ 1,695,916</b>	<b>\$ 222,891</b>	<b>\$ 11,785,252</b>
\$ -	\$ 668,539	\$ 668,539	\$ 74,282	\$ 742,821
-	110,379	110,379	12,264	122,643
-	83,057	83,057	9,229	92,286
-	35,352	-	-	35,352
-	47,134	-	15,715	62,849
-	45,832	-	-	45,832
-	1,764	-	-	1,764
-	<b>992,057</b>	<b>861,975</b>	<b>111,490</b>	<b>1,103,547</b>
-	60,695	-	-	60,695
-	<b>60,695</b>	<b>-</b>	<b>-</b>	<b>60,695</b>
-	<b>1,052,752</b>	<b>861,975</b>	<b>111,490</b>	<b>1,164,242</b>
<b>\$ 10,723,306</b>	<b>\$ 1,125,331</b>	<b>\$ 2,557,891</b>	<b>\$ 334,381</b>	<b>\$ 12,949,494</b>

**Isothermal Planning and Development Commission**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

**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, 2017. 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.