

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

**Financial Statements
For the Year Ended June 30, 2019**

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

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June 30, 2019**

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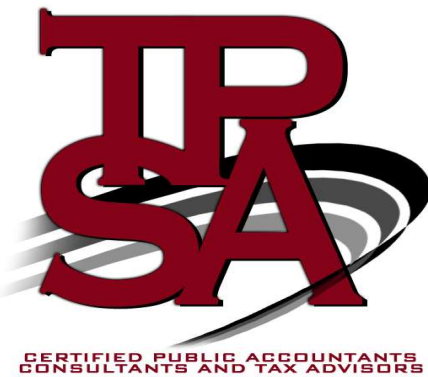
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Albemarle Commission
Hertford, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Albemarle Commission as of and for the year then ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Albemarle 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Albemarle Commission as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Aging Fund, Workforce Investment Fund, and Revolving Loan Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10, the Local Government Employees' Retirement System's Schedules of Funding Progress and Schedules of Employer Contributions, on pages 39 and 40, respectively, and the Other Postemployment Benefits' Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 41, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of Albemarle Commission. The combining and individual fund statements, budgetary schedules, and other schedules as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019 on our consideration of the Albemarle 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 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 Albemarle Commission's internal control over financial reporting and compliance.

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

Whiteville, NC
October 29, 2019

Management's Discussion and Analysis

As management of the Albemarle Commission, we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2019. The information presented here can be read in conjunction with additional information that we have furnished in the Commission's financial statements, which follow this narrative.

Financial Highlights

The assets of the Commission exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,551,270 (net position).

As of the close of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of \$2,726,504, a decrease of \$1,396 in comparison with the prior year. Approximately 20.37% of this amount, or \$555,505 is available for spending at the Commission's discretion as of June 30, 2019.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$555,505 or 68.88 percent of total general fund expenditures for the fiscal year.

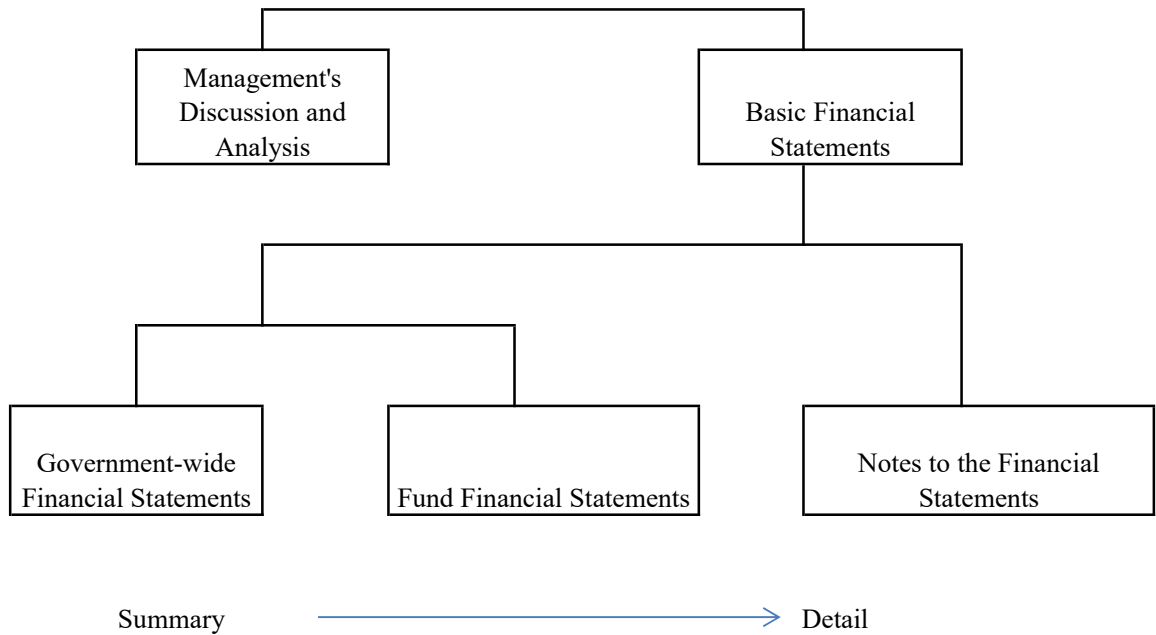
The Commission incurred no long-term debt during the current fiscal year (excluding compensated absences).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Commission's basic financial statements which consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Commission's finances through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Commission.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, *supplemental information* is provided to show details about the Commission's governmental funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

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

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

The government-wide statements consist of governmental activities. The governmental activities include most of the Commission's basic services such as economic development and planning, human services, including the Aging Program and workforce development and general administration. State and federal grant funds and appropriations from counties finance most of these activities offered by the Commission.

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

Fund Financial Statements

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

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

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

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

Other Information - In addition to the basic financial statements and accompanying notes, this report includes other information to aid in analyzing the Commission's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 39 of this report.

Interdependence with Other Entities: The Commission depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Commission 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 government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Commission exceeded liabilities and deferred inflows by \$2,551,270 as of June 30, 2019. The Commission's net position increased by \$44,469 for the fiscal year ended June 30, 2019. Investment in capital assets (4.12%) reflects the Commission's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Commission uses these capital assets to provide services, but are restricted to certain categories of service and/or patients. An additional portion of the Commission's net position \$1,189,651, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,256,465 is unrestricted.

Albemarle Commission's Net Position

Figure 2

	6/30/19	6/30/18
Current and other assets	\$ 3,203,416	\$ 3,000,339
Capital asset	105,154	41,042
Deferred outflows of resources	331,952	234,517
Total assets and deferred outflows of resources	3,640,522	3,275,898
Long-term liabilities outstanding	584,038	471,434
Other liabilities	454,098	271,624
Deferred inflows of resources	51,116	26,039
Total liabilities and deferred inflows of resources	1,089,252	769,097
Net position:		
Net investment in capital assets	105,154	41,042
Restricted	1,189,651	1,013,068
Unrestricted	1,256,465	1,452,691
Total Net Position	\$ 2,551,270	\$ 2,506,801

The Commission's net assets are presented in Exhibit 1.

Albemarle Commission's Changes in Net Position

Figure 3

	<u>06/30/19</u>	<u>6/30/18</u>
Revenues:		
Program revenues:		
Charges for services	\$ 436,496	\$ 444,456
Operating grants and contributions	4,762,592	4,316,550
General revenues:		
Investment earnings	36,387	26,168
Other	146,597	3,270
Total Revenues	<u>5,382,072</u>	<u>4,790,444</u>
Expenses:		
General government	372,332	27,276
Economic and physical development	220,506	284,224
Human services	2,712,661	2,619,922
Workforce development	2,032,104	1,788,800
Total Expenses	<u>5,337,603</u>	<u>4,720,222</u>
Increase in Net Position	44,469	70,222
Net position, July 1	2,506,801	2,565,096
Restatement	-	(128,517)
Net position, beginning, restated	2,506,801	2,436,579
Net position, June 30	<u>\$ 2,551,270</u>	<u>\$ 2,506,801</u>

Governmental Activities. Governmental activities increased the Commission's net position by \$44,469, thereby accounting for 100.0% of the increase in the net position of the Commission.

Financial Analysis of the Commission's Funds

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

Governmental Funds. The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Specifically, 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 the Commission. At the end of the current fiscal year, Albemarle Commission's fund balance available in the General Fund was \$555,505 while total fund balance reached \$1,006,223. The Commission currently has an available fund balance of 68.88% of general fund expenditures, while total fund balance represents 124.76% of the same amount. The General Fund's transfers to other programs totaled \$76,295.

At June 30, 2019, the governmental funds of the Commission reported a combined fund balance of \$2,726,504 with a net decrease in fund balance of \$1,396. Included in this change in fund balance are increases in fund balance in the Aging Fund, and other non-major funds. The Revolving Loan Fund and General Fund showed decreases in fund balance.

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

Capital Assets

Capital assets. The Commission's investment in capital assets for its governmental activities as of June 30, 2019, totals \$105,154 (net of accumulated depreciation). These assets include furniture, equipment, and computers.

The Commission's Capital Assets

Figure 4

	<u>6/30/19</u>	<u>6/30/18</u>
Automobiles	\$ 80,989	\$ 10,549
Machinery and Equipment	11,780	19,154
Computers and software	12,385	11,339
	<hr/>	<hr/>
Total (net of accumulated depreciation)	\$ 105,154	\$ 41,042
	<hr/>	<hr/>

Major capital asset transactions during the year included the purchase of computer equipment.

Additional information on the Commission's capital assets can be found in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

Even in the current contentious political arena, the Commission's federally supported programs have fared well. Cuts resulting from the sequestration were minimal. With the continued slow economic recovery, we anticipate the continued support of the current national and state administrations' support of the Commission's workforce development program. The Commission continues to have a strong financial standing which will be preserved.

The Commission will continue to retain productive staff and provide professional development for staff. All increases in salary cost will be supported by current funding. We will creatively seek new funding sources should federal, state, and local sources become more restricted.

The Albemarle Commission operates in a region that has many Tier One counties. Therefore, we would not seek increases in dues or fees other than those currently required for match or for future match funding. The following programs which are of particular strength for the Commission shall continue: (1) senior nutrition, (2) programs for elderly, (3) workforce development, (4) emerging businesses / business services, (5) housing rehabilitation, and (6) transportation planning.

Budget Highlights for the Fiscal Year Ending June 30, 2020

For Fiscal Year 2019-2020, we do not anticipate any significant reductions in local, state, or federal funding. Any reductions will be managed internally and will not affect current or future operations of the Commission. As the Commission continues to be relevant in the Region as the Lead Regional Organization and Council of Government for Region R, we will partner with our Counties, Municipalities, as well as regional stakeholders in order to increase funding for the Commission through increased program services and grant administration.

Requests for Information

This report is designed to provide an overview of the Commission's 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 the Commission's Executive Director at Albemarle Commission, 512 South Church Street, Hertford, North Carolina, 27944.

BASIC FINANCIAL STATEMENTS

ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA
Statement of Net Position
June 30, 2019

	Governmental Activities
ASSETS	
Current assets:	
Cash and Cash Equivalents	\$ 1,792,313
Accounts Receivable	955,925
Notes Receivable	105,787
Restricted Cash and Cash Equivalents	349,391
Prepaid Expenses	-
Total current assets	<u>3,203,416</u>
Non-current assets:	
Capital Assets, net of depreciation	105,154
Total non-current assets	<u>105,154</u>
Total Assets	<u>3,308,570</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Deferrals	316,151
OPEB Deferrals	15,801
Total deferred outflows of resources	<u>331,952</u>
LIABILITIES	
Current liabilities:	
Accounts Payable and Accrued Expenses	454,098
Total current liabilities	<u>454,098</u>
Long-term liabilities:	
Net Pension Liability	408,992
Net OPEB Liability	90,044
Due in more than one year	85,002
Total Liabilities	<u>1,038,136</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned Revenue	22,814
Pension Deferrals	21,189
OPEB Deferrals	7,113
Total deferred inflows of resources	<u>51,116</u>
NET POSITION	
Net investment in capital assets	105,154
Restricted for:	
Stabilization by State Statute	450,718
Economic Development Administration	738,071
Human Services	862
Unrestricted	1,256,465
Total Net Position	<u>\$ 2,551,270</u>

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

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA
Statement of Activities
For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Indirect Expenses Allocation	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position
				Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:						
General government	\$ 721,307	\$ (348,975)	\$ 348,637	\$ 131,214	\$ -	\$ 107,519
Economic and physical development	189,382	31,124	29,107	176,738	-	(14,661)
Human services	2,572,324	140,337	58,752	2,621,742	-	(32,167)
Workforce Development	1,854,590	177,514	-	1,832,898	-	(199,206)
Total governmental activities	<u>\$ 5,337,603</u>	<u>\$ -</u>	<u>\$ 436,496</u>	<u>\$ 4,762,592</u>	<u>\$ -</u>	<u>(138,515)</u>
General revenues:						
Investment earnings, unrestricted						36,387
Loss on disposal of assets						(4,650)
Miscellaneous, unrestricted						151,247
Total general revenues						<u>182,984</u>
Change in net position						44,469
Net position, beginning						2,506,801
Restatement						-
Net position, beginning, restated						<u>2,506,801</u>
Net position, ending						<u>\$ 2,551,270</u>

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

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA
Balance Sheet
Governmental Funds
June 30, 2019**

	Major Funds				Total Non-Major Funds	Total Governmental Funds
	<u>General Fund</u>	<u>Aging Program</u>	<u>Workforce Investment</u>	<u>Revolving Loan Fund</u>		
ASSETS						
Cash and cash equivalents	\$ 579,910	\$ 940,800	\$ -	\$ 270,693	\$ 910	\$ 1,792,313
Restricted Cash	-	-	-	-	349,391	349,391
Accounts receivable	-	364,354	543,383	-	48,188	955,925
Notes receivable	-	-	-	105,787	-	105,787
Due from other funds	450,718	-	-	-	-	450,718
Prepaid expenses	-	-	-	-	-	-
Total assets	<u>1,030,628</u>	<u>1,305,154</u>	<u>543,383</u>	<u>376,480</u>	<u>398,489</u>	<u>3,654,134</u>
LIABILITIES AND FUND BALANCES						
Accounts payable and accrued liabilities	24,405	323,806	99,521	59	6,307	454,098
Due to other funds	-	-	421,048	-	29,670	450,718
Total liabilities	<u>24,405</u>	<u>323,806</u>	<u>520,569</u>	<u>59</u>	<u>35,977</u>	<u>904,816</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	-	-	22,814	-	-	22,814
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>22,814</u>	<u>-</u>	<u>-</u>	<u>22,814</u>
Fund balances:						
Non Spendable						
Prepaid expenses	-	-	-	-	-	-
Restricted						
Stabilization by State Statute	450,718	-	-	-	-	450,718
Revolving Loan	-	-	-	376,421	-	376,421
Juvenile Planning Grant	-	-	-	-	48	48
Emergency Medical Services	-	-	-	-	862	862
Community Development and Planning	-	-	-	-	20,642	20,642
Economic Development Administration	-	-	-	-	340,960	340,960
Committed	-	981,348	-	-	-	981,348
Assigned						
Subsequent year's expenditures	-	-	-	-	-	-
Aging	-	-	-	-	-	-
Unassigned	555,505	-	-	-	-	555,505
Total fund balances	<u>1,006,223</u>	<u>981,348</u>	<u>-</u>	<u>376,421</u>	<u>362,512</u>	<u>2,726,504</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,030,628</u>	<u>\$ 1,305,154</u>	<u>\$ 543,383</u>	<u>\$ 376,480</u>	<u>\$ 398,489</u>	<u>\$ 3,654,134</u>

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
Governmental Funds
For the Year Ended June 30, 2019**

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

Total Fund Balance - Government Funds	\$ 2,726,504
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds, net of depreciation	105,154
Deferred Outflows of Resources	
Contributions to the pension plan in the current fiscal year	
LGERS	87,833
OPEB	10,684
LGERS related deferrals	228,318
OPEB related deferrals	5,117
Deferred inflows of resources reported in the government-wide statements but not the fund statements	
LGERS related deferrals	(21,189)
OPEB related deferrals	(7,113)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds	
Compensated absences	(85,002)
Net OPEB Liability	(90,044)
Net Pension Liability	(408,992)
Total Adjustment	<u>(175,234)</u>
Net Position of governmental activities	<u><u>\$ 2,551,270</u></u>

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	Major Funds				Total Non-Major	Total Governmental
	General	Aging Program	Workforce Investment	Revolving Loan Fund	Funds	Funds
REVENUES						
Federal and State grants	\$ 2,640	\$ 2,082,561	\$ 1,832,898	\$ -	\$ 176,738	\$ 4,094,837
Local appropriations	128,574	387,841	-	-	28,907	545,322
Program income	348,637	58,752	-	200	-	407,589
Donations	-	151,340	-	-	-	151,340
Interest Income	33,045	-	-	3,342	-	36,387
Miscellaneous	146,402	-	4,845	-	-	151,247
Total revenues	<u>659,298</u>	<u>2,680,494</u>	<u>1,837,743</u>	<u>3,542</u>	<u>205,645</u>	<u>5,386,722</u>
EXPENDITURES						
General Government	730,212	-	-	-	-	730,212
Economic and physical development	-	-	-	18,496	170,325	188,821
Human services	-	2,631,342	-	-	-	2,631,342
Workforce Development	-	-	1,837,743	-	-	1,837,743
Total expenditures	<u>730,212</u>	<u>2,631,342</u>	<u>1,837,743</u>	<u>18,496</u>	<u>170,325</u>	<u>5,388,118</u>
Excess (deficiency) of revenues over expenditures	(70,914)	49,152	-	(14,954)	35,320	(1,396)
OTHER FINANCING SOURCES						
Transfers in (out)	<u>(76,295)</u>	<u>46,295</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Balance	(147,209)	95,447	-	(14,954)	65,320	(1,396)
Fund balances, beginning	<u>1,153,432</u>	<u>885,901</u>	<u>-</u>	<u>391,375</u>	<u>297,192</u>	<u>2,727,900</u>
Fund balances, ending	<u>\$ 1,006,223</u>	<u>\$ 981,348</u>	<u>\$ -</u>	<u>\$ 376,421</u>	<u>\$ 362,512</u>	<u>\$ 2,726,504</u>

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019**

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

Net changes in fund balances - total governmental funds	\$ (1,396)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay additions in the current period.	68,762
Loss on disposal of assets	(4,650)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	87,833
Contributions and pension administration costs for OPEB are deferred outflows of resources on the Statement of Net Position	10,684
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(3,704)
Pension expense	(105,504)
OPEB expense	(7,556)
	<hr/>
Total changes in net position of governmental activities	<u><u>\$ 44,469</u></u>

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

**General Fund and Annually Budgeted Major Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Federal and State grants	\$ -	\$ -	\$ 2,640	\$ 2,640
Charges for Services	377,988	377,988	348,637	(29,351)
Local funds	127,924	127,924	128,574	650
Interest income	8,500	8,500	33,045	24,545
Miscellaneous	42,404	142,404	146,402	3,998
Total Revenues	<u>556,816</u>	<u>656,816</u>	<u>659,298</u>	<u>2,482</u>
Expenditures:				
General - administration	480,521	680,521	730,212	(49,691)
Economic and physical development	-	-	-	-
Human services	-	-	-	-
Workforce Development	-	-	-	-
Total Expenditures	<u>480,521</u>	<u>680,521</u>	<u>730,212</u>	<u>(49,691)</u>
Revenues Over (Under) Expenditures	<u>76,295</u>	<u>(23,705)</u>	<u>(70,914)</u>	<u>(47,209)</u>
Other Financing Sources (Uses):				
Fund Balance Appropriated	-	100,000	-	(100,000)
Transfers in (out)	(76,295)	(76,295)	(76,295)	-
Total Other Financing Sources (Uses)	<u>(76,295)</u>	<u>23,705</u>	<u>(76,295)</u>	<u>(100,000)</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	(147,209)	\$ <u>(147,209)</u>
Fund Balance, Beginning			1,153,432	
Fund Balance, Ending			<u>\$ 1,006,223</u>	

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

**General Fund and Annually Budgeted Major Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019**

	Aging Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Federal and State grants	\$ 1,989,686	\$ 1,989,686	\$ 2,082,561	\$ 92,875
Program income	75,000	75,000	58,752	(16,248)
Local funds	386,060	386,060	387,841	1,781
Interest income	-	-	-	-
Donations	15,000	15,000	151,340	136,340
Miscellaneous	30,000	30,000	-	(30,000)
Total Revenues	<u>2,495,746</u>	<u>2,495,746</u>	<u>2,680,494</u>	<u>184,748</u>
Expenditures:				
General - administration	-	-	-	-
Economic and physical development	-	-	-	-
Human services	2,637,041	2,637,041	2,631,342	5,699
Workforce Development	-	-	-	-
Total Expenditures	<u>2,637,041</u>	<u>2,637,041</u>	<u>2,631,342</u>	<u>5,699</u>
Revenues Over (Under) Expenditures	<u>(141,295)</u>	<u>(141,295)</u>	<u>49,152</u>	<u>190,447</u>
Other Financing Sources (Uses):				
Fund Balance Appropriated	95,000	95,000	-	(95,000)
Transfers in (out)	46,295	46,295	46,295	-
Total Other Financing Sources (Uses)	<u>141,295</u>	<u>141,295</u>	<u>46,295</u>	<u>(95,000)</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	95,447	\$ <u>95,447</u>
Fund Balance, Beginning			885,901	
Fund Balance, Ending			<u>\$ 981,348</u>	

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

**General Fund and Annually Budgeted Major Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019**

	Workforce Investment Funds			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Federal and State grants	\$ 2,887,980	\$ 4,182,693	\$ 1,832,898	\$ (2,349,795)
Miscellaneous	-	-	4,845	4,845
Total Revenues	<u>2,887,980</u>	<u>4,182,693</u>	<u>1,837,743</u>	<u>(2,344,950)</u>
Expenditures:				
General - administration	-	-	-	-
Economic and physical development	-	-	-	-
Human services	-	-	-	-
Workforce Development	<u>2,887,980</u>	<u>4,182,693</u>	<u>1,837,743</u>	<u>2,344,950</u>
Total Expenditures	<u>2,887,980</u>	<u>4,182,693</u>	<u>1,837,743</u>	<u>2,344,950</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):				
Fund Balance Appropriated	-	-	-	-
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	-	\$ <u>-</u>
Fund Balances, Beginning			-	
Fund Balances, Ending			\$ <u>-</u>	

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

**General Fund and Annually Budgeted Major Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019**

	Revolving Loan Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Charges for services	\$ 8,500	\$ 8,500	\$ 200	\$ (8,300)
Interest income	3,000	3,000	3,342	342
Miscellaneous income	-	-	-	-
Total Revenues	<u>11,500</u>	<u>11,500</u>	<u>3,542</u>	<u>(7,958)</u>
Expenditures:				
General - administration	-	-	-	-
Economic and physical development	31,500	67,500	18,496	49,004
Human services	-	-	-	-
Workforce Development	-	-	-	-
Total Expenditures	<u>31,500</u>	<u>67,500</u>	<u>18,496</u>	<u>49,004</u>
Revenues Over (Under) Expenditures	<u>(20,000)</u>	<u>(56,000)</u>	<u>(14,954)</u>	<u>41,046</u>
Other Financing Sources (Uses):				
Fund Balance Appropriated	20,000	56,000	-	(56,000)
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>56,000</u>	<u>-</u>	<u>(56,000)</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	(14,954)	\$ <u>(14,954)</u>
Fund Balances, Beginning			391,375	
Fund Balances, Ending			\$ <u>376,421</u>	

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

I. Summary of Significant Accounting Policies

The accounting policies of Albemarle Commission (the Commission) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Albemarle Regional Planning and Development Commission (ARPDC) was formed in 1970 as a working organization of local governments striving towards the betterment of the region through planned development. On February 17, 1983, the Bylaws were amended to change the organizational name to "Albemarle Commission." The region encompasses the ten northeastern counties of North Carolina and the 3,282 square miles therein. The 2010 population of the region was 172,261, an increase of 9% over the 2000 population of 158,047.

Ten local governments (counties) are members of the Commission. Representatives of these governments compose the fourteen member governing board. Board members include local elected officials, minority representatives, business people, county and municipal managers, and other citizens with an interest in planned growth for the region.

The purpose of the Commission is to serve as a forum for discussions focusing on multi-county problems; to develop and formalize regional policies and plans for growth of the region; promote intergovernmental bodies; to collect and exchange ideas and information; to serve as a spokesman for local governments on regional matters; to encourage action and implementation of regional plans and policies by local, state, and federal agencies; to oversee and operate regional programs (such as Aging); and provide the assistance to strengthen local governments and their individual capacities to deal with local problems, including grant preparation and planning and management assistance.

The Commission has no component units.

B. Basis of Presentation and Basis of Accounting

Basis of Presentation, Measurement Focus - Basis of Accounting

Government-wide Statements : The statement of net position and the statement of activities display nonfiduciary information about Albemarle Commission. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through local governmental dues, grants and fees for services. The Commission presents all of its activities as governmental.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operation requirements of a particular program. Revenues that are not classified as program revenues, including unrestricted local county contributions, are presented as general revenues.

Fund Financial Statements : The fund financial statements provide information about the Commission's funds, all of which are governmental since the Commission has no proprietary or fiduciary funds. The emphasis of fund financial statements is on major governmental, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

The Commission reports the following major governmental funds:

General Fund – This is the Commission’s primary operating fund. It accounts for all financial resources of the general government, except those that are required to be accounted for in another fund.

Aging Program - In accordance with the Older Americans Act as amended in 2000, the Commission works to strengthen the quality of life of older adults (60+) with the effective administration of publicly funded aging programs. Programs are funded through a mix of federal, state and local dollars. The Commission is accountable to the North Carolina Division of Aging for the proper disbursement of the funds.

Workforce Investment - Workforce Investment Act (WIA) programs offer education and training opportunities for eligible adults, youth, and dislocated workers. Programs are designed to establish a highly skilled, productive, self-sufficient workforce. The program is primarily funded through federal dollars. The Commission is accountable to the North Carolina Department of Commerce Division of Employment and Training for the proper disbursement of the funds.

Revolving Loan Fund - The revolving loan fund is used to loan funds to qualifying businesses to help with start-up expenses and working capital.

Measurement Focus and Basis of Accounting

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

Government-wide Fund Financial Statements . The government-wide fund financial statements are reported using the economic resources measurement focus. The government-wide fund 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 transaction, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are 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.

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

Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Budgetary Data

The Commission's budgets are adopted as required by the North Carolina General Statutes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and the object level for the multi-year funds. The Finance Officer is authorized to transfer appropriations within a fund. During the year, several amendments to the original budget were necessary. The budget ordinance 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.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

Money in the Economic Development Fund is classified as restricted assets because its use is restricted to the Economic Development Fund per NC G.S. Chapter 159, Article 3, Part 2. Community Development Block Grant funds are also classified as restricted cash because it can be expended only for the purposes detailed in the grant agreements.

Albemarle Commission Restricted Cash

Governmental Activities

CDBG	Restricted for project expenditures	\$ 20,565
EDA	Restricted for project expenditures	328,826
		<u>\$ 349,391</u>

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

4. Prepaid Items

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

5. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are listed at their estimated fair value at the date of donation. Minimum capitalization cost is \$1,000 for all capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets of the Commission are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Furniture and equipment	7 - 10
Computer equipment	5
Software	3

6. Deferred outflows / inflows of resources

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

7. Long-Term Obligations

The Commission has no long-term debt other than compensated absences and other post employment benefits.

8. Compensated Absences

The vacation policy of the Commission provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. Accrued annual leave in excess of 240 hours on June 30 is automatically transferred to sick leave. The current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the governmental funds. For the Commission's government-wide statements, an expense and a liability for compensated absences and the salary-related payments are recorded as leave is earned. The Commission's liability for accumulated earned vacation as of June 30, 2019 is \$85,002.

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

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

9. Net Position/Fund Balances

Net Position

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.

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Economic and Physical Development - portion of fund balance that is restricted by the grant award for a particular purpose (include the Revolving Loan Fund, Juvenile Planning Grant, Emergency Medical Services, Community Development and Planning, Economic Development Administration).

Committed Fund Balance - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Commission's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Assigned Fund Balance - portion of fund balance that the Commission 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. The governing body approves the appropriation; however, the budget ordinance authorizes the director to modify the appropriations by resource or appropriation with funds up to \$1,000.

Aging - portion of fund balance that is restricted by revenue source for use for Division of Aging purposes.

Unassigned Fund Balance - the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other

The Commission has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-commission funds, commission funds. For purposes 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. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Commission.

The Commission does not have a minimum fund balance policy. They follow guidelines as identified by the Local Government and Budget Control Act, which allows for general fund balance in excess of 8% of budgeted expenditures to be appropriated for one-time expenditures.

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Reconciliation of Government-wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. The net adjustment of (\$175,234) consists of the following elements:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds	
Gross capital assets at historical cost	\$ 383,051
Less accumulated depreciation	<u>(277,897)</u>
Net Capital Assets	105,154
Net pension asset (liability)	(408,992)
Contribution to the pension plan in the current fiscal year	87,833
Total OPEB liability	(90,044)
Contributions to OPEB plan in the current fiscal year	10,684
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.	
Compensated Absences	<u>(85,002)</u>
Total - Long term liabilities	(85,002)
Pension Related Deferrals	207,129
OPEB Related Deferrals	<u>(1,996)</u>
Total Adjustment	<u><u>\$ (175,234)</u></u>

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of (\$45,865) as follows:

<u>Description</u>	<u>Amount</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets in the Statement of Activities, net of dispositions	\$ 90,991
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the Statement of Activities but not in the fund statements	(22,229)
Loss on disposal of assets	(4,650)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	87,833
Amounts paid for retirees insurance are not included on the Statement of Activities	10,684
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated Absences	(3,704)
Pension expense	(105,504)
OPEB Expense	(7,556)
Total adjustment	<u>\$ 45,865</u>

10. Pensions

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

II. Stewardship, Compliance, and Accountability

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

1. Deficit Fund Balance

Albemarle Commission report a deficit fund balance of \$3,338 in the Department of Transportation Fund. Efforts are being made to bring this fund into compliance.

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the Commission's deposits 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 the Commission's agents in the Commission's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Commission, these deposits are considered to be held by the Commission's agent in the Commission's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Commission or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Commission under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Commission has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Commission complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Commission's deposits had a carrying amount of \$708,876 and a bank balance of \$870,377. Of the bank balance, \$251,725 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2019, Albemarle Commission had \$600 cash on hand.

2. Investments

At June 30, 2019, the Commission had \$1,432,228 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Commission has no policy regarding credit risk.

3. Receivables

Receivables at the government-wide level at June 30, 2019, were as follows:

Governmental Activities:	
Federal and State Grants	\$ 887,616
State of North Carolina - Sales Tax	50,809
Economic Development Administration	17,500
Total governmental activities	<u>\$ 955,925</u>

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Computer equipment and software	\$ 117,208	\$ 5,272	\$ -	\$ 122,480
Machinery and equipment	131,913	-	-	131,913
Vehicles	73,939	85,719	(31,000)	128,658
Total Capital assets being depreciated	<u>323,060</u>	<u>90,991</u>	<u>(31,000)</u>	<u>383,051</u>
Less accumulated depreciation for:				
Computer equipment and software	105,869	4,226	-	110,095
Machinery and equipment	112,759	7,374	-	120,133
Vehicles	63,390	10,629	(26,350)	47,669
Total accumulated depreciation	<u>282,018</u>	<u>\$ 22,229</u>	<u>\$ (26,350)</u>	<u>277,897</u>
Governmental activity capital assets, net	<u>\$ 41,042</u>			<u>\$ 105,154</u>

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

Workforce Development	\$ 1,541
Economic Development	2,041
Human Services	12,097
General Government	6,550
Total depreciation expense	<u>\$ 22,229</u>

Construction Commitments

The Commission had no active construction projects as of June 30, 2019.

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Commission employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Commission's contractually required contribution rate for the year ended June 30, 2019, was 7.75% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Commission were \$87,833 for the year ended June 30, 2019.

Refunds of Contributions – Commission 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.

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

At June 30, 2019, the Commission reported a liability of \$408,992 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Commission's proportion was 0.01724%, which was a decrease of 0.00157% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the Commission recognized pension expense of \$105,503. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 63,098	\$ 2,117
Net difference between projected and actual earnings on pension plan investments	56,142	-
Changes in assumptions	108,531	-
Changes in proportion and differences between Commission Contributions and proportionate share of contributions	547	19,072
County contributions subsequent to the measurement date	87,833	-
Total	<u>\$ 316,151</u>	<u>\$ 21,189</u>

\$87,833 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2019	\$ 100,214
2020	67,962
2021	9,705
2022	29,248
Thereafter	-
	<u>\$ 207,129</u>

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

Inflation	3.0 Percent
Salary Increases	3.50 percent, including inflation and productivity factor
Investment Rate of Return	7.00 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.

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

The actuarial assumptions used in the December 31, 2017 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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29%	1.4%
Global Equity	42%	5.3%
Real Estate	8%	4.3%
Alternatives	8%	8.9%
Credit	7%	6.0%
Inflation Protection	6%	4.0%

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

Discount rate. The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 982,434	\$ 408,992	\$ (70,185)

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.

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

b. Supplemental Retirement Income Plan

Plan Description. The Commission also participates in a supplemental retirement plan which is a defined contribution pension plan. All employees who are eligible to participate in the Local Governmental Employees' Retirement System, are eligible to participate in this pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Commission's plan requires that it contributes each month an amount equal to 1% of each eligible participant's salary and all amounts contributed are vested immediately, providing that the employees also make at least a 1% voluntary contribution to the Plan.

Funding Policy. The Commission's contributions were calculated using a covered payroll amount of \$1,127,502. Total contributions for the year ended June 30, 2019 were \$22,589, which consisted of \$5,869 from the Commission and \$16,720 from the employees. The Commission's required contributions and the employees' voluntary contributions represented .52% and 1.48% of the covered payroll amount, respectively.

c. Other Postemployment Benefits (OPEB)

Healthcare Benefits

Plan Description. Under the terms of a Commission resolution adopted February 21, 2013, the Commission administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides postemployment healthcare benefits to retirees of the Commission, provided (1) they participate in the North Carolina Local Governmental Employees' Retirement System, (2) are 60 years of age, and (3) have at least 25 years of service. The benefits end once the employee reaches age 65. However, an addition amendment was made whereby any employee who was hired by the Commission after October 20, 2017 is not eligible for retiree coverage or other post-employment benefits.

The Commission will pay the full cost of coverage for these benefits through private insurers. The Commissions' Board may amend the benefit provisions. A separate report was not issued for the plan.

Funding Policy. By the Commission's resolution, the Commission will pay the full cost of coverage for the healthcare benefits paid to qualified retirees. The Commission has chosen to fund the healthcare benefits on a pay as you go basis. Postemployment expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due. In the fiscal year ended June 30, 2019, the Commission paid \$10,684 for retirees' health insurance benefits.

Membership of the HCB Plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	<u>General Employees:</u>
Retirees and dependents receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>17</u>
Total	<u><u>18</u></u>

Total OPEB Liability

The Commission's total OPEB Liability of \$90,044, was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Inflation	2.5 percent
Salary increases	3.5 percent, average, including inflation
Discount rate	3.89 percent
Healthcare cost trend rates	Pre-Medicare - 7.5% for 2017 decreasing to an ultimate rate of 5.0% by 2023

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2017	\$ 102,771
Changes for the year	
Service cost	4,421
Interest	3,360
Changes of benefit terms	-
Differences between expected and actual experience	(618)
Changes in assumptions or other inputs	(2,961)
Benefit payments	(16,929)
Net changes	<u>(12,727)</u>
Balance at June 30, 2018	<u><u>\$ 90,044</u></u>

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

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014, adopted by the LGERS board.

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 99,356	\$ 90,044	\$ 81,705

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 78,747	\$ 90,044	\$ 103,549

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

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

For the year ended June 30, 2019, the Commission recognized OPEB expense of \$7,556. At June 30, 2019 the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,117	\$ 550
Changes of assumptions	-	6,563
Benefit payments and administrative costs made subsequent to the measurement date	10,684	-
Total	<u>\$ 15,801</u>	<u>\$ 7,113</u>

\$10,684 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ (225)
2020	(225)
2021	(225)
2022	(225)
2023	(225)
Thereafter	(871)

Other Employment Benefits

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

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

Pension Deferrals	\$ 316,151
OPEB Deferrals	15,801
Total	<u>\$ 331,952</u>

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

General Fund (grants)	\$ -
OPEB Deferrals	7,113
Pension deferrals	21,189
Total	<u>\$ 51,116</u>

3. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission participates in a self-funded risk financing pool administered by the Risk Management Agency of North Carolina Association of County Commissioners. Through these pools, the Commission obtains property coverage up to the total insurance values of the property policy, up to \$1 million for any one occurrence, general, auto, professional, and employment practices liability coverage of \$1 million per occurrence, auto physical damage coverage for owned autos, at actual cash value, crime coverage of \$50,000 per occurrence, and workers' compensation coverage up to the statutory limits. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Commission upon request. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and public officials liability in excess of \$1 million, and property in excess of \$500,000.

The Commission carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settlement claims have not exceeded coverage in any of the past three years.

The Commission does not carry a separate flood insurance policy.

In accordance with G.S. 159-29, the Commission's employees that have access to \$100 or more at any given time of the Commission's funds are performance bonded through a commercial surety bond. The Finance Officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2019, there were no outstanding lawsuits that the Commission was involved in.

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

5. Long-Term Obligations

The following is a summary of changes in the Commission's long-term obligations for the fiscal year ended June 30, 2019:

	<u>Balance</u> <u>June 30, 2018</u>		<u>Increases</u>		<u>Decreases</u>		<u>Balance</u> <u>June 30, 2019</u>
Governmental activities:							
Net pension liability	\$ 287,365	\$	121,627	\$	-	\$	408,992
Compensated absences	81,298		3,704		-		85,002
Net OPEB Liability	102,771		-		12,727		90,044
Governmental activity long-term liabilities	\$ 471,434	\$	125,331	\$	12,727	\$	584,038

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave as it is earned.

IV. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019, consist of the following:

Due to the General Fund from:

Workforce Investment	\$ 421,048
Department of Transportation	29,670
Total	<u>\$ 450,718</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers to/from other funds at June 30, 2019 consist of the following:

From General Fund to Aging Program Fund - Matching Funds	\$ 46,295
From General Fund to Economic Development Fund - Matching Funds	30,000
Total	<u>\$ 76,295</u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs.

ALBEMARLE COMMISSION
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

V. Fund Balance

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 1,006,223
Less:	
Prepaid Expenses	-
Stabilization by State Statute	<u>450,718</u>
Remaining Fund Balance	<u><u>\$ 555,505</u></u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<u>General Fund</u>	<u>Non-Major Funds</u>
\$ -	\$ -

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Commission has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

The Commission has a Revolving Loan Fund, which is sourced through the Economic Development Grant funding sources. At June 30, 2019, there was an agreement with a business who had received a loan through this program that was in default. As of the report date the loan has been written off.

VII. Cost Allocation Plan

The Commission utilized a cost allocation plan in which indirect costs were prorated to the various grants on a monthly basis based on program salary and fringe benefits. All indirect costs not allocated to the various grants were absorbed by the General Fund.

The average rate that was used to allocate indirect cost was 34%.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Proportionate Share of the Net Pension Asset (Liability) - LGERS

Schedule of Contributions - LGERS

Schedule of Changes in the Total OPEB Liability and Related Ratios

ALBEMARLE COMMISSION
Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years *

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Commission's proportion of the net pension liability (asset) (%)	0.01724%	0.01881%	0.01791%	0.01731%	0.02120%	0.02090%
Commission's proportion of the net pension liability (asset) (\$)	\$ 408,992	\$ 287,365	\$ 380,110	\$ 77,686	\$ (125,026)	\$ 251,925
Commission's covered-employee payroll	\$ 1,090,296	\$ 1,094,233	\$ 1,056,196	\$ 1,015,789	\$ 1,223,644	\$ 1,289,564
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.51%	26.26%	35.99%	7.65%	-10.22%	19.54%
Plan fiduciary net position as a percentage of the total pension liability**	92.00%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

ALBEMARLE COMMISSION
Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 87,833	\$ 82,317	\$ 80,820	\$ 71,610	\$ 71,817	\$ 86,512
Contributions in relation to the contractually required contribution	<u>87,833</u>	<u>82,317</u>	<u>80,820</u>	<u>71,610</u>	<u>71,817</u>	<u>86,512</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	\$ 1,127,502	\$ 1,090,296	\$ 1,094,233	\$ 1,056,196	\$ 1,015,789	\$ 1,223,644
Contributions as a percentage of covered-employee payroll	7.79%	7.55%	7.39%	6.78%	7.07%	7.07%

ALBEMARLE COMMISSION
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 4,421	\$ 4,771
Interest	3,360	3,154
Changes in benefit terms	-	-
Differences between expected and actual experience	(618)	6,555
Changes of assumptions	(2,961)	(5,029)
Benefit payments	(16,929)	(22,770)
Net change in total OPEB liability	<u>(12,727)</u>	<u>(13,319)</u>
Total OPEB liability - beginning	<u>102,771</u>	<u>116,090</u>
Total OPEB liability - ending	<u><u>\$ 90,044</u></u>	<u><u>\$ 102,771</u></u>
 Covered payroll	 \$ 877,408	 \$ 877,408
Total OPEB liability as a percentage of covered payroll	10%	12%

Notes to Schedule

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

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.56%
2019	3.89%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Federal and State funds	\$	\$ 2,640	\$
Charges for services		348,637	
Local funds		128,574	
Interest income		33,045	
Miscellaneous income		146,402	
Total revenues	<u>756,816</u>	<u>659,298</u>	<u>(97,518)</u>
Expenditures			
Salaries and fringe benefits		203,811	
Indirect costs		149,559	
Contract Services		67,055	
Rent		40,719	
Other operating expenses		269,068	
Total expenditures	<u>680,521</u>	<u>730,212</u>	<u>(49,691)</u>
Revenues over (under) expenditures	<u>76,295</u>	<u>(70,914)</u>	<u>(147,209)</u>
Other financing sources (uses):			
Operating transfers in (out)	(87,520)	(87,520)	-
Operating transfers in (out)	11,225	11,225	
Fund balance appropriated	-	-	-
Total other financing sources (uses)	<u>(76,295)</u>	<u>(76,295)</u>	<u>-</u>
Net Change in Fund Balance	\$ <u>-</u>	(147,209)	\$ <u>(147,209)</u>
Fund balances, beginning		<u>1,153,432</u>	
Fund balances, ending		<u>\$ 1,006,223</u>	

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA
Division of Aging Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Federal and State funds	\$	\$ 2,082,561	\$
Local funds		387,841	
Program income		58,752	
Donations		151,340	
Miscellaneous income		-	
Total revenues	<u>2,495,746</u>	<u>2,680,494</u>	<u>184,748</u>
Expenditures			
Salaries and fringe benefits		540,746	
Indirect costs		140,337	
Contracted services		899,603	
Other operating expenses		1,050,656	
Total expenditures	<u>2,637,041</u>	<u>2,631,342</u>	<u>5,699</u>
Revenues over (under) expenditures	<u>(141,295)</u>	<u>49,152</u>	<u>190,447</u>
Other financing sources (uses):			
Fund balance appropriated	95,000	-	(95,000)
Operating transfers in (out)	<u>46,295</u>	<u>46,295</u>	<u>-</u>
Total other financing sources (uses)	<u>141,295</u>	<u>46,295</u>	<u>(95,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	95,447	<u>\$ 95,447</u>
Fund balance, beginning		<u>885,901</u>	
Fund balance, ending		<u>\$ 981,348</u>	

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

Workforce Investment Funds

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019**

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Federal and State funds	\$	\$ 1,832,898	\$
Miscellaneous		4,845	
Total revenues	<u>4,182,693</u>	<u>1,837,743</u>	<u>(2,344,950)</u>
Expenditures			
Salaries and fringe benefits		716,999	
Indirect costs		177,514	
Contracted services		99,534	
Other operating expenses		843,696	
Total expenditures	<u>4,182,693</u>	<u>1,837,743</u>	<u>2,344,950</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):			
Fund balance appropriated	-	-	-
Operating transfers in (out)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	\$ <u>-</u>	- \$	<u>-</u>
Fund Balances:			
Beginning of year, July 1		<u>-</u>	
End of year, June 30		\$ <u>-</u>	

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

Revolving Loan Fund

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2019**

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Program income	\$	\$ 200	\$
Interest income		3,342	
Miscellaneous income		-	
Total revenues	<u>11,500</u>	<u>3,542</u>	<u>(7,958)</u>
Expenditures			
Salaries and fringe benefits		1,749	
Indirect costs		486	
Contracted services		10,000	
Bad Debt expense		-	
Other operating expenses		6,261	
Total expenditures	<u>67,500</u>	<u>18,496</u>	<u>49,004</u>
Revenues over (under) expenditures	<u>(56,000)</u>	<u>(14,954)</u>	<u>41,046</u>
Other financing sources (uses):			
Fund balance appropriated	56,000	-	(56,000)
Operating transfers in (out)	-	-	-
Total other financing sources (uses)	<u>56,000</u>	<u>-</u>	<u>(56,000)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(14,954)</u>	<u>\$ (14,954)</u>
Fund Balances:			
Beginning of year, July 1		<u>391,375</u>	
End of year, June 30		<u>\$ 376,421</u>	

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019**

		Incentive and Capacity Bldg Grant	Juvenile Planning Grant Fund	Emergency Medical Services	Community Development and Planning	Economic Development Administration Fund	Department of Transportation	Total Non-Major Governmental Funds June 30, 2019
<u>Assets</u>								
Cash and Cash Equivalents	\$	-	\$ 48	\$ 862	\$ -	\$ -	\$ -	\$ 910
Restricted Cash		-	-	-	20,565	328,826	-	349,391
Accounts Receivable		-	-	-	77	17,500	30,611	48,188
Prepaid Expense		-	-	-	-	-	-	-
Total assets	\$	<u>-</u>	<u>\$ 48</u>	<u>\$ 862</u>	<u>\$ 20,642</u>	<u>\$ 346,326</u>	<u>\$ 30,611</u>	<u>\$ 398,489</u>
<u>Liabilities and Fund Balances</u>								
Liabilities:								
Accounts payable and accrued expenses	\$	-	\$ -	\$ -	\$ -	2,028	4,279	6,307
Due to other funds		-	-	-	-	-	29,670	29,670
Unearned revenue		-	-	-	-	-	-	-
Total liabilities		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,028</u>	<u>33,949</u>	<u>35,977</u>
Fund Balances:								
Nonspendable:								
Prepaid expenses		-	-	-	-	-	-	-
Restricted								
Juvenile Planning Grant		-	48	-	-	-	-	48
Emergency Medical Services		-	-	862	-	-	-	862
Community Development and Planning		-	-	-	20,642	-	-	20,642
Economic Development Administration		-	-	-	-	344,298	-	344,298
Unassigned		-	-	-	-	-	(3,338)	(3,338)
Total Fund Balance		<u>-</u>	<u>48</u>	<u>862</u>	<u>20,642</u>	<u>344,298</u>	<u>(3,338)</u>	<u>362,512</u>
Total liabilities and fund balances	\$	<u>-</u>	<u>\$ 48</u>	<u>\$ 862</u>	<u>\$ 20,642</u>	<u>\$ 346,326</u>	<u>\$ 30,611</u>	<u>\$ 398,489</u>

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019**

	Incentive and Capacity Bldg Grant	Juvenile Planning Grant Fund	Emergency Medical Services	Community Development and Planning	Economic Development Administration Fund	Department of Transportation	Total Non-Major Governmental Funds June 30, 2019
Revenues:							
Federal and State grants	\$ -	\$ -	\$ -	\$ -	\$ 70,000	\$ 106,738	\$ 176,738
Local funds	-	-	-	-	-	28,907	28,907
Program income	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-
Miscellaneous income	-	-	-	-	-	-	-
Total Revenues	-	-	-	-	70,000	135,645	205,645
Expenditures:							
Salaries and fringe benefits	-	-	-	-	30,977	87,861	118,838
Indirect costs	-	-	-	-	7,565	23,073	30,638
Contracted services	-	-	-	-	1,809	-	1,809
Other operating expenses	-	-	-	-	-	19,040	19,040
Total Expenditures	-	-	-	-	40,351	129,974	170,325
Revenues over(under) expenditures	-	-	-	-	29,649	5,671	35,320
Other financing sources (uses):							
Operating transfers in (out)	-	-	-	-	30,000	-	30,000
Total other financing sources (uses)	-	-	-	-	30,000	-	30,000
Net Change in Fund Balance	-	-	-	-	59,649	5,671	65,320
Fund Balances:							
Beginning of Year, July 1	-	48	862	20,642	284,649	(9,009)	297,192
End of Year, June 30	\$ -	\$ 48	\$ 862	\$ 20,642	\$ 344,298	\$ (3,338)	\$ 362,512

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA
Incentive and Capacity Building Grant
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Federal and State funds	\$	\$ -	\$
Miscellaneous		-	
Total revenues	-	-	-
Expenditures			
Salaries and fringe benefits		-	
Indirect costs		-	
Contracted services		-	
Other operating expenses		-	
Total expenditures	-	-	-
Revenues over (under) expenditures	-	-	-
Other financing sources (uses):			
Fund balance appropriated	-	-	-
Operating transfers in (out)	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	-	\$ -
Fund Balances:			
Beginning of year, July 1		-	
End of year, June 30		\$ -	

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

Community Development and Planning Fund

**Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Federal & State Funds	\$	\$ -	\$
Local funds		-	
Interest income		-	
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Salaries and fringe benefits		-	
Indirect costs		-	
Contracted services		-	
Other operating expenses		-	
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):			
Fund balance appropriated	-	-	-
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund Balances:			
Beginning of year, July 1		<u>20,642</u>	
End of year, June 30		<u>\$ 20,642</u>	

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

Economic Development Administration Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Federal & State Funds	\$	\$ 70,000	\$
Local funds		-	
Program income		-	
Interest income		-	
Miscellaneous Income		-	
Total revenues	<u>82,125</u>	<u>70,000</u>	<u>(12,125)</u>
Expenditures			
Salaries and fringe benefits		30,977	
Indirect costs		7,565	
Contracted services		1,809	
Other operating expenses		-	
Total expenditures	<u>112,125</u>	<u>40,351</u>	<u>71,774</u>
Revenues over (under) expenditures	<u>(30,000)</u>	<u>29,649</u>	<u>59,649</u>
Other financing sources (uses):			
Fund balance appropriated	-	-	-
Operating transfers in (out)	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	59,649	<u>\$ 59,649</u>
Fund Balances:			
Beginning of year, July 1		<u>284,649</u>	
End of year, June 30		<u>\$ 344,298</u>	

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

Department of Transportation Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance Positive (Negative)
Revenues			
Federal & State Funds	\$	\$ 106,738	\$
Local funds		28,907	
Program income		-	
Interest income		-	
Total revenues	<u>144,531</u>	<u>135,645</u>	<u>(8,886)</u>
Expenditures			
Salaries and fringe benefits		87,861	
Indirect costs		23,073	
Contracted services		-	
Other operating expenses		19,040	
Total expenditures	<u>144,531</u>	<u>129,974</u>	<u>14,557</u>
Revenues over (under) expenditures	<u>-</u>	<u>5,671</u>	<u>5,671</u>
Other financing sources (uses):			
Fund balance appropriated	-	-	-
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>5,671</u>	<u>\$ 5,671</u>
Fund Balances:			
Beginning of year, July 1		<u>(9,009)</u>	
End of year, June 30		<u>\$ (3,338)</u>	

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

**Schedule of Indirect Costs
For the Year Ended June 30, 2019**

Salaries	\$ 160,554
Fringe Benefits	43,258
Contracted Services	49,457
Leases	19,576
Professional fees	88,257
Memberships / Dues	11,139
Directors' fees	-
Insurance	6,866
Travel	11,551
Board Expenses	10,022
Seminars / Training	215
Telephone	13,245
Computer Services & Fees	6,563
Repairs / equipment	15,123
Printed materials	42
Office supplies	11,777
Office equipment	1,762
Rent	40,719
Miscellaneous	16
Advertising	548
Bank Service Charges	127
Contingencies	-
Postage	7,717
	<hr/>
Total Indirect Costs	<u><u>\$ 498,534</u></u>

Indirect costs allocated as follows:

General Fund	\$ 149,559
Aging	140,337
Workforce Development	177,514
CDBG	-
Incentive & Capacity Grant	-
Loan Program	486
Transportation	23,073
Economic Development	7,565
	<hr/>
	<u><u>\$ 498,534</u></u>

COMPLIANCE SECTION



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**Alan W. Thompson, CPA
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Gregory S. Adams, CPA**

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

To the Board of Directors
Albemarle Commission
Hertford, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Albemarle Commission as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Albemarle Commission's basic financial statements, and have issued our report thereon dated October 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Albemarle 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.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs [2019-01] to be a significant deficiency.

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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Albemarle Commission's Response to Findings

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

Purpose of this Report

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

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

Whiteville, NC
October 29, 2019



Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA

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

To the Board of Directors
Albemarle Commission
Hertford, North Carolina

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Albemarle 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 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 d with governance. includes examining, on a test basis, evidence about Albemarle 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 of Albemarle Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, Albemarle 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 federal programs for the year ended June 30, 2019.

Members

American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms

Report on Internal Control Over Compliance

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

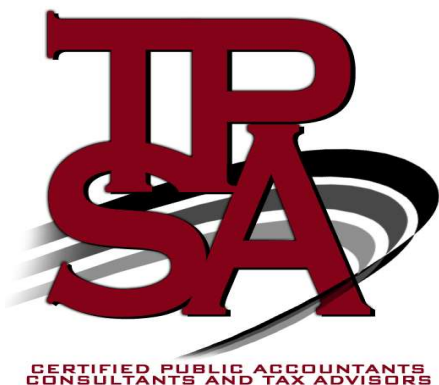
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

Whiteville, NC
October 29, 2019



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

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

To the Board of Directors
Albemarle Commission
Hertford, North Carolina

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Albemarle 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; and applicable sections of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above with governance. includes examining, on a test basis, evidence about Albemarle Commission's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. turn of the member's contributions. The plan does not provide for aut

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 Albemarle Commission's compliance.

Opinion on Each Major State Program

In our opinion, Albemarle 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, 2019.

Report on Internal Control Over Compliance

Management of the Albemarle 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 Albemarle Commission's internal control over compliance with the types of requirements that could have and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Whiteville, NC
October 29, 2019

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified? ☐ Yes ☒ No

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

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

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

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
	Aging Cluster
93.044	Title III - Bart B Supportive Services
93.045	Title III - Part C Nutrition Services
93.053	Nutrition Services Incentive Program
	Workforce Investment Act Cluster
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.278	WIA Dislocated Workers

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

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

State Awards

Internal control over major State programs:

Material weaknesses identified? ☐ Yes ☒ No

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

Type of auditor's report issued on compliance for major State programs: Unqualified.

Any audit findings disclosed that are required to be
reported in accordance with the State Single Audit Implementation Act? ☐ Yes ☒ No

Identification of major State programs:

Program Name

Aging Cluster

90% State Funds:

Ombudsman

Senior In-Home Services

Senior Access

Home Delivered

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Section II. Financial Statement Findings

SIGNIFICANT DEFICIENCY

2019-01

Criteria: The finance officer should appropriately reconcile all general ledger accounts.

Condition: The Commission did not reconcile Workforce funds to ensure all reimbursements for expenses were requested timely.

Effect: The Commission may have to cover certain expenses that would have been reimbursed had request been made timely.

Cause: The Commission had significant staff turnover in the finance department.

Recommendation: Accounts should be reconciled timely.

Views of responsible officials and planned corrective action: The Commission agrees with this finding and will implement procedures to ensure accounts are reconciled timely.

Section III. Federal Award Findings and Question Costs

None Reported.

Section IV. State Award Findings and Question Costs

None Reported.



**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Section II. Financial Statement Findings

Finding: 2019-01

CAMDEN
CHOWAN
CURRITUCK
DARE
GATES
HYDE
PASQUO TANK
PERQUIMANS
TYRRELL
WASHINGTON
COLUMBIA
CRESWELL
DUCK
EDENTON
ELIZABETH CITY
GATESVILLE
HERTFORD
KILL DEVIL HILLS
KITTY HAWK
MANTEO
NAGS HEAD
PLYMOUTH
ROPER
SOUTHERN SHORES
WINFALL

Name of contact person: Jeri Hansen, Finance Officer

Corrective Action: The outstanding funds were requested for 17-18 and 18-19 by the completion of the audit. Procedures will be implemented to ensure all funds are requested in a timely manner.

Proposed Completion Date: June 30, 2020

Section III. Federal Award Findings and Question Costs

None Reported.

Section IV. State Award Findings and Question Costs

None Reported.

**ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA**

Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2019

2018-01
Corrected

ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

Grantor Pass-through Grantor Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
<u>Federal Awards</u>						
<u>U.S. Department of Health and Human Services:</u>						
Passed through the NC Department of Health and Human Services:						
Division of Aging and Adult Services:						
<u>Aging Cluster</u>						
Special Programs for the Aging - Title III B						
Supportive Services and Senior Centers	93.044		\$ 362,852	\$ 21,197	\$ 384,049	\$ 48,593
Special Programs for the Aging - Title III C						
Nutrition Services	93.045		569,689	33,255		77,249
Nutrition Services Incentive Program	93.053		87,054	-		-
Total Aging Cluster			1,019,595	54,452	384,049	125,842
Title VI - Special Programs for Aging -						
Elder Abuse	93.041		2,721	160		320
Title VI - Special Programs for Aging	93.042		66,031	3,884		7,768
Title IIIIF - Disease Prevention	93.043		15,948	938	8,520	1,876
Family Caregiver	93.052		141,748	9,166		6,658
Social Services Block Grant	93.667		53,143	1,518	54,661	6,074
Special Programs for the Aging	93.048		5,000	-	-	-
Medicare Enrollment Assistance Program	93.071		8,510	-	-	-
Planning Grant - The Money Follows the Person						
Rebalancing Demonstration Program	93.791		15,000	-	-	-
Total U.S. Department of Health and						
Human Services			1,327,696	70,118	447,230	148,538
<u>U.S. Department of Commerce</u>						
Economic Development Support for Planning						
Organizations	11.302		70,000	-	-	-
Revolving Loan Fund	11.307		296,233	-	-	-
Total U.S. Department of Commerce			366,233	-	-	-

ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

Grantor Pass-through Grantor Program Title	Federal CFDA Number	State/ Pass-Through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures	Passed- through to Subrecipients	Local Expenditures
<u>U. S. Department of Labor</u>						
Passed through N. C. Department of Commerce - Division of Employment and Training:						
Workforce Investment Act Cluster						
WIA - Adult Programs	17.258		867,391	-	-	-
WIA - Youth Activities	17.259		173,488	-	-	-
WIA - Dislocated Workers	17.278		792,019	-	-	-
Total Workforce Investment Act Cluster			1,832,898	-	-	-
Workforce Investment Act National Emergency Grant	17.277		-	-	-	-
Total U.S. Department of Labor			1,832,898	-	-	-
<u>U.S. Department of Transportation</u>						
Passed through N.C. Department of Transportation State Planning and Research Rural Planning Organization (RPO) Program):						
State Planning and Research	20.205-8		90,203	15,226	-	-
Total U.S. Department of Transportation			90,203	15,226	-	-
Total Federal Assistance Expended			3,617,030	85,344	447,230	148,538
State Grants:						
<u>N.C. Housing Finance Agency:</u>						
Essential Single Family Rehab Loan			-	2,640	2,640	-
<u>N.C. Department of Health and Human Services:</u>						
Division of Aging and Adult Services:						
AAA			-	-	-	-
Planning & Administration			-	48,262	-	-
Senior Center Development			-	57,025	57,025	19,008
Fan Heat			-	2,000	-	-
90% State Funds:						
Ombudsman			-	13,407	-	1,490
Senior In-Home Services			-	363,857	363,857	40,429
Senior Access			-	86,711	86,711	9,635
Home Delivered			-	113,483	-	12,609
Congregate Nutrition			-	-	-	-
Caregiver			-	-	-	-
Total N.C. Department of Health and Human Services			-	684,745	507,593	83,171
Total State Assistance Expended			-	687,385	510,233	83,171
Total Federal and State Assistance Expended			\$ 3,617,030	\$ 772,729	\$ 957,463	\$ 231,709

ALBEMARLE COMMISSION
HERTFORD, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2019

Grantor	Federal	State/ Pass-Through	Federal (Direct & Pass-through)	State	Passed- through to	Local
<u>Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>	<u>Expenditures</u>	<u>Subrecipients</u>	<u>Expenditures</u>

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

Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Albemarle Commission under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule 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 Albemarle Commission.

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