

**KERR-TAR REGIONAL
COUNCIL OF GOVERNMENTS**

HENDERSON, NORTH CAROLINA

Financial Statements and Compliance Report

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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COUNCIL OF GOVERNMENTS
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William L. Stark and Company
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kerr-Tar Regional Council of Governments
Henderson, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Kerr-Tar Regional Council of Governments, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Kerr-Tar Regional Council of Governments' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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 of 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 auditor's 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Kerr-Tar Regional Council of Governments, as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, the Aging Fund, the Workforce Innovation and Opportunity Act Fund, the Revolving Loan Fund, and the CARES Revolving Loan Fund for the year then ended in conformity 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 Other Post Employment Benefits' Schedules of Changes in the Total OPEB Liability and Related Ratios, Council Contributions, and Investment Returns on pages 47-49, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on page 50, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kerr-Tar Regional Council of Governments' basic financial statements. The supplementary information as listed in the table of contents, 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 supplementary information as listed in the table of contents, as well as the accompanying Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the supplementary information as listed in the table of contents, as well as the accompanying Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021 on our consideration of the Kerr-Tar Regional Council of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that 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 Kerr-Tar Regional Council of Governments' internal control over financial reporting and compliance.

William L. Stark and Company

Certified Public Accountants
Henderson, North Carolina

November 22, 2021

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KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2021

As management of Kerr-Tar Regional Council of Governments (the "Council"), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Council's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of the Council exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,178,812 (net position). The Council's total net position increased by \$417,656 in comparison with the prior year.
- At the close of the current fiscal year, the Council's governmental funds reported a combined ending fund balance of \$2,447,997, an increase of \$722,525 in comparison with the prior year combined ending fund balance of \$1,725,472. This entire amount is restricted, non-spendable, assigned, or unassigned.
- The Council's total debt, which consists solely of accrued liability for other post-employment benefits, net pension liability (LGERS) and accrued annual leave, increased by \$52,178 during the current fiscal year.

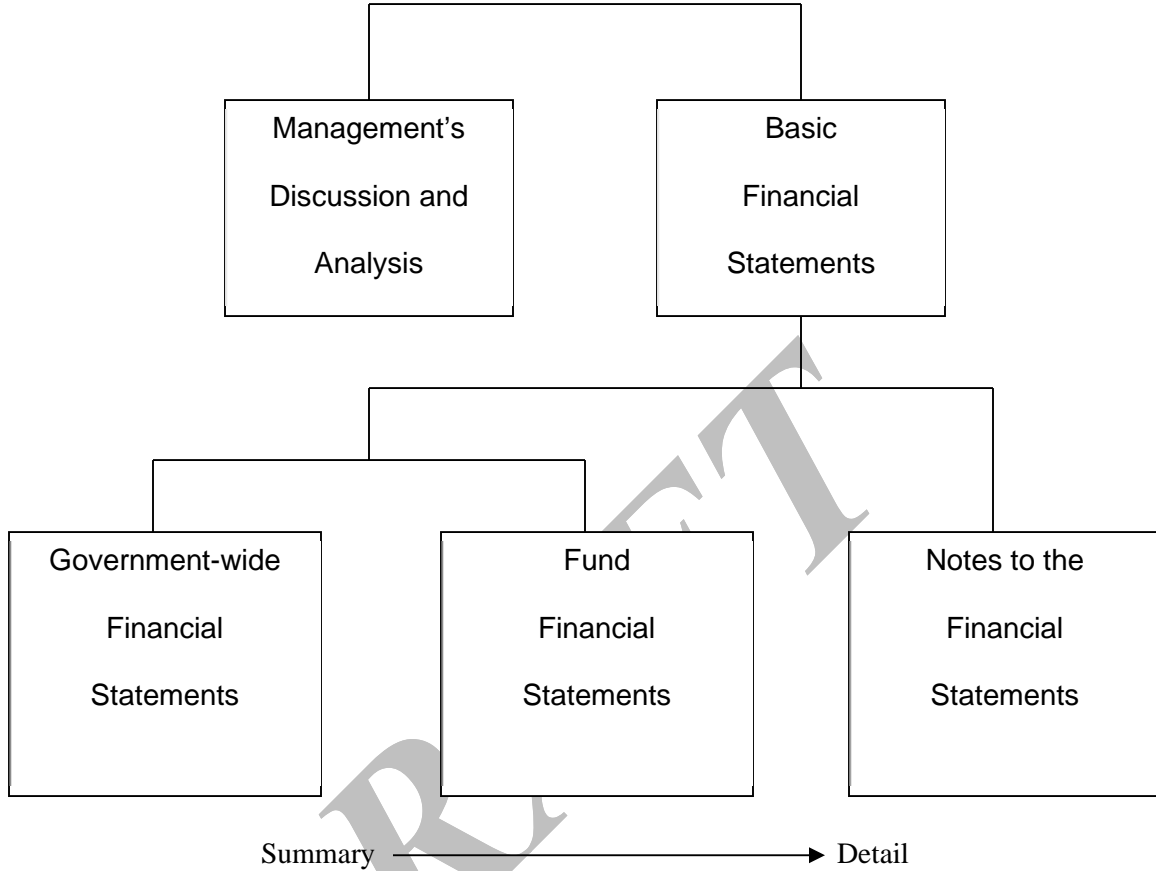
Overview of the Financial Statements

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

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2021

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 11) are Fund Financial Statements. These statements focus on the activities of the individual parts of the Council's government. These statements provide more detail than the government-wide statements. There are three parts to the fund financial statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the fiduciary fund statements.

The next section of the basic financial statements is the Notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Council's non-major funds and indirect costs. Budgetary information required by the General Statutes also can be found in this part of the statements.

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
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Government-Wide Financial Statements

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

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

Government-wide financial statements may be divided into as many as three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include all of the Council's basic services such as general administration, economic and community development, human services, environmental protection, and transportation planning services. State and federal grants and contributions from regional non-profits, supporting entities, and local governments comprising the service area of the council finance most of these activities.

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

Fund Financial Statements

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

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

The Council adopts an annual budget for its General Fund and each separate special revenue fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the constituent member local governments, the management of the Council, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Council to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Council complied with the budget ordinance and whether or not the Council succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2021

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.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. The Council maintains one fiduciary fund which is a OPEB trust fund for reporting purposes.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 28 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Council's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found beginning on page 46 of this report.

Government-Wide Financial Analysis

Table 1
Condensed Statement of Net Position

	Activities	
	2021	2020
Current and other assets	\$ 3,826,430	\$ 2,456,831
Deferred outflows of resources	\$ 998,350	1,183,991
Total assets and deferred outflows of resources	4,824,780	3,640,822
Long-term liabilities outstanding	\$ 2,142,532	2,088,755
Other liabilities	\$ 1,421,411	775,936
Deferred inflows of resources	\$ 82,025	14,975
Total liabilities and deferred inflows of resources	3,645,968	2,879,666
Net position:		
Restricted	\$ 1,501,318	625,350
Unrestricted	\$ (322,506)	135,806
Total net position	\$ 1,178,812	\$ 761,156

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Council exceeded liabilities and deferred inflows by \$1,178,812 as of June 30, 2021. The Council's total net position increased by \$417,656 in comparison with the prior year. Of the net position, \$1,501,318 represents resources that are subject to external legal restrictions on how they may be used. Restrictions include Stabilization by State Statute as dictated by North Carolina General Statutes and unspent grants or other revenues with restrictive purposes. The Council's net investment in capital assets (office and computer equipment and software) is \$0 as all assets are fully depreciated. The Council uses these capital

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2021

assets to provide services to constituent local government members; consequently, these assets are not available for future spending.

Table 2
Condensed Statement of Activities

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	453,841	491,520
Operating grants and contributions	6,248,216	4,821,067
General revenues:		
Local government	169,723	159,940
Unrestricted investment earnings	12	3,154
Miscellaneous	576	20,578
Total revenues	6,872,368	5,496,259
Expenses:		
Governmental activities:		
General government	36,762	13,425
Transportation	435,496	343,353
Economic and physical development	810,941	703,288
Human services	3,603,620	2,816,310
Workforce development	1,567,893	1,796,216
Total expenses	6,454,712	5,672,592
Change in net position	417,656	(176,333)
Net position, beginning of year	761,156	937,489
Net position, end of year	1,178,812	\$ 761,156

Governmental activities – Governmental activities increased the Council's net position by \$417,656.

The Council's revenues were \$6,872,368. Ninety percent of the Council's revenues come from federal and State revenues.

The Council's expenditures were \$6,454,712. Fifty-six percent of the Council's expenditures were related to Human Services program, twenty-four percent of expenses were workforce development program related.

Financial Analysis of the Council's Funds

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

Governmental Funds – The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Council's financing requirements. Specifically, unassigned 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 operating fund of the

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2021

Council. At the end of the fiscal year, the General Fund unassigned fund balance was \$144,363 while total fund balance was \$663,984. As of June 30, 2021, total fund balance was 24.4% of total General Fund expenditures for the year.

At June 30, 2021, the combined fund balance of the governmental funds of the council increased by \$722,525 over the prior year.

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

Capital Asset and Debt Administration

Capital assets – The Council's investment in capital assets for its governmental activities as of June 30, 2021, totals \$0 (net of accumulated depreciation). These assets include furniture, fixtures, and equipment and are substantially depreciated. This amount is small because the Council does not own the bulk of its facilities, but operates under operating leases which call for payments of rent.

Additional information on the Council's capital assets can be found in Note 4 of the basic financial statements.

Long-term Debt – The Council's long-term debt consisted of the following for its governmental activities as of June 30, 2021: an OPEB obligation of \$1,735,519, Net Pension liability-LGERS of \$407,013 and Compensated absences accrued of \$44,158, for a total of \$2,186,690.

Additional information on the Council's debt can be found in notes 1 and 7 of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The governmental activities of the Council make up the largest percentage of both revenues and expenditures. The council conducts its administration of the government programs primarily within the indirect cost budget of the government programs it monitors and administers.

The proposed budget for the coming fiscal year calls for funded expenditures of approximately \$6.1 million. The change in the proposed budget over the current year is attributable to an expected increase in grant funding.

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Management's Discussion and Analysis
June 30, 2021

Requests for Information

This report is designed to provide a summary of the financial condition of the Council Questions or requests for additional information should be addressed to:

Finance Officer
Kerr-Tax Regional Council of Governments
P.O. Box 709
1724 Graham Avenue
Henderson, NC 27536

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Statement of Net Position
June 30, 2021

	Primary Governmental Activities	Component Unit Region K Community Assistance Corporation	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,443,156	\$ 384,688	\$ 1,827,844
Receivables	1,501,318	105,980	1,607,298
Accrued interest receivable	1,180	-	1,180
Note receivables, net of allowance for bad debts	879,943	-	879,943
Prepaid items	833	6,584	7,417
Total current assets	<u>3,826,430</u>	<u>497,252</u>	<u>4,323,682</u>
Non-current assets			
Capital assets:			
Other capital assets, net of depreciation	-	62,478	62,478
Total capital assets	-	62,478	62,478
Total non-current assets	-	62,478	62,478
Total assets	<u>3,826,430</u>	<u>559,730</u>	<u>4,386,160</u>
DEFERRED OUTFLOWS OF RESOURCES			
Contributions to pension plan in current fiscal year	86,521	-	86,521
Deferred outflows related to pensions	139,723	-	139,723
Deferred outflows related to OPEB	772,106	-	772,106
Total deferred outflows of resources	<u>998,350</u>	<u>-</u>	<u>998,350</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 1,070,712	\$ 27,568	\$ 1,098,280
Security deposit liabilities	2,100	-	2,100
Unearned revenue	304,441	38,305	342,746
Current portion of long-term liabilities	44,158	5,797	49,955
Total current liabilities	<u>1,421,411</u>	<u>71,670</u>	<u>1,493,081</u>
Long-term liabilities			
Net pension liability – LGERS	407,013	-	407,013
Net OPEB liability	1,735,519	-	1,735,519
Total long-term liabilities	<u>2,142,532</u>	<u>-</u>	<u>2,142,532</u>
Total liabilities	<u>3,563,943</u>	<u>71,670</u>	<u>3,635,613</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	10,415	-	10,415
Deferred inflows related to OPEB	71,610	-	71,610
Total deferred inflows of resources	<u>82,025</u>	<u>-</u>	<u>82,025</u>
NET POSITION			
Net investment in capital assets	-	62,478	62,478
Restricted			
Stabilization by State Statute	1,501,318	-	1,501,318
Unrestricted	<u>(322,506)</u>	<u>425,582</u>	<u>103,076</u>
Total net position	<u>\$ 1,178,812</u>	<u>\$ 488,060</u>	<u>\$ 1,666,872</u>

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

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Statement of Activities
For the Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Region K Community Assistance Corporation</u>	<u>Total</u>
Primary Government:							
Governmental Activities							
General government	\$ 36,762	\$ 33,713	\$ -	\$ -	\$ (3,049)	\$ -	\$ (3,049)
Transportation	435,496	-	354,815	-	(80,681)	-	(80,681)
Economic and physical development	810,941	402,128	829,402	-	420,589	-	420,589
Human services	3,603,620	18,000	3,605,860	-	20,240	-	20,240
Workforce development	1,567,893	-	1,458,139	-	(109,754)	-	(109,754)
Total governmental activities	<u>6,454,712</u>	<u>453,841</u>	<u>6,248,216</u>	<u>-</u>	<u>247,345</u>	<u>-</u>	<u>247,345</u>
Component unit:							
Region K Community Assistance Corporation							
	474,084	10,711	522,033	7,748	-	66,408	66,408
Total component unit	<u>474,084</u>	<u>10,711</u>	<u>522,033</u>	<u>7,748</u>	<u>-</u>	<u>66,408</u>	<u>66,408</u>
General Revenues							
Local government					169,723	-	169,723
Unrestricted investment earnings					12	-	12
Miscellaneous, unrestricted					576	619	1,195
Total general revenues					170,311	619	170,930
Change in net position					417,656	67,027	484,683
Net position, beginning					761,156	421,033	1,182,189
Net position, ending					<u>\$ 1,178,812</u>	<u>\$ 488,060</u>	<u>\$ 1,666,872</u>

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

FUND FINANCIAL STATEMENTS

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KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Balance Sheet
Governmental Funds
June 30, 2021

	General	Aging	Workforce Innovation and Opportunity Act	Revolving Loan	CARES Revolving Loan	Non-Major Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 538,429	\$ -	\$ -	\$ 790,607	\$ 19,909	\$ 94,211	\$ 1,443,156
Accounts receivable, net	518,788	693,411	287,676	1,443	-	-	1,501,318
Notes receivable, net of allowance for bad debts	-	-	-	235,128	485,600	159,215	879,943
Prepaid expenses	833	-	-	-	-	-	833
Total assets	<u>\$ 1,058,050</u>	<u>\$ 693,411</u>	<u>\$ 287,676</u>	<u>\$ 1,027,178</u>	<u>\$ 505,509</u>	<u>\$ 253,426</u>	<u>\$ 3,825,250</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 89,625	\$ 693,411	\$ 287,676	\$ -	\$ -	\$ -	\$ 1,070,712
Security deposit liabilities	-	-	-	1,000	600	500	2,100
Unearned revenues	304,441	-	-	-	-	-	304,441
Total liabilities	<u>394,066</u>	<u>693,411</u>	<u>287,676</u>	<u>1,000</u>	<u>600</u>	<u>500</u>	<u>1,377,253</u>
DEFERRED INFLOWS OF RESOURCES							
Receivables uncollected	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Non Spendable							
Revolving loans	-	-	-	235,128	485,600	159,215	879,943
Prepaid expenses	833	-	-	-	-	-	833
Restricted							
Stabilization by State Statute	518,788	693,411	287,676	1,443	-	-	1,501,318
Assigned							
Assigned	-	-	-	790,607	19,909	93,711	904,227
Unassigned							
Unassigned	144,363	(693,411)	(287,676)	(1,000)	(600)	-	(838,324)
Total fund balances	<u>663,984</u>	<u>-</u>	<u>-</u>	<u>1,026,178</u>	<u>504,909</u>	<u>252,926</u>	<u>2,447,997</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,058,050</u>	<u>\$ 693,411</u>	<u>\$ 287,676</u>	<u>\$ 1,027,178</u>	<u>\$ 505,509</u>	<u>\$ 253,426</u>	<u>\$ 3,825,250</u>

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

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Balance Sheet
Governmental Funds
June 30, 2021

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total Fund Balance, Governmental Funds		\$ 2,447,997
Contributions to pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.		86,521
Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		
Accrued interest receivable		1,180
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Net pension obligation – LGERS	(407,013)	
Other liabilities due in more than one year	<u>-</u>	(407,013)
Pension related deferrals		129,308
OPEB related deferrals		700,496
Other liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(44,158)	
OPEB obligation	<u>(1,735,519)</u>	<u>(1,779,677)</u>
Net position of governmental funds		<u>\$ 1,178,812</u>

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

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	General	Aging	Workforce Innovation and Opportunity Act	Revolving Loan	CARES Revolving Loan	Non-Major Funds	Total Governmental Funds
REVENUES							
Charges for services	\$ 432,744	\$ -	\$ -	\$ 19,502	\$ -	\$ 1,593	\$ 453,839
Local government revenues	169,723	-	-	-	-	-	169,723
Operating grants and contributions	2,179,312	2,451,959	916,536	-	-	-	5,547,807
Economic Development and Technical Assist. Grant	146,107	-	-	-	-	-	146,107
Investment earnings	12	-	-	-	-	-	12
Loan revenues	-	-	-	348,543	524,400	61,184	934,127
Loan revenues (Contra)	-	-	-	(348,543)	(19,400)	(11,884)	(379,827)
Miscellaneous	576	-	-	-	-	-	576
Total revenues	2,928,474	2,451,959	916,536	19,502	505,000	50,893	6,872,364
EXPENDITURES							
EDA - Planning Assistance	105,722	-	-	-	-	-	105,722
CARES - Economic Adj. Assistance	82,673	-	-	-	-	-	82,673
Revolving Loan Fund Administration	14,641	-	-	-	-	-	14,641
Revolving Loan Fund Administration (CARES)	27,501	-	-	-	-	-	27,501
Cardinal Innovations	7,712	-	-	-	-	-	7,712
Duke Supportive Service Grant	153,963	-	-	-	-	-	153,963
Regional Agritourism Project	3,600	-	-	-	-	-	3,600
Rural Transportation Planning Organization	119,463	-	-	-	-	-	119,463
Safe Routes to School	28,149	-	-	-	-	-	28,149
Aging - Planning and Administration	208,700	-	-	-	-	-	208,700
Aging - Planning and Administration (CARES)	52,563	-	-	-	-	-	52,563
Aging - Supportive Services (CARES)	100,538	-	-	-	-	-	100,538
Aging - DOA Administration	4,661	-	-	-	-	-	4,661
Aging - Ombudsman	124,966	-	-	-	-	-	124,966
Aging - Ombudsman (CARES)	15,303	-	-	-	-	-	15,303
Aging - Nutrition (CARES)	160,130	-	-	-	-	-	160,130
Aging - Elder Abuse	4,559	-	-	-	-	-	4,559
Aging - Caregiver Category 1, 2, 4	100,818	-	-	-	-	-	100,818
Aging - Caregiver Respite Vouchers	14,509	-	-	-	-	-	14,509
Aging - Caregiver Respite Vouchers (CARES)	14,305	-	-	-	-	-	14,305
Aging - Caregiver Planning (CARES)	23,780	-	-	-	-	-	23,780
Aging - Caregiver Supportive Services (CARES)	19,987	-	-	-	-	-	19,987
Aging - NCDOT Project	263,494	-	-	-	-	-	263,494
Aging - III D Medication Mgmt.	21,504	-	-	-	-	-	21,504
Aging - SHIP	3,491	-	-	-	-	-	3,491
Aging - MIPPA	10,420	-	-	-	-	-	10,420
WIOA Administration	142,529	-	-	-	-	-	142,529
WIOA Adult Services	123,783	-	-	-	-	-	123,783
WIOA Youth Services	117,747	-	-	-	-	-	117,747
WIOA Dislocated Workers	128,501	-	-	-	-	-	128,501
WIOA Dislocated Workers - COVID 19	9,998	-	-	-	-	-	9,998
WIOA Employer Services	19,045	-	-	-	-	-	19,045

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

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	General	Aging	Workforce Innovation and Opportunity Act	Revolving Loan	CARES Revolving Loan	Non-Major Funds	Total Governmental Funds
Louisburg CDBG	5,344	-	-	-	-	-	5,344
Granville County SFR	69,357	-	-	-	-	-	69,357
Franklin County SFR	87,686	-	-	-	-	-	87,686
Person County SFR	3,130	-	-	-	-	-	3,130
Vance County SFR	26,660	-	-	-	-	-	26,660
Warren County SFR	89,544	-	-	-	-	-	89,544
Urgent Repair	125,396	-	-	-	-	-	125,396
Bunn Zoning	33,712	-	-	-	-	-	33,712
Kerr-Tar Regional Economic Development Corporation	52,981	-	-	-	-	-	52,981
HCC Block Grant	-	1,926,316	-	-	-	-	1,926,316
Nutrition Services Incentive Program (NSIP)	-	72,730	-	-	-	-	72,730
Caregiver Cat I	-	19,617	-	-	-	-	19,617
Fans	-	3,261	-	-	-	-	3,261
Senior Center General Purpose	-	69,311	-	-	-	-	69,311
Legal	-	9,965	-	-	-	-	9,965
Legal (CARES)	-	7,400	-	-	-	-	7,400
Aging - Families First Coronavirus Response Act	-	186,289	-	-	-	-	186,289
Aging (CARES)	-	157,070	-	-	-	-	157,070
WIOA Adult Services	-	-	264,064	-	-	-	264,064
WIOA Dislocated Workers	-	-	230,702	-	-	-	230,702
WIOA Youth Services	-	-	326,407	-	-	-	326,407
WIOA Finish Line Grant	-	-	2,727	-	-	-	2,727
WIOA Infrastructure Costs	-	-	48,696	-	-	-	48,696
WIOA Dislocated Workers - COVID 19	-	-	43,940	-	-	-	43,940
Loan repayments forwarded	-	-	-	-	-	7,761	7,761
Interest on loans forwarded	-	-	-	-	-	1,541	1,541
Unspent loan proceeds returned	-	-	-	-	-	49,300	49,300
Bad debt expense	-	-	-	-	-	15	15
Bank charges	-	-	-	71	91	-	162
Loan expenditures	-	-	-	133,000	505,000	-	638,000
Loan expenditures (Contra)	-	-	-	(133,000)	(505,000)	-	(638,000)
Total expenditures	2,722,565	2,451,959	916,536	71	91	58,617	6,149,839
Excess (deficiency) of revenues over expenditures	205,909	-	-	19,431	504,909	(7,724)	722,525

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

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	General	Aging	Workforce Innovation and Opportunity Act	Revolving Loan	CARES Revolving Loan	Non-Major Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)							
Transfers from other funds	14,641	-	-	-	-	-	14,641
Transfers (to) other funds	-	-	-	(14,641)	-	-	(14,641)
Total other financing sources (uses)	14,641	-	-	(14,641)	-	-	-
Net change in fund balance	220,550	-	-	4,790	504,909	(7,724)	722,525
FUND BALANCES, beginning	443,434	-	-	1,021,388	-	260,650	1,725,472
FUND BALANCES, ending	<u>\$ 663,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,026,178</u>	<u>\$ 504,909</u>	<u>\$ 252,926</u>	<u>\$ 2,447,997</u>

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

Net changes in fund balances - total governmental funds	\$ 722,525
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	47,805
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	1,599
Pension expense	(140,512)
OPEB expense	(300,282)
Other postemployment benefits	86,521
Total adjustments	<u>(304,869)</u>
Total changes in net position of governmental activities	<u>\$ 417,656</u>

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2021

	General Fund			
	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues	\$ 3,000,948	\$ 4,070,848	\$ 2,928,474	\$ (1,142,374)
Expenditures	3,019,427	4,089,327	2,722,565	1,366,762
Excess (deficiency) of revenues over expenditures	(18,479)	(18,479)	205,909	224,388
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	18,479	18,479	14,641	(3,838)
Transfers (to) other funds	-	-	-	-
Total other financing sources (uses)	18,479	18,479	14,641	(3,838)
Excess (deficiency) of revenues and other sources over expenditures	-	-	220,550	220,550
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	220,550	\$ 220,550
FUND BALANCES, beginning			443,434	
FUND BALANCES, ending			\$ 663,984	

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

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Aging Fund
For the Year Ended June 30, 2021

	<u>Aging Fund</u>			Variance Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues	\$ 2,046,964	\$ 2,572,507	\$ 2,451,959	\$ (120,548)
Expenditures	2,046,964	2,572,507	2,451,959	120,548
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCES, beginning			-	
FUND BALANCES, ending			<u>\$ -</u>	

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

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Workforce Innovation and Opportunity Act Fund
For the Year Ended June 30, 2021

	Workforce Innovation and Opportunity Act Fund			
	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues	\$ 1,050,000	\$ 1,238,696	\$ 916,536	\$ (322,160)
Expenditures	1,050,000	1,238,696	916,536	322,160
Excess (deficiency) of revenues over expenditures	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures	-	-	-	-
Fund balance appropriated	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -
FUND BALANCES, beginning			-	
FUND BALANCES, ending			\$ -	

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

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Revolving Loan Fund
For the Year Ended June 30, 2021

	Revolving Loan Fund			
	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues				
Interest	\$ 18,479	\$ 18,479	\$ 19,502	\$ 1,023
Loan revenues	-	133,000	348,543	215,543
Loan revenues (Contra)	-	-	(348,543)	(348,543)
	-	-	-	-
Total revenues	<u>18,479</u>	<u>151,479</u>	<u>19,502</u>	<u>(131,977)</u>
Expenditures				
Bank charges	100	100	71	29
Loan expenditures	-	133,000	133,000	-
Loan expenditures (Contra)	-	-	(133,000)	133,000
	-	-	-	-
Total expenditures	<u>100</u>	<u>133,100</u>	<u>71</u>	<u>133,029</u>
Excess (deficiency) of revenues over expenditures	<u>18,379</u>	<u>18,379</u>	<u>19,431</u>	<u>1,052</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Transfers (to) other funds	<u>(18,379)</u>	<u>(18,379)</u>	<u>(14,641)</u>	<u>3,738</u>
Total other financing sources (uses)	<u>(18,379)</u>	<u>(18,379)</u>	<u>(14,641)</u>	<u>3,738</u>
Excess (deficiency) of revenues and other sources over expenditures	-	-	4,790	4,790
Fund balance appropriated	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>4,790</u>	<u>\$ 4,790</u>
FUND BALANCES, beginning			<u>1,021,388</u>	
FUND BALANCES, ending			<u>\$ 1,026,178</u>	

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

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
CARES Revolving Loan Fund
For the Year Ended June 30, 2021

	CARES Revolving Loan Fund			
	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
Revenues				
Interest	\$ -	\$ -	\$ -	\$ -
Loan revenues	30,000	505,000	524,400	19,400
Loan revenues (Contra)	-	-	(19,400)	(19,400)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>30,000</u>	<u>505,000</u>	<u>505,000</u>	<u>-</u>
Expenditures				
Bank charges	-	-	91	(91)
Loan expenditures	30,000	505,000	505,000	-
Loan expenditures (Contra)	-	-	(505,000)	505,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>30,000</u>	<u>505,000</u>	<u>91</u>	<u>504,909</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>504,909</u>	<u>504,909</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Transfers (to) other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures	<u>-</u>	<u>-</u>	<u>504,909</u>	<u>504,909</u>
Fund balance appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>504,909</u>	<u>\$ 504,909</u>
FUND BALANCES, beginning			<u>-</u>	
FUND BALANCES, ending			<u>\$ 504,909</u>	

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

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Statement of Fiduciary Net Position - Fiduciary Fund
June 30, 2021

	<u>OPEB Trust Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 10,479</u>
NET POSITION	
Assets held in trust for pension benefits	<u>\$ 10,479</u>

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KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Statement of Changes in Fiduciary Net Position - Fiduciary Fund
For the Year Ended June 30, 2021

	<u>OPEB Trust Fund</u>
Additions:	
Investment income	\$ 112
Net position, beginning of year	<u>10,367</u>
Net position, end of year	<u><u>\$ 10,479</u></u>

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NOTES TO THE FINANCIAL STATEMENTS

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KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Notes to Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Kerr-Tar Regional Council of Governments (the “Council”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Council is a public body and a body corporate and politic created under the authority of Chapter 160A of the General Statutes of North Carolina. It is a jointly governed organization with a 34-member Board of Directors. The governing bodies of each member government appoint 34 members. Three additional at-large members represent the private sector. No one member government appoints a majority. The member governments, the number of Directors appointed for each and the assessments paid for the year ended June 30, 2021 are scheduled below:

	Number of Directors <u>Appointed</u>	Amount of <u>Assessment Paid</u>
Franklin	3	\$ 34,391
Bunn	1	220
Franklinton	1	1,295
Louisburg	1	2,150
Youngsville	1	740
Granville	5	23,342
Butner	1	4,858
Creedmoor	1	2,639
Oxford	1	5,415
Stem	1	296
Stovall	1	268
Person	3	19,905
Roxboro	1	5,352
Vance	4	18,851
Henderson	1	9,836
Kittrell	1	299
Middleburg	1	85
Warren	3	12,079
Macon	1	76
Norlina	1	716
Warrenton	1	552
	<u>34</u>	<u>\$ 143,365</u>

The accompanying financial statements present all funds of the Council and the component unit for which the Council is financially accountable. The Council’s discretely presented component unit is reported in a separate column in the Council’s government-wide financial statements in order to emphasize that it is legally separate from the Council.

Discretely Presented Component Unit - Region K Community Assistance Corporation (the “Corporation”) is a nonprofit entity organized to augment and enhance the program and services related to aging, juvenile justice, community development, economic development, workforce development, and transportation planning and development provided by public and private agencies, including but not limited to, the Council, Franklin County, Granville County, Person County, Vance County, Warren County and the municipalities located in each of those counties. Currently, the Corporation operates the Person County Senior Center. The members of the Corporation’s Board of Directors are appointed by the Council’s Board of Directors and the Council has fiduciary responsibility for the Corporation. The Corporation is presented as a governmental activity. Complete financial statements for the Corporation may be obtained from the finance officer at Region K Assistance Corporation, P.O. Box 709, Henderson, North Carolina 27536.

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

Notes to Financial Statements

June 30, 2021

B. Purpose

The Council was created for the purpose of studying regional government problems and developing regional plans on matters affecting human resources, education, housing, health, transportation, criminal justice, recreation, economic issues, natural resources, environment, open space, flood control, domestic water supplies, and assisting local governments in other matters as directed by the governing body of the Council.

C. Basis of Presentation

Government-wide Statements –The statement of net position and the statement of activities display information about the primary government (the Council) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements display the governmental activities of the Council. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. The Council has only governmental activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Council's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including assessments are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the Council's funds, including its fiduciary fund. The emphasis of fund financial statements is on the major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. The Council reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the Council. It is used to account for all financial resources except those "accounted for in the Revolving Loan Fund, CARES Revolving Loan Fund, Micro-Enterprise Loan Fund, Revolving Loan Fund-Green Jobs, PIVOT Loan Fund, Aging Fund, and Workforce Investment Act Fund, which are Special Revenue Funds" or required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

Revolving Loan Fund: The Revolving Loan Fund was created during the year ended June 30, 1988, to account for a grant from the Economic Development Administration for economic adjustment assistance.

CARES Revolving Loan Fund: The CARES Revolving Loan Fund was created during the year ended June 30, 2021, to account for a grant from the Economic Development Administration for disaster economic recovery.

Aging Fund: The Aging Fund was created during the year ended June 30, 1990, to account for program revenues passed through the North Carolina Department of Health and Human Services to be expended on special services to the aged.

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS

Notes to Financial Statements

June 30, 2021

Workforce Innovation and Opportunity Act Fund: The Workforce Innovation and Opportunity Act (WIOA) Fund was created during the year ended June 30, 2000, to account for program revenues passed through the Department of Commerce, Division of Employment and Training to provide workforce investment systems that increase the employment, retention, and earnings of participants, and increase occupational skill attainment by participants.

The Council also reports Other Governmental Funds, which are individually non-major, in total. The Micro-Enterprise Loan fund, Revolving Loan – Green Jobs fund, and PIVOT Loan fund are special revenue fund types. They are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned for specified purposes other than debt service or capital projects.

The Council reports the following fiduciary fund:

Trust Fund: The Council maintains a Trust Fund - Other Post-employment Benefit Trust Fund. Trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, or other post-employment benefit plans. The Other Post-employment Benefit Trust Fund accounts for the Council's contributions for healthcare coverage provided to qualified retirees.

D. Measurement Focus and Basis of Accounting

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

Government-Wide and Fiduciary Fund Financial Statements – The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenues 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. Internally dedicated resources are reported as general revenues rather than as program revenues.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Council considers all revenues available if they are collected within 90 days after year-end.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Council 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 a program. It is the Council's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

KERR-TAR REGIONAL COUNCIL OF GOVERNMENTS
Notes to Financial Statements
June 30, 2021

E. Budgetary Data

The Council's budget ordinances are adopted, as required by the North Carolina General Statutes, on or before July 1 for the next fiscal year. An annual budget is adopted for the General Fund and the Special Revenue Funds. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments must be approved by the governing board. During the year, several amendments to the original budget were necessary.

F. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Fringe Benefits and Indirect Costs

Fringe Benefits are allocated to departments based on gross pay. Schedule 10 gives an analysis of total fringe benefits for the year.

Indirect costs are recorded as paid. These costs are detailed in Schedule 11 and consist mainly of administrative costs. Indirect costs are also distributed to departments based on gross pay plus fringe benefits.

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

Deposits and Investments – All deposits of the Council are made in board designated official depositories and are collateralized as required by G.S. 159-31. The Council may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the Council may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificate of deposit.

State law [G.S. 159-30 (c)] authorizes the Council to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public Council, 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 NCCMT Government Portfolio, a SEC-registered (2a7) money market mutual fund, is measured at fair value. Because the NCCMT Government have a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents – The Council combines cash from program awards into one operating account to facilitate disbursements and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Prepaid Expenses – Certain prepayments to vendors reflect costs applicable to future accounting periods and are classified as prepaid items in both government wide and fund financial statements.

Accounts Receivable and Notes Receivable – The Council considers all revenues available if they are collected within 90 days subsequent to year-end. Grant revenues which are unearned at year-end are recorded as deferred and unearned revenues.

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The Council provides for losses on receivables on the allowance method. The allowance method is based on experience, third-party contracts, and other circumstances, which may affect the ability of debtors to meet their obligations. It is the Council's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Note receivables within the Revolving Loan Fund and CARES Revolving Loan Fund are shown net of an allowance for uncollectible accounts of \$72,173 and \$0 at June 30, 2021, respectively.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimate historical costs. Donated capital assets are recorded at their estimate fair value at the date of donation. Minimum capitalization costs are as follows: land, \$10,000; building and improvements, \$5,000; and furniture and equipment, \$5,000. The cost 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 Council are depreciated on a straight-line basis over the following estimated useful lives: building and improvements, 50 years; computers, 5 years; and furniture and equipment, 5-10 years.

Compensated Absences – The vacation policy of the Council provides the accumulation of up to 30 days earned vacation leave time, with such leave being fully vested when earned. For the Council's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. In the Council's fund financial statements, presented on the budgetary basis, annual leave expense is recorded as it is earned as required for fringe benefit cost allocation. It is added back to fund balance so as to have fund balance reported in accordance with generally accepted accounting principles.

The Council's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Council has no further obligation for accumulated sick leave, no accrual for sick leave has been made.

Unearned Revenue – Unearned revenue represents grant receipts/receivables not yet earned (not expended) and prepayments of certain other revenues.

Deferred Inflows of Resources – In addition to liabilities, the balance sheet also reports 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 and also represents assets that are recorded in the governmental funds financial statements for which the revenue was not considered available under the modified accrual basis of accounting. The Council has several items that meet this criterion - other OPEB related deferrals, other pension related deferrals and accounts receivable that have not been collected within 90 days, if applicable.

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Council has several items that meet this criterion - contributions made to the pension plan in the 2021 fiscal year, other OPEB related deferrals and other pension related deferrals.

Net Position – Net Position in the government-wide financial statements is 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.

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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.

Revolving Loans – Portion of fund balance that is not an available resource because it represents amounts that have been loaned.

Prepaid Expenses – Portion of fund balance that is not an available resource because it represents amounts that have been prepaid.

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 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 state at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

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

Assigned Fund Balance – Portion of fund balance that the Council intends to use for specific purposes.

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

The Council has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Manager will use resources in the following hierarchy: bond proceeds (if applicable), federal funds, State funds, local 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 Manager has the authority to deviate from this policy if it is in the best interest of the Council.

Pensions and OPEB Plans – For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees’ Retirement System (“LGERS”) and additions to/deductions from LGERS’ fiduciary net position have been determined on the same basis as

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

Note 2 – Deposits and Investments

Deposits – All of the deposits of the Council and the Corporation 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 Council's or Corporation's agents in the units' 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 Council and the Corporation, these deposits are considered to be held by the Council's and Corporation's agent in the entities' name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Council, the Corporation, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Council and the Corporation under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Council has no formal policy regarding custodial credit risk for deposits 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 Council complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Corporation has no formal policy regarding custodial credit risk for deposits.

At June 30, 2021, the Council's deposits had a carrying amount of \$890,477 and a bank balance of \$1,028,325. Of the bank balance, \$260,479 was covered by FDIC and \$767,846 was covered by collateral held under the Pooling Method. The carrying amount of deposit for the Corporation was \$384,688 and the bank balance was \$421,489. The Corporation's cash exceeded federal depository insurance by \$171,489. At June 30, 2021, the Council's petty cash fund totaled \$65.

NC G.S. 159-30.1 allows the Council to establish an Other Post Employment Benefit (OPEB) Trust to be operated in accordance with State laws and regulations. The Council on December 28, 2010, established an Irrevocable OPEB Trust. The Trust agreement specifies that any assets of the Trust are to be invested in those investments authorized by the N.C.G.S. 159-30 and no others. It is not registered with the SEC. At June 30, 2021, the Council's investment consisted of \$10,479 in a financial institution that complies with G.S. 159-30.

Investments – At June 30, 2021, the Council's investments consisted of \$552,614 in the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

Interest Rate Risk – The Council does not have a formal policy to limit interest rate risk.

Credit Risk – The Council limits investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. State law limits investments in commercial paper to the top rating issued by nationally recognized statistical rating organizations (NRSROs); however, the Council has no formal policy on credit risk.

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Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Council has no formal policy on custodial risk.

Concentration of Credit Risk – The Council places no limit on the amount that the Council may invest in any one issuer.

Note 3 – Receivables

The amount due from other governments and other receivables that is owed to the Council at the government-wide level at June 30, 2021 consists of the following:

	<u>Notes</u>	<u>Accounts Receivable</u>	<u>Total</u>
Governmental Activities:			
General	\$ -	\$ 518,788	\$ 518,788
Aging	-	693,411	693,411
WIOA	-	287,676	287,676
Revolving loan	235,128	1,443	236,571
CARES Revolving loan	485,600	-	485,600
Other non-major governmental	<u>159,215</u>	<u>-</u>	<u>159,215</u>
Total receivables	<u>\$ 879,943</u>	<u>\$ 1,501,318</u>	<u>\$ 2,381,261</u>

Note 4 – Capital Assets

The capital assets activity of the Council for the year ended June 30, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Type:				
Capital assets being depreciated:				
General Equipment	<u>\$ 18,587</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,587</u>
Less accumulated depreciation for:				
General Equipment	<u>18,587</u>	<u>-</u>	<u>-</u>	<u>18,587</u>
Governmental Type:				
Capital assets, net of depreciation	<u>\$ -</u>			<u>\$ -</u>

Depreciation expense for the year ended June 30, 2021 was \$0.

Note 5 – Accounts Payable

Accounts payable at the government-wide level at June 30, 2021, were as follows:

Governmental Activities:	
General	\$ 89,625
Aging	693,411
WIOA	<u>287,676</u>
Total accounts payable	<u>\$ 1,070,712</u>

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Note 6 – Employee Retirement Systems and Pension Plans

A. Local Governmental Employees' Retirement System

Plan Description – The Council is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report 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, or 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. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Council employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Council's contractually required contribution rate for the year ended June 30, 2021, was 10.15% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Council were \$86,521 for the year ended June 30, 2021.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2021 the Council reported liability of \$407,013 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of

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all participating LGERS employers, actuarially determined. At June 30, 2021, the Council's proportion was .0114%, which was a decrease of .0003% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the Council recognized pension expense of \$140,512. At June 30, 2021, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 51,399	\$ -
Changes of assumptions	30,290	-
Net difference between projected and actual earnings on pension plan investments	57,276	-
Changes in proportion and differences between Council contributions and proportionate share of contributions	758	10,415
Council contributions subsequent to the measurement date	<u>86,521</u>	<u>-</u>
	<u>\$ 226,244</u>	<u>\$ 10,415</u>

\$86,521 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 32,263
2023	48,474
2024	27,619
2025	16,952
2026	-
Thereafter	-

Actuarial Assumptions – The total pension liability in the December 31, 2019 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 to 8.10 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.

The actuarial assumptions used in the December 31, 2019 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

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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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 Council's Proportionate Share of the Net Pension Asset to Changes in the Discount Rate – The following presents the Council's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Council's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Council's proportionate share of the net pension liability (asset)	\$ 825,785	\$ 407,013	\$ 58,984

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

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B. Other Post-employment Benefits (OPEB)

Healthcare Benefits

Plan Description – Under the terms of a Council resolution passed January 26, 1995, the Council provides healthcare benefits through the Healthcare Benefits Plan (“HCB Plan”) as a single employer defined benefit plan to cover retirees of the Council who participate in the North Carolina LGERS and meet the eligibility requirements set forth below.

<u>Eligibility Requirements (Prior to 7-1-2010)</u>	<u>Council of Government’s Contribution</u>
20 years or more and at least age 60 (any years in NCLGERS)	100%
20 years or more and at least 30 years in the NCLGERS (any age or retirement)	100%
15-19 years and at least age 60 (any years in NCLGERS)	75%

<u>Eligibility Requirements (After 7-1-2010)</u>	<u>Council of Government’s Contribution</u>
25 years or more and at least age 60 (any years in NCLGERS)	100%
25 years or more and at least 30 years in the NCLGERS (any age or retirement)	100%

Once a retiree becomes eligible for Medicare, the Council will pay the appropriate proportion of the cost of the Medicare Supplement. Management of the HCB Plan is vested in the Council’s Board of Directors.

Membership of the HCB Plan consisted of the following at June 30, 2020, the date of the last actuarial valuation:

Retirees and dependents receiving benefits	8
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>14</u>
Total	<u><u>22</u></u>

Net OPEB Liability

The Council’s net OPEB liability of \$1,735,519 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

Actuarial assumptions and other inputs. The net OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.25 to 8.41 percent, including wage inflation
Discount rate	2.16 percent
Healthcare cost trend rates	Pre-Medicare Medical and Prescription Drug – initial rate 7.00% (2020); then decreasing to ultimate rate of 4.2% (2030) Medicare Medical and Prescription Drug – initial rate 5.25% (2020); then decreasing to ultimate rate of 4.50% (2024)
Dental	4.00 percent
Vision	2.50 percent

The discount rate is based upon the Single Equivalent Interest Rate.

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	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balance at July 1, 2020	\$ 1,779,877	\$ 10,367	\$ 1,769,510
Changes for the year			
Service cost	56,602	-	56,602
Interest	38,810	112	38,698
Change of benefit terms	-	-	-
Changes in assumptions	(4,771)	-	(4,771)
Differences between expected and actual experience	(76,715)	-	(76,715)
Contributions	-	47,805	(47,805)
Benefit payments	(47,805)	(47,805)	-
Net changes	<u>(33,879)</u>	<u>112</u>	<u>(33,991)</u>
Balance at June 30, 2021	<u>\$ 1,745,998</u>	<u>\$ 10,479</u>	<u>\$ 1,735,519</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%.

Mortality rates were based on the Pub-2010 Mortality Table.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Investment policy. The HCB Plan's policy in regard to the allocation of invested assets is established and may be amended by the Council's Board of Directors by a majority vote of its members. It is policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct assets classes. The HCB Plan aims to refrain from dramatically shifting asset class allocations over short time spans. Investments are valued at fair value. The following was the Board's adopted asset allocation policy and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Money Market Savings	100%	0.10%

Rate of Return. For the year ended June 30, 2021, the annual rate of return on investments, net of investment expense, was 0.10 percent. This rate of return expresses investment performance, net of investment expense, at per annum, compounded annually.

The component of the net OPEB liability of the Council at June 30, 2021 were as follows:

Total OPEB liability	\$ 1,745,998
Plan fiduciary net position	\$ 10,479
Council's net OPEB liability	\$ 1,735,519
Plan fiduciary net position as a % of Total OPEB Liability	.60%

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Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Council, as well as what the Council's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<u>1% Decrease (1.16%)</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Net OPEB liability	\$ 2,077,479	\$ 1,735,519	\$ 1,468,353

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

	<u>1% Decrease 4.25% to 6.00%</u>	<u>Health Care Cost Trend 5.25% to 7.00%</u>	<u>1% Increase 6.25% to 8.00%</u>
Net OPEB liability	\$ 1,455,047	\$ 1,735,519	\$ 2,098,996

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

For the year ended June 30, 2021, the Council recognized OPEB expense of \$300,282. At June 30, 2021, the Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 500,032	\$ 63,065
Changes of assumptions	271,983	8,545
Net difference between projected and actual earnings on OPEB plan investments	91	-
Benefit payments and costs made subsequent to the measurement date	-	-
	<u>\$ 772,106</u>	<u>\$ 71,610</u>

