

TRIANGLE J COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS AND COMPLIANCE REPORT

As of and for the Year Ended June 30, 2021

And Reports of Independent Auditor

TRIANGLE J COUNCIL OF GOVERNMENTS

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Report of Independent Auditor

To the Board of Delegates
Triangle J Council of Governments
Research Triangle Park, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the fiduciary fund of the Triangle J Council of Governments (the "Council"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Council'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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 Council'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 Council'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 financial statement presentation.

We believe 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 general fund, and the fiduciary fund of the Council, as of June 30, 2021, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplemental information, as listed in the table of contents, 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 to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Council. The supplementary information, as listed in the table of contents, as well as the 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 (Uniform Guidance), 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 and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 December 21, 2021, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the Council's 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 Council's internal control over financial reporting and compliance.

Cheryl Bekaert LLP

Raleigh, North Carolina
December 21, 2021

TRIANGLE J COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

The Triangle J Council of Governments (the "Council") is a voluntary organization of municipal and county governments in North Carolina's Region J. This regional council is one of 16 regional councils established in 1972 by the General Assembly to aid, assist, and improve the capabilities of local governments in administration, planning, fiscal management, and development. The legislature designated that Region J be comprised of Durham, Orange, Wake, Chatham, Johnston, Lee and Moore counties. These seven counties and the 39 municipalities therein were eligible for membership in the Council. The Council has since established itself as a leader in intergovernmental cooperation and planning, bringing together elected officials and local government staff to address issues on a regional basis. Upon the dissolution of Region H in the summer of 2001, the Council gained Moore County as a seventh member county of Region J. The Council serves as administrator for programs related to Public Safety, Transportation, Economic and Physical Development, Environmental Protection, and Human Services.

This section of the Council's financial report represents our discussion and analysis of the financial performance of the Council for the year ended June 30, 2021. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The liabilities of the Council exceeded its assets at the close of the fiscal year by \$770,069 (*net position*).
- The Council's total net position decreased by \$294,947 as a result of the increase in expenses being more than the increase in revenues.
- As of the close of the current fiscal year, the Council's general fund reported an ending fund balance of \$1,658,098. Of this amount \$4,073,447 is restricted by state statute.

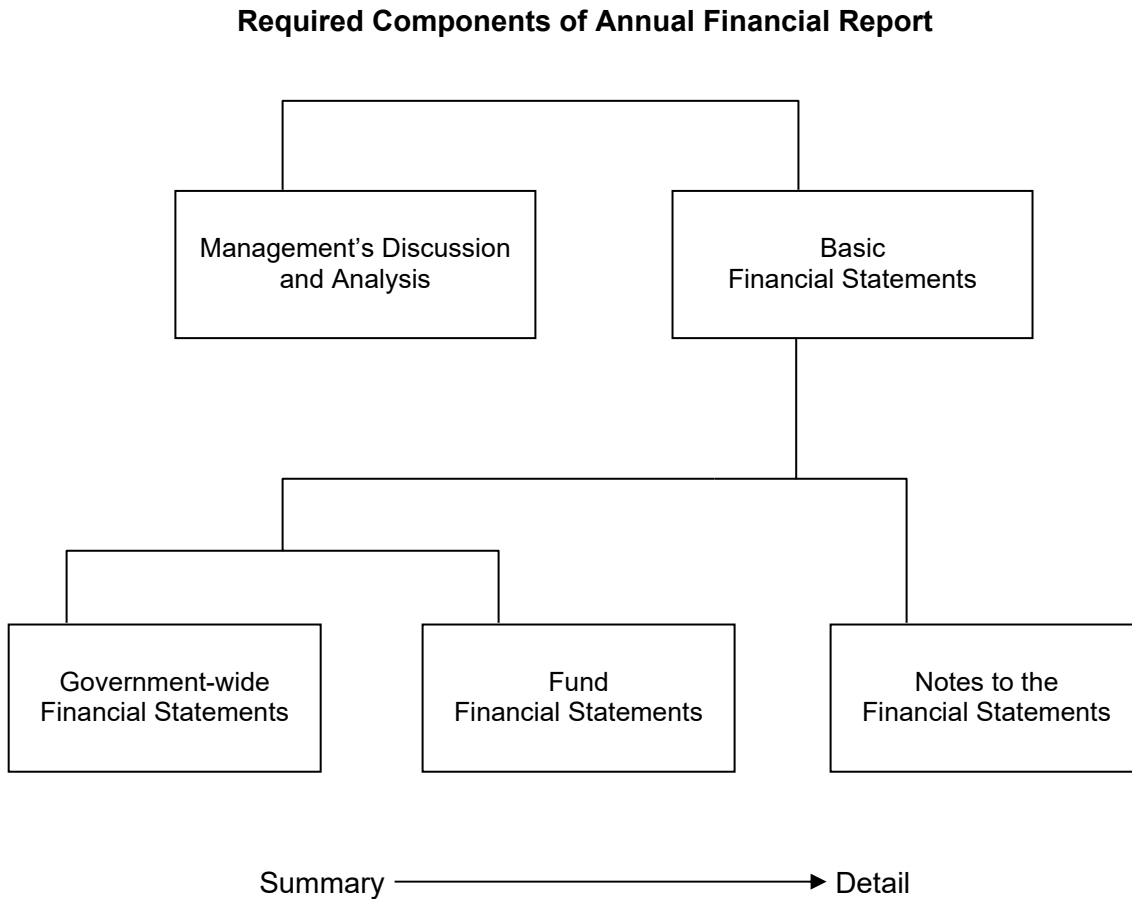
Overview of the Financial Statements

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

TRIANGLE J COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Figure 1



Basic Financial Statements

The first two statements (pages 9 and 10) in the basic financial statements are the *government-wide statements*. They provide both short and long-term information about the Council's financial status. The next statements (pages 11 through 16) 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 other postemployment benefit trust 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, supplementary information is provided to show details about the Council's indirect costs. Budgetary information required by the General Statutes also can be found in this part of the statements.

TRIANGLE J COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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 total liabilities. 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.

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. One of the funds of the Council can be classified within the governmental funds category, while the other fund of the Council can be classified with the fiduciary funds category.

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 resources 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 governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that is part of the fund financial statements.

The Council 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 constituent member local governments, the management of the Council, and the decisions of the Board of Delegates ("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.

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 Fund – Fiduciary funds are used to account for resources held for the benefit of parties outside of the Council. The Council's fiduciary fund is for their Other Postemployment Benefit ("OPEB") trust fund.

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 17 of this report.

TRIANGLE J COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Government-Wide Financial Analysis

Table 1
Condensed Statement of Net Position
June 30,

	Governmental Activities	
	2021	2020
Assets:		
Current assets	\$ 5,860,071	\$ 5,101,755
Capital assets	13,334	20,429
	<u>5,873,405</u>	<u>5,122,184</u>
Deferred Outflows of Resources	<u>1,036,860</u>	<u>1,074,086</u>
Liabilities:		
Current liabilities	4,096,252	3,427,453
Noncurrent liabilities	3,400,514	3,195,471
	<u>7,496,766</u>	<u>6,622,924</u>
Deferred Inflows of Resources	<u>183,568</u>	<u>48,468</u>
Net Position:		
Net investment in capital assets	13,334	15,816
Restricted by stabilization of State Statute	4,073,447	2,194,246
Unrestricted	(4,856,850)	(2,685,184)
	<u>\$ (770,069)</u>	<u>\$ (475,122)</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The liabilities of the Council exceeded assets by \$770,069 of June 30, 2021. The Council's net position decreased by \$294,947 for the fiscal year ended June 30, 2021. Of the net position, \$13,334 reflects the Council's net investment in capital assets (office and computer equipment, software, and vehicles). The Council uses these capital assets to provide services to constituent local government members; consequently, these assets are not available for future spending.

TRIANGLE J COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Table 2
Condensed Statement of Activities
June 30,

	Governmental Activities	
	2021	2020
Revenues:		
Program Revenues:		
Charges for services	\$ 1,556,445	\$ 975,065
Intergovernmental revenues	15,988,809	14,072,600
General Revenues:		
Local government dues	1,125,915	1,167,963
Unrestricted investment earnings	346	18,196
Total Revenues	<u>18,671,515</u>	<u>16,233,824</u>
Expenses:		
Governmental Activities:		
General government	988,907	876,766
Transportation	120,762	130,697
Environmental protection	3,053,610	2,741,045
Economic and physical development	1,573,203	871,177
Human services	13,229,980	11,416,945
Total Expenses	<u>18,966,462</u>	<u>16,036,630</u>
Change in net position	(294,947)	197,194
Net position, July 1	<u>(475,122)</u>	<u>(672,316)</u>
Net position, June 30	<u>\$ (770,069)</u>	<u>\$ (475,122)</u>

Governmental Activities. Governmental activities decreased the Council's net position by \$294,947.

The Council's revenues were \$18.67 million. 86% of the Council's revenues come from federal and state revenues.

The Council's expenditures were \$18.97 million. 70% of the Council's expenditures were related to Human Services programs and 16% of expenses were environmental protection 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.

TRIANGLE J COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Governmental Funds. The focus of the Council'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 operating fund of the Council. At the end of the fiscal year, the General Fund unassigned fund balance reflects a deficit of \$3,243,122 while total fund balance was \$1,658,098, a consequence of State Statute requirements that program receivables are restricted. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The purpose of the comparison is to understand what resources are available for the coming year operations. At June 30, 2021, the fund balance of the governmental funds of the Council increased by \$41,953 over the prior year.

Governmental Funds 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 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. The Council's total revenues were \$3.7 million less than budgeted and the Council's total expenses were \$3 million less than budgeted.

Capital Asset and Debt Administration

Capital Assets. The Council's investment in capital assets for its governmental activities as of June 30, 2021 totals \$13,334 (net of accumulated depreciation). These assets include the GIS software system, vehicles, 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: a net OPEB obligation of \$2,295,814, compensated absences accrued of \$183,113, and net pension liability of \$921,587, totaling \$3,400,514.

Additional information on the Council's debt can be found in Note 6 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 \$18.5 million. The change in the proposed budget over the current year is attributable to an increase in grant funding and project income.

Requests for Information

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

Judy Weller, Finance Director
4307 Emperor Blvd., Ste. 110
Durham, NC 27703

TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash investments	\$ 1,786,624
Accounts receivable	4,066,074
Prepaid items	7,373
Total Current Assets	<u>5,860,071</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	13,334
Total Noncurrent Assets	<u>13,334</u>
Total Assets	<u>5,873,405</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	548,249
OPEB deferrals	488,611
Total Deferred Outflows of Resources	<u>1,036,860</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	3,797,864
Unearned grant revenue	298,388
Total Current Liabilities	<u>4,096,252</u>
Noncurrent Liabilities:	
Compensated absences accrued	183,113
Net pension liability	921,587
Net OPEB obligation	2,295,814
Total Noncurrent Liabilities	<u>3,400,514</u>
Total Liabilities	<u>7,496,766</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	1,228
OPEB deferrals	182,340
Total Deferred Inflows of Resources	<u>183,568</u>
NET POSITION	
Net investment in capital assets	13,334
Restricted:	
Stabilization by State Statute	4,073,447
Unrestricted	(4,856,850)
Total Net Position	<u>\$ (770,069)</u>

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

TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary
				Governmental
				Governmental Activities
Governmental Activities:				
General government	\$ 988,907	\$ 273,065	\$ 403,074	\$ (312,768)
Transportation	120,762	-	84,762	(36,000)
Environmental protection	3,053,610	512,234	1,719,007	(822,369)
Economic and physical development	1,573,203	750,475	856,989	34,261
Human services	13,229,980	20,671	12,924,977	(284,332)
Total Governmental Activities	\$ 18,966,462	\$ 1,556,445	\$ 15,988,809	(1,421,208)
General Revenues:				
Local revenues				1,125,915
Unrestricted investment earnings				346
Total General Revenues				1,126,261
Change in net position				(294,947)
Net position, beginning of year				(475,122)
Net position, end of year				\$ (770,069)

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

TRIANGLE J COUNCIL OF GOVERNMENTS
BALANCE SHEET – GENERAL FUND

JUNE 30, 2021

ASSETS

Cash and investments	\$ 1,786,624
Accounts receivable	4,066,074
Prepaid items	7,373
Total Assets	\$ 5,860,071

LIABILITIES

Program accounts payable and accrued expenses	\$ 3,797,864
Unearned grant revenue	298,388
Total Liabilities	4,096,252

DEFERRED INFLOWS OF RESOURCES

Unavailable revenues	105,721
Total Deferred Inflows of Resources	105,721

FUND BALANCES

Nonspendable for prepaid items	7,373
Restricted:	
Stabilization by State Statute	4,073,447
Committed:	
Unemployment insurance	39,478
Assigned:	
Triangle Area Water Supply Monitoring Project	79,368
Clean Water Education Partnership	60,358
Triangle Water Supply Partnership	441,781
Development & Infrastructure Planning	73,058
CORE	99,297
ESFR 2018 Lee County	11,082
ESFR 2019 Durham County	2,779
ESFR 2019 Harnett County	12,312
URP 2019 Lee County	887
Unassigned	(3,243,122)
Total Fund Balances	1,658,098
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,860,071

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

Ending fund balances - governmental funds.	\$ 1,658,098
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,334
Some liabilities, including capital lease obligations and accrued vacation, are not due and payable in the current period and, therefore, are not reported in the funds.	(183,113)
Changes in accounts receivable due from other governments not collected within 90 days after year-end is deferred in the fund.	105,721
OPEB activity (including long-term liability, deferred outflows, and deferred inflows).	(1,989,543)
Pension activity (including long-term liability, deferred outflows, and deferred inflows) is not reported in the funds.	(374,566)
Net position of governmental activities	\$ (770,069)

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

TRIANGLE J COUNCIL OF GOVERNMENTS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GENERAL FUND**

YEAR ENDED JUNE 30, 2021

Revenues:

Federal government grants	\$ 2,373,948
State government grants	202,405
Federal and state pass through	12,735,653
Member assessments	648,405
Special assessments	849,183
Local aging share	275,915
Program income/fees	1,525,494
Other income	17,214
Interest income	346
Total Revenues	<u>18,628,563</u>

Expenditures:

General government	609,055
Transportation	120,762
Environmental protection	3,053,610
Economic and physical development	1,573,203
Human services	13,229,980
Total Expenditures	<u>18,586,610</u>

Net change in fund balances	41,953
Fund balances, beginning of year	<u>1,616,145</u>
Fund balances, end of year	<u>\$ 1,658,098</u>

TRIANGLE J COUNCIL OF GOVERNMENTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GENERAL FUND TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

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

Net change in fund balances - total governmental funds		\$	41,953
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 in the current period:			
Depreciation expense for governmental assets			(7,095)
Some expenses reported in the statement of activities do not require the use of current financial resources in governmental funds and, therefore, are not reported as expenditures in the governmental funds:			
Principal payments made on capital leases			4,613
Pension related changes			(117,333)
OPEB related changes			(238,183)
Current year accrued absences	\$	(183,113)	
Prior year accrued absences		161,260	
Additions to compensated absences			(21,853)
Certain revenues are not recognized in the governmental funds since they do not provide current financial resources are recognized in the Statement of Activities			
			<u>42,951</u>
Change in net position of governmental activities		\$	<u>(294,947)</u>

TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ANNUAL BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Federal government grants	\$ 2,095,174	\$ 2,834,776	\$ 2,385,131	\$ (449,645)
State government grants	457,266	408,639	202,405	(206,234)
Federal and state pass through	11,125,542	15,059,050	12,735,653	(2,323,397)
Member assessments	648,408	680,563	648,405	(32,158)
Special assessments	866,542	866,542	849,183	(17,359)
Local aging share	276,043	275,915	275,915	-
Program income/fees	1,042,703	1,688,078	1,513,494	(174,584)
Other income	241,421	475,496	18,031	(457,465)
Interest income	8,500	8,500	346	(8,154)
Total Revenues	16,761,599	22,297,559	18,628,563	(3,668,996)
Expenditures:				
General government	636,579	780,132	609,055	171,077
Transportation	147,486	166,476	120,762	45,714
Environmental protection	3,513,743	3,954,148	3,053,610	900,538
Economic and physical development	1,247,102	1,879,248	1,573,203	306,045
Human services	11,216,689	15,517,555	13,229,980	2,287,575
Total Expenditures	16,761,599	22,297,559	18,586,610	3,710,949
Net change in fund balances	\$ -	\$ -	41,953	\$ 41,953
Fund balances, beginning of year			1,616,145	
Fund balances, end of year			\$ 1,658,098	

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

TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF FIDUCIARY NET POSITION – OPEB TRUST FUND

JUNE 30, 2021

ASSETS

Cash and cash equivalents	\$ 264,356
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NET POSITION

Restricted for OPEB benefits	\$ 264,356
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TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – OPEB TRUST FUND

YEAR ENDED JUNE 30, 2021

Additions:

Employer contributions	\$ 97,346
Net appreciation in fair value of investments	<u>20</u>
Total Additions	<u>97,366</u>

Deductions:

Benefit payments	<u>34,301</u>
Total Deductions	<u>34,301</u>

Change in net position	63,065
Net position, beginning of year	<u>201,291</u>
Net position, end of year	<u>\$ 264,356</u>

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Nature of operations and summary of significant accounting policies

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

Reporting Entity – The Council is one of 16 regional councils of government formed pursuant to the General Statutes of North Carolina, Chapter 160A, Article 20, Part 2. Membership in the Council consists of seven counties (Durham, Orange, Wake, Chatham, Johnston, Lee, and Moore) and 39 municipalities from within those counties. The Board of Delegates is comprised of one delegate from each governmental unit.

Purpose – The Council’s purpose is to provide a forum for consideration of multi-jurisdictional matters affecting health, safety, welfare, education, recreation, economic conditions, regional planning, and development. The amount of local contribution from the members for the year ended June 30, 2021 (based on July 1999 capital) was \$0.39 for the first 150,000 persons, then \$0.20 per person thereafter. County dues exclude the incorporated population of the municipalities.

During the year ended June 30, 2017, the Council created Triangle J Regional Corporation, a 501(c)(3) not-for-profit organization. There was no activity within Triangle J Regional Corporation during the year ended June 30, 2021.

Basis of Presentation

Government-Wide Financial Statements – The Council has implemented Government Accounting Standards Board (“GASB”) 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and related standards. The statement of net position and the statement of activities display information about the Council. These statements include the financial activities of the overall council. 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 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. 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 requirements of a particular program. Revenues that are not classified as program revenues, including member dues, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the Council’s funds. The Council maintains one governmental fund and one fiduciary fund which are described as follows:

General Fund – The General Fund is the general operating fund of the Council. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are technical assistance contracts, contracts and fees, and member dues. The primary expenditures are for area agencies on aging, planning assistance and administration, and the regional initiatives group.

Other Postemployment Benefit Trust Fund – The Other Postemployment Benefit (“OPEB”) Trust Fund is used to report resources that are required to be held in trust for the members and beneficiaries of the other postemployment benefit plan. The OPEB Trust Fund accounts for the Council’s contributions for healthcare coverage provided to qualified retirees.

Measurement Focus and Basis of Accounting – In accordance with North Carolina Statutes, all funds of the Council are maintained during the year using the modified accrual basis of accounting.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Nature of operations and summary of significant accounting policies (continued)

Government-Wide Financial Statements – The government-wide 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. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. General capital asset acquisitions are reported as expenditures in governmental funds.

Budgetary Data – The Council's budget ordinance is adopted, as required by the North Carolina General Statutes, on or before July 1 for the next fiscal year.

Expenditures may not legally exceed appropriations at the program or project level. The Council's finance officer is authorized to transfer appropriations within a program or project; however, any revisions that alter total expenditure of any program must be approved by the governing board.

The appropriations are formally budgeted and legally controlled on a program or project basis. The annual budget, which is prepared on the modified accrual basis of accounting as required by North Carolina Statute, is amended during the fiscal year by the Board of Delegates, and the budget amounts reflected in the statement of revenues, expenditures, and changes in fund balance represent the budget as amended to June 30, 2021. Unencumbered annual appropriations lapse at each fiscal year-end and must be re-appropriated in the following fiscal year's budget.

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

Indirect Costs – Indirect costs in program or project expenditures are those costs not readily assignable to a program or incurred for a common or joint purpose benefiting more than one program or project. Indirect costs are charged to programs or projects during the year based on direct salaries and fringe benefits using the actual rate.

Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Fund Equity

Deposits and Investments – All deposits of the Council are made in board-designated official depositories and are either insured by the Federal Deposit Insurance Corporation ("FDIC") or held in investment vehicles authorized by the State Treasurer.

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 Council's investments are primarily in securities of the NCCMT Government Portfolio. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at amortized cost which approximates fair value, and is the NCCMT's share price. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than six months.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Nature of operations and summary of significant accounting policies (continued)

Cash and Cash Equivalents – The Council combines cash from program awards into one operating account to facilitate disbursements and investments and to maximize investment income. The Council considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Accounts Receivable – The Council considers all revenues available if they are collected within 90 days subsequent to year-end except for grant receivables. Grant-related receivables are considered to be available regardless of when the amounts are collected. Grant revenues which are unearned at year-end are recorded as unearned revenues.

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

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. Management of the Council believes all receivables will be collected. Therefore, no allowance for uncollectible accounts is considered necessary.

Capital Assets – Capital assets are defined by the Council as assets with an initial, individual cost greater than or equal to \$5,000 and an estimated useful life in excess of two years. Council assets meeting this definition are recorded at original cost at the time of acquisition and depreciated over the useful lives, ranging from 5 to 10 years, on a straight-line basis. When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in the earnings for the period.

Compensated Absences – Council policy provides the accumulation of earned vacation up to 240 hours. Leave is fully vested when earned. Accumulated earned vacation at June 30, 2021 was \$183,113. Accumulated vacation is accounted for on a LIFO basis, assuming employees are taking leave as it is earned. The current portion of the accumulated vacation pay is not considered to be material and, therefore, no provision has been made in the accompanying financial statements. Employees can accumulate an unlimited amount of sick leave. Accrued sick leave 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.

Coverage for other postretirement benefits is provided through common insurance carriers.

Deferred Outflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 two items that meet this criterion, its contributions and other deferrals made to the Local Government Employees' Retirement System ("LGERS") and contributions and other deferrals made to the Council's OPEB plan.

Deferred Inflows of Resources – In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Council has two items that meet this criterion, deferrals related to future changes of the pension and OPEB liabilities.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Nature of operations and summary of significant accounting policies (continued)

Net OPEB Liability – The Council maintains one postemployment benefit plan. The plan's financial statement is prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Contributions are recognized when due, and the Council will provide the contributions to the Plan. Benefits and refunds are recognized when due and payable in accordance with the term of the plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Short-term money market debt instruments, deposits, and repurchase agreements are reported at cost or amortized cost, which approximates fair value. Certain longer term United States government and United States agency securities are valued at the last reported sales price. Administration costs of the plan are financed through investment earnings.

Pension – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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 members' 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 contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Unearned Revenue – Unearned revenue represents grant receipts not yet earned (not expended).

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.

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

Prepaid Items – Portion of fund balance that is not an available resource because it represents amounts prepaid relating to ensuing year's budget which are not spendable resources.

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

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

Committed – 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.

Unemployment Insurance – Portion of fund balance restricted by the board for use for unemployment insurance.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1—Nature of operations and summary of significant accounting policies (continued)

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

Subsequent Year’s Expenditures for Triangle Area Water Supply Monitoring Project, Clean Water Education Partnership, Triangle Water Supply Partnership, DIP, CORE, ESFR 2018 Lee County, ESFR 2019 Durham County, ESFR 2019 Harnett County, URP 2019 Lee County– 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 Finance Director to modify the appropriations by resource or appropriation within funds.

When both restricted and unrestricted resources are available to use, it is the Council’s policy to use restricted resources first then unrestricted resources, as they are needed.

Note 2—Deposits and investments

All of the Council’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 Council’s agents in the unit’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 Council, these deposits are considered to be held by the agent in the entity’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 Council or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Council 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.

At June 30, 2021, the Council’s deposits had a carrying amount of \$414,432 and a bank balance of \$668,288. Of the bank balance, \$250,000 was covered by FDIC. The remaining bank balance is collateralized under the Pooling Method.

At June 30, 2021, the Council had the following investments:

Investment Type	Valuation Measurement Method	Book Value at 6/30/2021	Maturity	Rating
NCCMT - Government Portfolio	Fair Value Level 1	\$1,608,420	Less than 6 months	AAAm

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

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

The Council’s investment in the NCCMT’s Government Portfolio carried a credit rating of AAAM by Standard & Poor’s and AAA-mf by Moody’s Investor Service as of June 30, 2021. The Authority has no formal policy regarding credit risk on its investments.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 3—Receivables

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

DHHS – Office of the Secretary	\$ 2,810,596
Other receivables	1,255,478
	<u>\$ 4,066,074</u>

Note 4—Capital assets

The capital assets of the Council at June 30, 2021 consist of administrative and program equipment and vehicles. The following is a schedule of capital assets:

	<u>June 30, 2020</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u> <u>Balance</u>
Capital assets being depreciated:				
Vehicles	\$ 41,303	\$ -	\$ (23,524)	\$ 17,779
Capital leases	22,783	-	-	22,783
	<u>64,086</u>	<u>-</u>	<u>(23,524)</u>	<u>40,562</u>
Less accumulated depreciation for:				
Vehicles	25,429	2,540	(23,524)	4,445
Capital leases	18,228	4,555	-	22,783
	<u>43,657</u>	<u>\$ 7,095</u>	<u>\$ (23,524)</u>	<u>27,228</u>
Governmental activities capital assets, net of depreciation	<u>\$ 20,429</u>			<u>\$ 13,334</u>

Note 5—Retirement plan

Local Governmental Employees' Retirement System

Plan Description – The Council is a participating employer in the statewide LGERS, a cost-sharing multiple-employer defined benefit pension plan (the “Plan”) administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (“LEO”) 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 member. LGERS is included in the Annual Comprehensive Financial Report (“ACFR”) for the state of North Carolina. The state’s ACFR 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.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 5—Retirement plan (continued)

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 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 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.

Contributions — Contribution provisions are established by G.S. 128-30 and may be amended only by the North Carolina General Assembly. 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 10.19% 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 Plan from the Council were \$210,512 for the year ended June 30, 2021. The contributions made from the Council equaled the required contributions for the year.

Refund 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 the 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 a liability of \$921,587 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 all participating LGERS employers, actuarially determined. At June 30, 2021, the Council's proportion was 0.02579%, which was a decrease of 0.0004% from its proportion measured at June 30, 2020.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 5—Retirement plan (continued)

For the fiscal year ended June 30, 2021, the Council recognized pension expense of \$327,729. At June 30, 2021, the Council 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	\$ 116,380	\$ -
Changes of assumptions	68,584	-
Net difference between projected and actual earnings on pension plan investments	129,689	-
Changes in proportion and differences between Council contributions and proportionate share of contributions	23,084	1,228
Council contributions subsequent to the measurement date	210,512	-
	<u>\$ 548,249</u>	<u>\$ 1,228</u>

Deferred outflows of resources related to pensions resulting from the Council’s contributions subsequent to the measurement date of \$210,512 will be recognized as an increase of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Years Ending June 30,

2022	\$ 99,619
2023	123,331
2024	75,178
2025	38,381
	<u>\$ 336,509</u>

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%
Salary increases	3.50% to 8.10%, including inflation and productivity factor
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

The plan currently uses mortality rates based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table 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 as of December 31, 2014.

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

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 5—Retirement plan (continued)

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 weighing 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:

Asset Class	Target Allocation	Long-term Expected Real Estate
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Opportunistic fixed income	7.0%	6.0%
Inflation sensitive	6.0%	4.0%
	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 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 Council's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Council's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Council's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Council's proportionate share of the net pension liability (asset)	\$ 1,869,799	\$ 921,587	\$ 133,556

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 5—Retirement plan (continued)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ACFR for the state of North Carolina.

Supplemental Retirement Income Plan

All full-time employees of the Council, who are members of LGERS, can voluntarily elect to participate in the Supplemental Retirement Income Plan of North Carolina. This Plan is a defined contribution pension plan governed by the Department of the State Treasurer and a Board of Trustees. Participation begins at the date of employment in a defined contribution plan; benefits depend solely on amounts contributed to the plan plus investment earnings. The Council contributes amounts equal to 5% of each employee’s gross annual salary. Contributions are remitted bi-weekly and such contributions vest immediately. Council contributions to the plan totaled \$104,419 for the year ended June 30, 2021.

Note 6—Other postemployment benefits

Plan Administration – Under the terms of a Council resolution, the Council administers a single-employer defined benefit healthcare plan (the “Retiree Health Plan”). The plan provides postemployment healthcare benefits to retirees of the Council, provided they participate in the North Carolina LGERS and have at least five years of creditable service with the Council. The Council pays a percentage of the premium for the coverage based on the equivalent years of service as follows:

5-10 years	25%
10-15 years	50%
15-20 years	75%
Over 20 years	100%

Membership in the Retiree Health Plan consisted of 12 retirees and 31 active employees for a total of 43 employees included in the calculation as of June 30, 2021.

Also, the Council’s retirees can purchase coverage for their dependents at the Council’s group rates. The Council’s board may amend the benefit provisions. A separate report was not issued for the Retiree Health Plan.

Funding Policy – By Council resolution, the Council pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Council has chosen to fund the healthcare benefits on a pay-as-you-go basis. In fiscal year ended June 30, 2021, the Council’s total contributions were \$97,445. The OPEB Trust Fund is accounted for as a trust fund.

Benefits Provided – The Council’s plan provides healthcare benefits for retirees. The Council pays a percentage of the cost of coverage for employees’ benefits through private insurers.

The following are the Council’s contributions to the plan based on years of creditable service as of June 30, 2021:

<u>Years of Creditable Service</u>	<u>Date Hired Pre-July 1, 2007</u>	<u>Date Hired on or After July 1, 2007</u>
Less than 10 years	43.75%	0.00%
10 to 20 years	32.00%	0.00%
More than 20 years	24.25%	0.00%

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6—Other postemployment benefits (continued)

Investment Policy – The Council’s policy in regard to the allocation of invested assets is established and may be amended by the board by a majority vote of its members. It is the policy of the board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Council discourages the use of cash and cash equivalents, except for liquidity purposes, and 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 as of June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and cash equivalents	100%	0.03%

For the year ended June 30, 2021, the annual money weighted rate of return on investments, net of investment expense, was 0.03%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Council – The components of the net OPEB liability of the Council at June 30, 2021 were as follows:

Net OPEB Liability	
Total OPEB liability	\$ 2,560,170
Plan fiduciary net position	264,356
Net OPEB liability	<u>\$ 2,295,814</u>

Plan fiduciary net position as a percentage of the total OPEB liability 10.33%

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increases	3.25-8.41%
Investment rate of return	0.03%
Municipal bond index rate - prior measurement date	2.21%
Municipal bond index rate - measurement date	2.16%
Single equivalent interest rate - prior measurement date	2.02%
Single equivalent interest rate - measurement date	1.92%
Healthcare cost trend rates - Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.5% by 2030
Healthcare cost trend rates - Medicare	5.25% for 2020 decreasing to an ultimate rate of 4.5% by 2024

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6—Other postemployment benefits (continued)

The total OPEB liability was rolled forward to June 30, 2021, utilizing update procedures incorporating the actuarial assumptions. The discount rate used to measure the total OPEB liability was based upon the single equivalent interest rate.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases 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, adopted by the LGERS.

The remaining actuarial assumptions used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the Council, as well as what the Council’s net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	1% Decrease (0.92%)	Current Discount Rate (1.92%)	1% Increase (2.92%)
Net OPEB liability	\$ 2,860,748	\$ 2,295,814	\$ 1,863,416

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB liability of the Council, as well as what the Council’s net OPEB liability would be if it were calculated using healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 1,788,270	\$ 2,295,814	\$ 2,988,863

Changes in Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2021, the Council reported a net OPEB liability of \$2,295,814. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6—Other postemployment benefits (continued)

The components of the net OPEB liability of the Council, measured as of June 30, 2021 were as follows:

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2020	\$ 2,519,181	\$ 201,291	\$ 2,317,890
Changes for the year:			
Service cost at the end of the year	163,836	-	163,836
Interest on TOL and cash flows	50,542	-	50,542
Change in benefit terms	40,278	-	40,278
Difference between expected and actual experience	(74,097)	-	(74,097)
Changes of assumptions or other inputs	(105,169)	-	(105,169)
Contributions - employer	-	97,445	(97,445)
Contributions - non-employer	-	-	-
Net investment income	-	21	(21)
Benefit payments	(34,401)	(34,401)	-
Plan administrative expenses	-	-	-
Other	-	-	-
Net changes	40,989	63,065	(22,076)
Balance as of June 30, 2021	\$ 2,560,170	\$ 264,356	\$ 2,295,814

Changes of Assumptions – Changes of assumptions and other inputs reflect a change in the discount rate from 2.02% in 2020 to 1.92% in 2021.

For the year ended June 30, 2021, the Council recognized OPEB expense of \$335,628. At June 30, 2021, the Council 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	\$ 40,073	\$ 65,802
Changes of assumptions or other inputs	448,486	116,538
Net difference between projected and actual earnings on plan investments	52	-
	\$ 488,611	\$ 182,340

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 6—Other postemployment benefits (continued)

The \$306,271 reported as deferred outflows of resources net of deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period for Fiscal Years Ending June 30:

2022	\$	81,040
2023		81,599
2024		87,240
2025		64,988
2026		5,952
Thereafter		<u>(14,548)</u>
	<u>\$</u>	<u>306,271</u>

The financial statements for the OPEB Trust Fund is shown as a fiduciary fund on pages 15 and 16.

Note 7—Other Employment benefits

The Council has elected to provide death benefits to employees through the Death Benefit Plan for members of the LGERS (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. Because all death benefit payments are made from the Death Benefit Plan and not by the Council, the Council does not determine the number of eligible participants. The Council has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Council considers these contributions to be immaterial.

Note 8—Long-term obligations

Capital Leases – In 2016, the Council entered into a capital lease agreement for a copier. The economic substance of the lease is the Council is financing the acquisition of the asset through the lease and, accordingly, the lease is recorded in the Council's assets and liabilities.

The following is an analysis of the leased assets included in capital assets:

Capital assets	\$	22,783
Less accumulated depreciation		<u>(22,783)</u>
	<u>\$</u>	<u>-</u>

The lease agreement ended in May 2021. The lease continued month-to-month thereafter. Rent expense was recognized within general government expenses.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 8—Long-term obligations (continued)

Change in Long-Term Obligations – A summary of changes in long-term obligations for the year ended June 30, 2021 is as follows:

	<u>June 30, 2020</u>	<u>Net Increase</u>	<u>Net Decrease</u>	<u>June 30, 2021</u>	<u>One Year</u>
Net OPEB liability	\$ 2,317,890	\$ -	\$ (22,076)	\$ 2,295,814	\$ -
Compensated absences	161,260	21,853	-	183,113	-
Capital leases	4,613	-	(4,613)	-	-
Net pension liability	716,321	205,266	-	921,587	-
	<u>\$ 3,200,084</u>	<u>\$ 227,119</u>	<u>\$ (26,689)</u>	<u>\$ 3,400,514</u>	<u>\$ -</u>

Operating Leases – The Council leases property under an operating lease with a term through July 2023, which requires future minimum rental payments as of June 30, 2021, according to the following schedule:

Fiscal Years Ending June 30,

2022	\$ 226,447
2023	232,696
2024	19,435
	<u>\$ 478,578</u>

Rent expense under all leases was \$225,622 for the year ended June 30, 2021.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

Note 9—Risk management

The Council 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 Council participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Council obtains general liability of \$5 million per occurrence, auto liability coverage of \$5 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Council carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past fiscal years. A Public Officials Bond has been purchased for the Finance Officer in the amount of \$100,000.

Note 10—Contingent liabilities

The Council is the recipient of various State and Federal awards for specific purposes that are subject to review and possibly final audit by the grantor agencies. Such audits could lead to requests by the grantor agencies for reimbursement of expenditures disallowed under the compliance terms of the grant. At June 30, 2021, no request for reimbursement by the grantor agencies existed for those grants which have been subjected to grantor audits.

Note 11—Concentration of risk

A material part of the Council's support is derived from grants from the North Carolina Department of Health and Human Services – Division of Aging. This support represented 69% of the Council's total revenue for the year ended June 30, 2021. The loss of this revenue would have an adverse effect on the Council's ability to continue to provide its aging services.

Note 12—Subsequent events

The Council has evaluated subsequent events through December 21, 2021 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

In September 2021, the Council entered into a five-year lease for copier equipment, which requires monthly rental payments of \$375 for 63 months.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

This section contains additional information required by governmental accounting standards board.

- Schedule of Change in Net OPEB Liability and Related Ratios
- Schedule of OPEB Investment Returns
- Schedule of OPEB Employer Contributions
- Schedule of Proportionate Share of Net Pension Liability
- Schedule of Contributions

TRIANGLE J COUNCIL OF GOVERNMENTS
OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS –
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS, AND
INVESTMENT RETURNS

*LAST FIVE FISCAL YEARS ENDING JUNE 30**

	Schedule of Changes in Net OPEB Liability and Related Ratios				
	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	\$ 163,836	\$ 112,344	\$ 62,775	\$ 66,435	\$ 74,614
Interest	50,542	59,678	59,009	52,713	47,205
Changes of benefit terms	40,278	-	-	-	-
Difference between expected and actual experience	(74,097)	(4,424)	45,705	48,354	-
Changes in assumptions	(105,169)	483,197	215,218	(85,011)	(147,357)
Benefit payments	(34,401)	(28,207)	(21,584)	(71,569)	(46,797)
Net change in total OPEB liability	<u>40,989</u>	<u>622,588</u>	<u>361,123</u>	<u>10,922</u>	<u>(72,335)</u>
Total OPEB liability, beginning	<u>2,519,181</u>	<u>1,896,593</u>	<u>1,535,470</u>	<u>1,524,548</u>	<u>1,596,883</u>
Total OPEB liability, ending	<u>\$ 2,560,170</u>	<u>\$ 2,519,181</u>	<u>\$ 1,896,593</u>	<u>\$ 1,535,470</u>	<u>\$ 1,524,548</u>
Plan fiduciary net position					
Contributions - employer	\$ 97,445	\$ 102,861	\$ 91,682	\$ 20,463	\$ 107,575
Contributions - non-employer	-	-	-	-	-
Contributions - active member	-	-	-	-	-
Net investment income	21	31	16	23	-
Benefit payments	(34,401)	(28,207)	(21,584)	(71,569)	(46,797)
Administrative expense	-	-	-	-	-
Other	-	-	-	46,797	-
Net change in plan fiduciary net position	<u>63,065</u>	<u>74,685</u>	<u>70,114</u>	<u>(4,286)</u>	<u>60,778</u>
Plan fiduciary net position, beginning	<u>201,291</u>	<u>126,606</u>	<u>56,492</u>	<u>60,778</u>	<u>-</u>
Plan fiduciary net position, ending	<u>\$ 264,356</u>	<u>\$ 201,291</u>	<u>\$ 126,606</u>	<u>\$ 56,492</u>	<u>\$ 60,778</u>
Net OPEB liability - ending	<u>\$ 2,295,814</u>	<u>\$ 2,317,890</u>	<u>\$ 1,769,987</u>	<u>\$ 1,478,978</u>	<u>\$ 1,463,770</u>
Plan fiduciary net position as a percentage of the total OPEB liability	10.33%	7.99%	6.68%	3.68%	3.99%

*This schedule is intended to show information for 10 years. This schedule will not present 10 years of information until fiscal year 2026.

TRIANGLE J COUNCIL OF GOVERNMENTS
OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS –
SCHEDULE OF OPEB EMPLOYER CONTRIBUTIONS AND NOTES TO
THE REQUIRED SCHEDULE

LAST FIVE FISCAL YEARS ENDING JUNE 30

Schedule of Employer Contributions ⁽¹⁾

	2021	2020	2019	2018
Actuarially determined contribution	\$ 404,714	\$ 404,714	\$ 276,180	\$ 276,180
Contributions in relation to the Actuarially Determined Contribution	97,445	102,861	91,682	67,260
Annual contribution deficiency (excess)	<u>\$ 307,269</u>	<u>\$ 301,853</u>	<u>\$ 184,498</u>	<u>\$ 208,920</u>
Covered payroll ⁽²⁾	\$ 2,010,476	\$ 1,685,103	\$ 1,685,103	\$ 1,223,575
Actual contributions as a percentage of covered payroll	4.85%	6.10%	5.44%	5.50%

⁽¹⁾ Ten-year trend information is being developed in this table.

Notes to the Required Schedule

Actuarially Determined Contribution rates, as a percentage of payroll used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated with each biennial actuarial valuation. The following actuarial methods and assumptions (from the June 30, 2018 actuarial valuation) were used to determine contribution rates report in that schedule for the year ending June 30, 2020:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Amortization period	30 years, closed
Asset valuation method	Market value of assets

Actuarial Assumptions:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increases	3.25-8.41%
Investment rate of return	0.03%
Municipal bond index rate - prior measurement date	2.21%
Municipal bond index rate - measurement date	2.16%
Single equivalent interest rate - prior measurement date	2.02%
Single equivalent interest rate - measurement date	1.92%
Healthcare cost trend rates - Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.5% by 2030
Healthcare cost trend rates - Medicare	5.25% for 2020 decreasing to an ultimate rate of 4.5% by 2024

Schedule of Investment Returns

	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	0.03%	0.03%	0.03%	0.03%	0.03%

TRIANGLE J COUNCIL OF GOVERNMENTS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM –
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITIES AND SCHEDULE OF CONTRIBUTIONS

*LAST EIGHT FISCAL YEARS ENDED JUNE 30**

Schedule of Proportionate Share of Net Pension Liability (Asset)

	2021	2020	2019	2018	2017	2016	2015	2014
Council's proportion of the net pension liability (asset) (%)	0.026%	0.026%	0.025%	0.026%	0.023%	0.024%	0.027%	0.027%
Council's proportion of the net pension liability (asset) (\$)	\$ 921,587	\$ 716,321	\$ 600,914	\$ 401,638	\$ 485,166	\$ 108,159	\$ 323,043	\$ 323,043
Council's covered payroll	1,985,350	1,859,630	1,729,645	1,635,289	1,376,448	1,472,426	1,237,322	1,237,322
Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	46.42%	38.52%	34.74%	24.56%	35.25%	7.35%	-10.65%	22.25%
Plan fiduciary net position as a percentage of the total pension liability	88.61%	90.86%	91.63%	98.31%	97.97%	98.09%	102.64%	94.35%

Schedule of Contributions

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 210,512	\$ 178,483	\$ 144,865	\$ 130,516	\$ 119,540	\$ 91,809	\$ 105,581	\$ 105,921
Contributions in relation to the contractually required contribution	210,512	178,483	144,865	130,516	119,540	91,809	105,581	105,921
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Council's covered payroll	\$ 2,065,868	\$ 1,985,350	\$ 1,859,630	\$ 1,729,645	\$ 1,635,289	\$ 1,376,448	\$ 1,472,426	\$ 1,451,793
Contributions as a percentage of covered payroll	10.19%	8.99%	7.79%	7.55%	7.31%	6.67%	7.17%	7.30%

*The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. Information is not available for years prior to those presented.

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS –
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Indirect Personnel Costs:			
Salaries	\$ 381,640	\$ 381,579	\$ 61
Fringe benefits	146,616	146,517	99
	<u>528,256</u>	<u>528,096</u>	<u>160</u>
Administrative Costs:			
Telecommunications	144,024	133,471	10,553
Travel-mileage	1,500	10	1,490
Computer equipment	4,000	-	4,000
Leased equipment	9,000	8,484	516
Maintenance:			
Equipment/software maintenance	24,150	24,127	23
Office furnishings/repairs	15,504	2,771	12,733
Recruitment cost	3,500	3,659	(159)
Rent building	228,979	225,622	3,357
Rent facility	2,500	2,475	25
Office supplies	7,000	2,238	4,762
Postage	2,600	-	2,600
Printing	13,000	1,030	11,970
Meeting expense	-	-	-
Conferences/training	11,500	1,543	9,957
Contractual	10,450	12,241	(1,791)
Legal cost	3,000	5,050	(2,050)
Audit cost	27,700	27,700	-
Dues and subscriptions	12,718	12,717	1
Insurance	12,500	11,518	982
	<u>533,625</u>	<u>474,656</u>	<u>58,969</u>
Total Indirect Costs	<u>\$ 1,061,881</u>	<u>\$ 1,002,752</u>	<u>\$ 59,129</u>

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS APPLIED TO PROGRAMS

YEAR ENDED JUNE 30, 2021

	Program Salaries and Fringe	Actual Indirect Costs Allocated to Programs Based on Salaries
Member Services	\$ 203,431	\$ 80,638
Drug Alcohol Testing Program	21,845	8,846
Regional Summit	6,673	3,029
Regional Recruitment Partnership	5,964	2,438
Triangle Area Rural Planning Organization	84,911	34,705
Foreign Trade Zone	53,627	18,544
Economic Development District	60,378	25,052
Brownfields	10,707	4,269
CARES Act Supplemental EDA	48,562	19,389
Natural Resources Strategy & Technical Asst.	11,641	5,145
319 Septic	6,446	2,625
Jordan Lake One Water	1,134	440
Upper Middle Creek	3,994	1,903
Johnston Merger and Regionalization	2,640	1,197
Triangle Area Water Supply Monitoring Project	11,847	4,889
Upper Middle Creek Phase II	509	204
Clean Water Education Partnership (CWEP)	40,052	9,947
Triangle Water Supply Partnership	22,450	9,277
Integrated Water Management	33,677	14,086
Raleigh Watershed Protection	20,900	8,969
Dry Creek	5,698	2,069
Upper Cape Fear River Basin Association	10,205	4,172
Transportation Demand Management (TDM)	159,333	59,345
Triangle Clean Cities	77,554	21,563
Energy & Environment Project Planning	2,744	1,277
Disaster Recovery and Resiliency	12,960	5,536
Intercity Rail Outreach	3,999	1,825
Clean Fuels Advanced Technologies	2,868	1,220
Safe Routes to School	30,337	12,146
Alt Fuel Resilience Plan	29,721	12,028
Regional Data Center/GIS	26,269	10,679
Center of the Region Enterprise (CORE)	8,763	3,399
Development & Infrastructure Planning	18,586	7,810
Smart Growth Education	38,031	15,749
Land Use - Transportation - Air Quality	218,032	88,567

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS APPLIED TO PROGRAMS (CONTINUED)

YEAR ENDED JUNE 30, 2021

	Program Salaries and Fringe	Allocated to Programs Based on Salaries
Chatham Housing Project	\$ 19,000	\$ 7,600
Planning Technical Assistance	28,386	10,284
Home Repair Project	1,765	810
Durham Comprehensive Plan	5,653	2,288
URP 2019 Lee County	1,757	778
ESFR 2018 Lee County	5,775	2,251
ESFR 2019 Durham County	3,729	1,571
ESFR 2019 Harnett County	3,783	1,554
Durham ADU Technical Assistance	2,995	1,428
Carthage Land Use Plan	16,376	6,572
DEQ Collaborative Expansion	18,621	6,987
Main Line Rail Corridor Analysis	82,240	34,656
Community Home Trust Impact Study	8,715	2,632
URP-ESFR Orange County	14,429	6,092
Fayetteville Housing Study	27,667	8,558
Aging Planning	436,744	178,686
Aging Ombudsman	397,484	162,505
Family Caregiver	98,251	40,780
Elder Abuse	11,606	4,808
Health Promotion	8,573	3,531
Local Contact Agency (LCA)	1,393	709
Durham Community Resource Connections	17,951	7,477
Veteran Directed Home & Community Based Services	1,615	657
Medicare Improvements Patient and Providers Act III	2,850	1,259
Cares Act Ombudsman	1,982	59
Cares Act Consumer Direct Services - Chatham	2,212	945
Cares Act Consumer Direct Services - Johnston	1,003	416
Medicare Improvements Patient and Providers Act IV	9,817	3,882
Total Indirect Costs	<u>\$ 2,528,860</u>	<u>\$ 1,002,752</u>

TRIANGLE J COUNCIL OF GOVERNMENTS
SUPPLEMENTAL SCHEDULE OF PROGRAM REVENUES –
BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government:			
Non-Departmental & Contingency	\$ 135,771	\$ 123,538	\$ (12,233)
Member Services	414,986	392,963	(22,023)
Drug Alcohol Testing Program	72,275	70,635	(1,640)
Regional Summit	37,849	10,307	(27,542)
Regional Recruitment Partnership	119,251	78,906	(40,345)
	<u>780,132</u>	<u>676,349</u>	<u>(103,783)</u>
Transportation:			
TARPO planning	166,476	120,762	(45,714)
Economic and Physical Development:			
Foreign Trade Zone	92,000	89,917	(2,083)
Economic Development District	134,000	99,703	(34,297)
Brownfields	16,000	14,976	(1,024)
Cares Act Supplemental EDA	128,614	71,807	(56,807)
Regional Data Center/GIS	44,349	52,137	7,788
Center of the Region Enterprise	32,500	32,500	-
Development and Infrastructure Planning	46,032	46,032	-
Smart Growth Education and Technical Assistance	54,578	54,568	(10)
Land Use - Transportation - Air Quality	309,320	295,884	(13,436)
Chatham Housing Project	36,000	32,114	(3,886)
Planning Technical Assistance	39,100	47,853	8,753
Home Repair Project	62,679	52,317	(10,362)
Durham Comprehensive Plan	35,000	7,333	(27,667)
URP 2019 Lee County	11,061	11,948	887
ESFR 2018 Lee County	73,939	50,363	(23,576)
ESFR 2019 Durham County	60,000	74,117	14,117
ESFR 2019 Harnett County	108,061	116,750	8,689
Durham ADU Technical Assitance	5,454	12,200	6,746
Carthage Land Use Plan	24,000	(1,052)	(25,052)
DEQ Collaborative Expansion	327,439	292,868	(34,571)
Main Line Rail Corridor Analysis	148,232	117,540	(30,692)
Community Home Trust Impact Study	15,490	2,500	(12,990)
URP-ESFR Orange County	36,400	15,427	(20,973)
Fayetteville Housing Study	39,000	39,000	-
	<u>1,879,248</u>	<u>1,628,802</u>	<u>(250,446)</u>

TRIANGLE J COUNCIL OF GOVERNMENTS
SUPPLEMENTAL SCHEDULE OF PROGRAM REVENUES –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)

YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Positive (Negative)
Environmental Protection:			
Natural Resources Strategy & Technical Assistance	\$ 24,718	\$ 17,653	\$ (7,065)
319 Septic	105,652	104,367	(1,285)
Jordan Lake One Water	1,660	-	(1,660)
Upper Middle Creek	6,000	5,897	(103)
Johnston Merger and Regionalization	13,000	-	(13,000)
Triangle Area Water Supply Monitoring Project	386,000	385,730	(270)
Upper Middle Creek Phase II	800	713	(87)
Clean Water Education Partnership	183,763	166,453	(17,310)
Triangle Water Supply Partnership	248,250	216,000	(32,250)
Integrated Water Management	67,412	65,101	(2,311)
Raleigh Watershed Protection	477,245	463,355	(13,890)
Dry Creek	24,884	7,972	(16,912)
Upper Cape Fear River Basin Association	20,000	20,000	-
Transportation Demand Management	1,863,527	1,164,823	(698,704)
Triangle Clean Cities	138,325	107,445	(30,880)
Energy and Environment Project Planning	4,021	4,021	-
Disaster Recovery and Resiliency	104,398	104,349	(49)
Intercity Rail Outreach	112,390	54,203	(58,187)
Clean Fuels Advanced Technologies	44,681	3,271	(41,410)
Safe Routes to School	71,989	47,984	(24,005)
Alt Fuel Resilience Plan	55,433	41,749	(13,684)
	3,954,148	2,981,086	(973,062)

TRIANGLE J COUNCIL OF GOVERNMENTS
SUPPLEMENTAL SCHEDULE OF PROGRAM REVENUES –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)

YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Human Services:			
Aging Planning	\$ 775,583	\$ 640,721	\$ (134,862)
Aging Ombudsman	630,773	563,519	(67,254)
Family Caregiver	673,908	650,576	(23,332)
Music in My Mind	9,091	-	(9,091)
Elder Abuse	21,490	17,799	(3,691)
Home Com Care Block Grant	8,502,919	7,939,450	(563,469)
Legal	46,996	46,996	-
Health Promotion	117,991	104,574	(13,417)
Aging Fans	17,360	17,360	-
Aging Senior Center - GP	158,608	153,264	(5,344)
Local Contact Agency	10,000	3,245	(6,755)
Durham Community Resource Connections	37,023	26,184	(10,839)
Veteran Directed Home and Community Based Services	181,774	82,780	(98,994)
MIPPA - III	73,140	16,164	(56,976)
Families First (FFCRA) - Congregate	260,942	258,912	(2,030)
Cares Act Grant	269,865	62,589	(207,276)
Cares Act Family Caregiver Support Program Grant	467,434	273,391	(194,043)
Cares Act Ombudsman	78,165	50,602	(27,563)
Cares Act Consumer Direct Services - Chatham	50,512	24,501	(26,011)
Cares Act Consumer Direct Services - Johnston	32,200	8,910	(23,290)
Family First Home Delivered	373,603	310,121	(63,482)
Cares Congregate	791,420	643,126	(148,294)
Cares Home Delivered	1,459,181	1,057,243	(401,938)
Cares Sr Center	314,297	154,710	(159,587)
Cares Access	81,239	61,851	(19,388)
Cares Legal	17,744	17,743	(1)
MIPPA - IV	64,297	35,233	(29,064)
	<u>15,517,555</u>	<u>13,221,564</u>	<u>(2,295,991)</u>
Total Program Revenues	<u>\$ 22,297,559</u>	<u>\$ 18,628,563</u>	<u>\$ (3,668,996)</u>

TRIANGLE J COUNCIL OF GOVERNMENTS
SUPPLEMENTAL SCHEDULE OF PROGRAM EXPENDITURES –
BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Positive (Negative)
General Government:			
Non-Departmental & Contingency	\$ 135,771	\$ 65,419	\$ 70,352
Member Services	414,986	384,096	30,890
Drug Alcohol Testing Program	72,275	61,460	10,815
Regional Summit	37,849	10,307	27,542
Regional Recruitment Partnership	119,251	87,773	31,478
	<u>780,132</u>	<u>609,055</u>	<u>171,077</u>
Transportation:			
TARPO planning	166,476	120,762	45,714
Economic and Physical Development:			
Foreign Trade Zone	92,000	74,833	17,167
Economic Development District	134,000	99,703	34,297
Brownfields	16,000	14,976	1,024
Cares Act Supplemental EDA	128,614	71,807	56,807
Regional Data Center and GIS	44,349	43,255	1,094
Center of the Region Enterprise	32,500	12,199	20,301
Development and Infrastructure Planning	46,032	34,055	11,977
Smart Growth Education and Technical Assistance	54,578	54,568	10
Land Use - Transportation - Air Quality	309,320	309,231	89
Chatham Housing Project	36,000	32,114	3,886
Planning Technical Assistance	39,100	39,063	37
Home Repair Project	62,679	61,199	1,480
Durham Comprehensive Plan	35,000	8,072	26,928
URP 2019 Lee County	11,061	11,061	-
ESFR 2018 Lee County	73,939	39,282	34,657
ESFR 2019 Durham County	60,000	59,508	491
ESFR 2019 Harnett County	108,061	102,328	5,733
Durham ADU Technical Assistance	5,454	4,422	1,032
Carthage Land Plan	24,000	22,948	1,052

TRIANGLE J COUNCIL OF GOVERNMENTS
SUPPLEMENTAL SCHEDULE OF PROGRAM EXPENDITURES –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)

YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Positive (Negative)
DEQ Collaborative Expansion	\$ 327,439	\$ 292,868	\$ 34,571
Main Line Rail Corridor Analysis	148,232	117,540	30,692
Community Home Trust Impact Study	15,490	11,347	4,143
URP-ESFR Orange County	36,400	20,599	15,801
Fayetteville Housing Study	39,000	36,225	2,775
	<u>1,879,248</u>	<u>1,573,203</u>	<u>306,044</u>
Environmental Protection:			
Natural Resources Strategy & Technical Assistance	24,718	17,554	7,164
319 Septic	105,652	102,573	3,079
Jordan Lake One Water	1,660	1,577	83
Upper Middle Creek	6,000	5,897	103
Johnston Merger and Regionilization	13,000	3,840	9,160
Triangle Area Water Supply Monitoring Project	386,000	383,251	2,749
Upper Middle Creek Phase II	800	713	87
Clean Water Education Partnership	183,763	168,475	15,288
Triangle Water Supply Partnership	248,250	276,374	(28,124)
Integrated Water Management	67,412	65,101	2,311
Raleigh Watershed Protection	477,245	477,245	-
Dry Creek	24,884	7,972	16,912
Upper Cape Fear River Basin Association	20,000	14,377	5,623
Transportation Demand Management	1,863,527	1,164,822	698,705

TRIANGLE J COUNCIL OF GOVERNMENTS
SUPPLEMENTAL SCHEDULE OF PROGRAM EXPENDITURES –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)

YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance Positive (Negative)
Triangle Clean Cities	\$ 138,325	\$ 107,445	\$ 30,880
Energy and Environment Project Planning	4,021	4,021	-
Disaster Recovery and Resiliency	104,398	104,349	49
Intercity Rail Outreach	112,390	54,203	58,187
Clean Fuels Advanced Technologies	44,681	4,088	40,593
Safe Routes to School	71,989	47,984	24,005
Alt Fuel Resilience Plan	55,433	41,749	13,682
	<u>3,954,148</u>	<u>3,053,610</u>	<u>900,536</u>
Human Services:			
Aging Program:			
Aging Planning	775,583	626,326	149,257
Aging Ombudsman	630,773	563,394	67,379
Family Caregiver	673,908	650,773	23,135
Music in My Mind	9,091	9,072	19
Elder Abuse	21,490	17,820	3,670
Home Com Care Block Grant	8,502,919	7,939,452	563,467
Legal	46,996	46,996	-
Health Promotion	117,991	104,620	13,371
Aging Fans	17,360	17,360	-
Aging Senior Center - GP	158,608	153,264	5,344
Local Contact Agency	10,000	3,367	6,633
Durham Community Resource Connections	37,023	26,184	10,839
Veteran Directed Home and Community Based Services	181,774	82,780	98,997
MIPPA - III	73,140	29,430	43,710
Families First (FFCRA) - Congregate	260,942	258,912	2,030
Cares Act Grant	269,865	62,589	207,276
Cares Act Family Caregiver Support Program Grant	467,434	273,391	194,043
Cares Act Ombudsman	78,165	50,602	27,563
Cares Act Consumer Direct Services - Chatham	50,512	24,559	25,953
Cares Act Consumer Direct Services - Johnston	32,200	9,063	23,137
Family First Home Delivered	373,603	310,121	63,482
Cares Congregate	791,420	643,125	148,295
Cares Home Delivered	1,459,181	1,057,243	401,938
Cares Sr Center	314,297	154,710	159,587
Cares Access	81,239	61,851	19,388
Cares Legal	17,744	17,743	1
MIPPA - IV	64,297	35,233	29,064
	<u>15,517,555</u>	<u>13,229,980</u>	<u>2,287,575</u>
Total Program Expenditures	<u>\$ 22,297,559</u>	<u>\$ 18,586,610</u>	<u>\$ 3,710,949</u>

**Report of Independent Auditor on Internal Control over Financial Reporting and on
Compliance and on Other Matters Based on an Audit of Financial Statements
Performed In Accordance with *Government Auditing Standards***

To the Board of Delegates
Triangle J Council of Governments
Research Triangle Park, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the general fund, and the fiduciary fund of the Triangle J Council of Governments (the "Council"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Council's basic financial statements, and have issued our report thereon dated December 21, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting ("internal control") as a basis for designing 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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Council'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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from 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 financial statements. 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*.

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 Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chemy Bekaert LLP

Raleigh, North Carolina
December 21, 2021

**Report of Independent Auditor on Compliance with Requirements Applicable to
Each Major Federal Program and Internal Control over Compliance Required by the
OMB Uniform Guidance and the State Single Audit Implementation Act**

To the Board of Delegates
Triangle J Council of Governments
Research Triangle Park, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the Triangle J Council of Governments (the “Council”) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Council’s major federal programs for the year ended June 30, 2021. The Council’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 Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

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

We believe 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 the Council’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Council 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, 2021.

Report on Internal Control over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances 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 Council's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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.

Chemy Bekaert LLP

Raleigh, North Carolina
December 21, 2021

**Report of Independent Auditor on Compliance with Requirements Applicable to
Each Major State Program and on Internal Control over Compliance Required by the
OMB Uniform Guidance and the State Single Audit Implementation Act**

To the Board of Delegates
Triangle J Council of Governments
Research Triangle Park, North Carolina

Report on Compliance for Each Major State Program

We have audited the Triangle J Council of Governments (the "Council") 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 the Council's major state programs for the year ended June 30, 2021. The Council'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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council'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 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"), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Council 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, 2021.

Report on Internal Control over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct 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 Council'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 a 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 material weaknesses or significant deficiencies. 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.

Chemy Bekaert LLP

Raleigh, North Carolina
December 21, 2021

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2021

Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	State/Pass-Through Grantor's Number	Expenditures		
			Federal	State	Pass-through to sub-recipients
U.S. Department of Health and Human Services:					
Programs passed-through North Carolina Department of Health and Human Services-Division of Aging:					
Special Programs for the Aging-Title VII, Chapter 3:					
Programs for Prevention of Elder Abuse,					
Neglect and Exploitation					
93.041	NC-10	\$ 16,810	\$ 989	\$ -	
Special Programs for the Aging-Title III-D:					
Disease Prevention and Health Promotion Services					
93.043	NC-10	97,629	5,743	92,516	
Special Programs for the Aging-Title VII-D:					
Fan Heat					
-	NC-10	-	17,360	17,360	
93.568	NC-10	292,868	-	-	
DEQ Collaborative Expansion					
<u>Aging Cluster:</u>					
Special Programs for the Aging - Title III-B: Grants for Supportive Services and Senior Centers:					
Legal Services - Title III, Part B					
93.044	NC-10	44,385	2,611	46,996	
Ombudsman - Title III, Part B & 90% State Funds					
93.044	NC-10	335,594	19,741	-	
Ombudsman					
-	NC-10	-	37,230	-	
Access - 90% State Funds					
-	NC-10	-	206,369	206,369	
Access - Title III, Part B					
93.044	NC-10	796,054	46,828	842,882	
In-Home Services - Title III, Part B					
93.044	NC-10	852,719	50,161	902,880	
In-Home Services - 90% Funds					
-	NC-10	-	2,597,552	2,597,552	
COVID-19: Access, HCCBG-in Home Support, Legal					
93.044	NC-10	330,304	-	330,304	
COVID-19: Ombudsman					
93.044	NC-10	50,602	-	50,602	
Special Programs for the Aging - Title III-C: Nutrition Services:					
Planning and Administration - 79.11% State Funds					
-	NC-10	-	48,261	-	
Planning and Administration - Title III, Part C1					
93.045	NC-10	419,993	23,016	-	
Congregate Nutrition - Title III, Part C1					
93.045	NC-10	125,431	7,378	132,809	
Home Delivered Meals - 90% State Funds					
-	NC-10	-	427,205	427,205	
Senior Center Development					
-	NC-10	-	153,265	153,265	
Home Delivered Meals - Title III, Part C2					
93.045	NC-10	1,834,911	107,936	1,942,847	
COVID-19: Families First Congregate Meals					
93.045	NC-10	310,121	-	310,121	
COVID-19: Families First Home Delivered Meals					
93.045	NC-10	258,912	-	258,912	
COVID-19: Congregate & Home Delivered					
93.045	NC-10	1,700,368	-	1,700,368	
Nutrition Services Incentive Program					
93.053	NC-10	276,481	-	276,481	
Total Aging Cluster					
		7,335,875	3,727,553	10,179,593	
<u>Subsidized Child Care Cluster</u>					
Social Services Block Grant					
93.667	NC-10	593,492	16,957	610,449	
Total Subsidized Child Care Cluster					
		593,492	16,957	610,449	
National Family Caregiver Support, Title III, Part E					
93.052	NC-10	609,916	40,661	511,660	
COVID-19: Family Caregiver					
93.052	NC-10	273,391	-	273,391	
Total Subsidized Child Care Cluster					
		883,307	40,661	785,051	
Total U.S. Department of Health and Human Services					
		9,219,981	3,809,263	11,684,971	
U.S. Department of Agriculture:					
Program passed through North Carolina Department of Health and Human Services Resources-Division of Aging:					
USDA Supplement					
93.053	NC-10	-	-	2	
U.S. Department of Energy:					
Program passed through North Carolina Department of Energy:					
Conservation Research and Development:					
Triangle Clean Cities					
81.086	DE-FE0004002	\$ 98,548	\$ -	\$ -	
Highway Planning and Construction					
20.205	DE-FE0004002	3,270	-	-	
Alt Fuel Resilience					
81.086	DE-FE0004002	20,874	20,874	-	
Total U.S. Department of Energy					
		122,692	20,874	-	

The notes to the Schedule of Expenditures of Federal and State Financial Awards are an integral part of this schedule.

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2021

Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	State/Pass-Through Grantor's Number	Expenditures		
			Federal	State	Pass-through to sub-recipients
U.S. Department of Transportation:					
Program passed through North Carolina Department of Transportation:					
Highway Planning and Construction:					
TDM-CMAQ Project C-4954	20.205	44024.1.1	1,031,554	-	933,606
Intercity Rail Outreach	20.205	50062.4.3	53,057	-	48,380
TARPO Planning	20.205	45439.1.18	96,578	-	-
Safe Routes to School	20.205	48778.4.10	38,358	-	-
Total U.S. Department of Transportation			1,219,547	-	981,986
U.S. Department of Insurance:					
Medicare Enrollment Assistance Program	93.071		51,397	-	21,600
U.S. Department of Commerce:					
Economic Development District	11.307		85,641	-	-
Hurricane Matthew Resiliency	11.307		101,113	-	78,818
COVID-19: Supplemental EDA for EDD Partnership	93.071		71,807	-	-
			258,561	-	78,818
U.S. Department of Veterans Affairs					
Veterans Directed Home & Community Based Services	64.044		84,401	-	-
U.S. Environment Protection Agency:					
Program passed through North Carolina Department of Environment and Natural Resources:					
Water Quality Management Planning:					
319 Septic	66.460	5726	101,995	-	-
Upper Middle Creek - Phase II	66.454	5726	4,393	-	-
Upper Middle Creek - Phase III	66.454	5726	560	-	-
Dry Creek	66.454	5726	6,254	-	-
Integrated Water Management	66.454	5726	61,427	-	-
Total U.S. Environmental Protection Agency			174,629	-	-
Dept of Housing & Urban Development					
Home Repair Project	14.239		52,317	-	-
ESFR 2019 Durham County	14.239		42,386	-	-
ESFR 2019 Harnett County	14.239		89,590	-	-
Total Dept. of Housing & Urban Development			184,293	-	-
TOTAL FEDERAL AWARDS			11,315,501	3,830,137	12,767,377
STATE GRANTS					
North Carolina Department of Transportation:					
Transportation Demand Management		2000004445 & 2000004447	-	133,269	-
TOTAL ASSISTANCE-STATE PROGRAMS			-	133,269	-
TOTAL ASSISTANCE			\$ 11,315,501	\$ 3,963,406	\$ 12,767,377

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1.

Basis of Presentation: The accompanying schedule of expenditures of federal and state awards includes all federal and state grant activity of Triangle J Council of Governments and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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. Therefore, some amounts presented in this schedule differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Note 2.

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.

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2021

None reported.