

TRIANGLE J COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS AND COMPLIANCE REPORT

As of and for the Year Ended June 30, 2019

And Report 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, 2019, 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the fiduciary fund of the Council, as of June 30, 2019, 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 November 26, 2019, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Chemy Bekaert LLP

Raleigh, North Carolina
November 26, 2019

TRIANGLE J COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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, and Lee counties. These six counties and the 37 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, 2019. 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 \$672,316 (*net position*).
- The Council's total net position decreased by \$27,834 as a result of the increase in revenues being less than the increase in expenses.
- As of the close of the current fiscal year, the Council's general fund reported an ending fund balance of \$1,112,265. Of this amount \$1,631,935 is restricted by State statute.

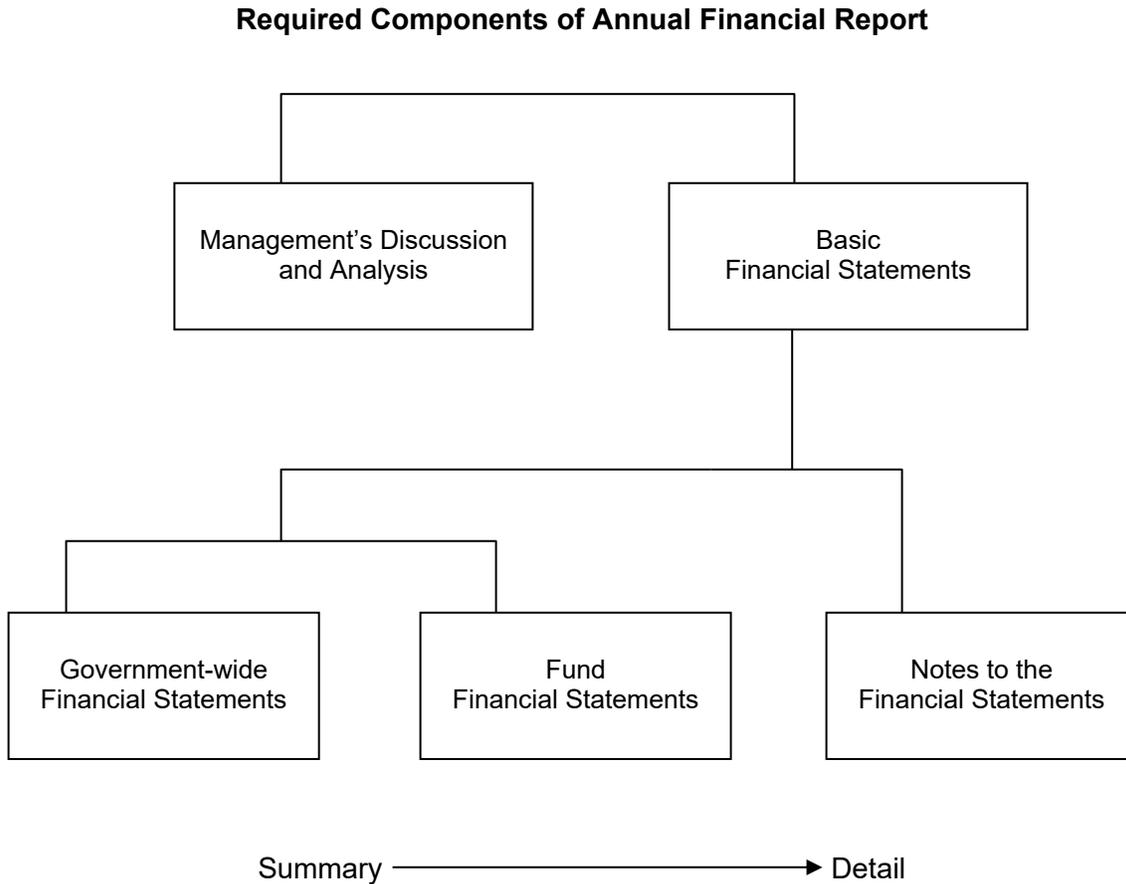
Overview of the Financial Statements

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, 2019

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, 2019

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, 2019

Government-Wide Financial Analysis

Table 1
Condensed Statement of Net Position
June 30,

	Governmental Activities	
	2019	2018
Assets:		
Current assets	\$ 4,089,781	\$ 3,109,712
Capital assets	9,112	13,669
	<u>4,098,893</u>	<u>3,123,381</u>
Deferred Outflows of Resources	<u>748,928</u>	<u>371,410</u>
Liabilities:		
Current liabilities	2,954,280	2,052,507
Noncurrent liabilities	2,499,267	1,995,674
	<u>5,453,547</u>	<u>4,048,181</u>
Deferred Inflows of Resources	<u>66,590</u>	<u>91,092</u>
Net Position:		
Net investment in capital assets	(300)	(306)
Restricted by Stabilization of State Statute	1,631,935	1,613,014
Unrestricted	(2,303,951)	(2,257,190)
	<u>\$ (672,316)</u>	<u>\$ (644,482)</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 \$672,316 as of June 30, 2019. The Council's net position decreased by \$27,834 for the fiscal year ended June 30, 2019. Of the net position, \$(300) reflects the Council's net investment in capital assets (office and computer equipment and software). 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, 2019

Table 2
Condensed Statement of Activities
June 30,

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 891,844	\$ 755,644
Intergovernmental revenues	13,269,541	11,985,655
General revenues:		
Local government dues	884,926	886,232
Unrestricted investment earnings	28,181	14,766
Total Revenues	<u>15,074,492</u>	<u>13,642,297</u>
Expenses:		
Governmental activities:		
General government	569,166	534,907
Transportation	139,306	131,796
Environmental protection	2,588,322	2,539,562
Economic and physical development	798,166	636,079
Human services	11,007,366	9,799,016
Total Expenses	<u>15,102,326</u>	<u>13,641,360</u>
Change in net position	<u>(27,834)</u>	<u>937</u>
Net position, July 1	(644,482)	395,299
Cumulative effect of accounting change	-	(1,040,718)
Net position, July 1, restated	<u>(644,482)</u>	<u>(645,419)</u>
Net position, June 30	<u>\$ (672,316)</u>	<u>\$ (644,482)</u>

Governmental Activities. Governmental activities decreased the Council's net position by \$27,834.

The Council's revenues were \$15.1 million. 88% of the Council's revenues come from Federal and State revenues.

The Council's expenditures were \$15.1 million. 73% of the Council's expenditures were related to Human Services programs and 17% 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, 2019

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 \$860,811 while total fund balance was \$1,112,265 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, 2019, the fund balance of the governmental funds of the Council increased by \$72,310 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 \$1.5 million less than budgeted and the Council's total expenses were \$1.6 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, 2019 totals \$9,112 (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, 2019: a net OPEB obligation of \$1,769,987, compensated absences accrued of \$123,752, net pension liability of \$600,914, and capital leases of \$9,412, totaling \$2,504,065.

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 \$16.2 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, 2019

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash investments	\$ 2,402,673
Accounts receivable	1,653,748
Prepaid items	33,360
Total Current Assets	<u>4,089,781</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	9,112
Total Noncurrent Assets	<u>9,112</u>
Total Assets	<u>4,098,893</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	496,458
OPEB deferrals	252,470
Total Deferred Outflows of Resources	<u>748,928</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	2,508,862
Unearned grant revenue	440,620
Current portion of capital leases	4,798
Total Current Liabilities	<u>2,954,280</u>
Noncurrent Liabilities:	
Compensated absences accrued	123,752
Capital leases	4,614
Net pension liability	600,914
Net OPEB obligation	1,769,987
Total Noncurrent Liabilities	<u>2,499,267</u>
Total Liabilities	<u>5,453,547</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	10,343
OPEB deferrals	56,247
Total Deferred Inflows of Resources	<u>66,590</u>
NET POSITION	
Net investment in capital assets	(300)
Restricted:	
Stabilization by State Statute	1,631,935
Unrestricted	<u>(2,303,951)</u>
Total Net Position	<u>\$ (672,316)</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, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Governmental Activities:				
General government	\$ 569,166	\$ 145,480	\$ 359,633	\$ (64,053)
Transportation	139,306	-	109,306	(30,000)
Environmental protection	2,588,322	138,670	1,911,905	(537,747)
Economic and physical development	798,166	495,339	273,332	(29,495)
Human services	11,007,366	112,355	10,615,365	(279,646)
Total Governmental Activities	\$ 15,102,326	\$ 891,844	\$ 13,269,541	(940,941)
General Revenues:				
Local revenues				884,926
Unrestricted investment earnings				28,181
Total General Revenues				913,107
Change in net position				(27,834)
Net position, beginning of year				(644,482)
Net position, end of year				\$ (672,316)

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, 2019

ASSETS	
Cash and investments	\$ 2,402,673
Accounts receivable	1,653,748
Prepaid items	<u>33,360</u>
Total Assets	<u>\$ 4,089,781</u>
LIABILITIES	
Program accounts payable and accrued expenses	\$ 2,508,862
Unearned grant revenue	<u>440,620</u>
Total Liabilities	<u>2,949,482</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues	<u>28,034</u>
Total Deferred Inflows of Resources	<u>28,034</u>
FUND BALANCES	
Nonspendable for prepaid items	33,360
Restricted:	
Stabilization by State statute	1,631,935
Committed:	
Unemployment insurance	39,478
Assigned:	
Triangle Area Water Supply Monitoring Project	68,614
Clean Water Education Partnership	63,995
Music in My Mind	8,417
DIP	49,114
CORE	54,154
Upper Cape Fear Conservation	2,410
New Cross Creek	1,599
Jordan Lake One Water	20,000
Unassigned	<u>(860,811)</u>
Total Fund Balances	<u>1,112,265</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,089,781</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Ending fund balances - governmental funds.	\$ 1,112,265
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,112
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.	(133,164)
Accounts receivable due from other governments not collected within 90 days after year-end is deferred in the fund.	28,034
OPEB activity (including long-term liability, deferred outflows, and deferred inflows).	(1,573,764)
Pension activity (including long-term liability, deferred outflows, and deferred inflows) is not reported in the funds.	<u>(114,799)</u>
Net position of governmental activities	<u>\$ (672,316)</u>

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, 2019

Revenues:

Federal government grants	\$ 1,838,201
State government grants	289,705
Federal and state pass through	10,639,745
Member assessments	627,368
Special assessments	612,117
Local aging share	272,809
Program income/fees	885,623
Other income	(125,478)
Interest income	28,181
Total Revenues	<u>15,068,271</u>

Expenditures:

General government	462,801
Transportation	139,306
Environmental protection	2,588,322
Economic and physical development	798,166
Human services	<u>11,007,366</u>
Total Expenditures	<u>14,995,961</u>

Net change in fund balances	72,310
Fund balances, beginning of year	<u>1,039,955</u>
Fund balances, end of year	<u>\$ 1,112,265</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, 2019

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

Net change in fund balances - total governmental funds		\$	72,310
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			(4,557)
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			4,563
Pension related changes			(23,939)
OPEB related changes			(64,326)
Current year accrued absences	\$	(123,752)	
Prior year accrued absences		105,647	
Additions to compensated absences			(18,105)
Certain revenues are not recognized in the governmental funds since they do not provide current financial resources are recognized in the Statement of Activities			6,220
Change in net position of governmental activities		\$	<u>(27,834)</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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Federal government grants	\$ 1,515,935	\$ 2,063,881	\$ 1,838,201	\$ (225,680)
State government grants	585,640	322,805	289,705	(33,100)
Federal and state pass through	9,802,730	10,985,666	10,639,745	(345,921)
Member assessments	625,637	663,046	627,368	(35,678)
Special assessments	612,123	612,123	612,117	(6)
Local aging share	281,759	272,809	272,809	-
Program income/fees	935,029	1,146,689	885,623	(261,066)
Other income	138,785	477,191	(125,478)	(602,669)
Interest income	5,900	28,400	28,181	(219)
Total Revenues	14,503,538	16,572,610	15,068,271	(1,504,339)
Expenditures:				
General government	452,333	562,752	462,801	99,951
Transportation	140,486	150,088	139,306	10,782
Environmental protection	3,182,231	3,400,481	2,588,322	812,159
Economic and physical development	826,815	982,690	798,166	184,524
Human services	9,901,673	11,476,599	11,007,366	469,233
Total Expenditures	14,503,538	16,572,610	14,995,961	1,576,649
Net change in fund balances	\$ -	\$ -	72,310	\$ 72,310
Fund balances, beginning of year			1,039,955	
Fund balances, end of year			\$ 1,112,265	

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, 2019

ASSETS

Cash and cash equivalents	\$ 130,199
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NET POSITION

Restricted for OPEB benefits	\$ 130,199
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TRIANGLE J COUNCIL OF GOVERNMENTS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – OPEB TRUST FUND

YEAR ENDED JUNE 30, 2019

Additions:	
Employer contributions	\$ 95,389
Net appreciation (depreciation) in fair value of investments	<u>18</u>
Total Additions	<u>95,407</u>
Deductions:	
Administrative expense	-
Benefit payments	<u>(21,700)</u>
Total Deductions	<u>(21,700)</u>
Change in net position	73,707
Net position, beginning of year	<u>56,492</u>
Net position, end of year	<u>\$ 130,199</u>

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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 six counties (Durham, Orange, Wake, Chatham, Johnston, and Lee) and 31 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, 2019 (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, 2019.

Basis of Presentation

Government-Wide Financial Statements – The Council has implemented Government Accounting Standards Board (“GASB”) Statement No. 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 health care 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, 2019

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, 2019. 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 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 securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, are measured at fair value, which is the NCCMT's share price. Non-participating interest earnings and investment contracts are reported at cost.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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 investment 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 that 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 5-10 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, 2019 was \$123,752. Accumulated vacation is accounted for on a LIFO basis, assuming that 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 post-retirement 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, 2019

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, 2019

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, Music in My Mind, DIP, CORE, Upper Cape Fear Conservation, New Cross Creek, and Jordan Lake One Water – 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, 2019, the Council’s deposits had a carrying amount of \$808,561 and a bank balance of \$863,517. Of the bank balance, \$250,000 was covered by FDIC. The remaining bank balance is collateralized under the pooling method.

At June 30, 2019, the Council had the following investments:

<u>Investment type</u>	<u>Valuation</u>		<u>Maturity</u>	<u>Rating</u>
	<u>Measurement Method</u>	<u>Book Value at 6/30/2019</u>		
NCCMT - Government Portfolio	Fair Value	\$1,724,311	0.11 years	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 and Poor’s as of June 30, 2019. The Authority has no formal policy regarding credit risk on its investments.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 3—Receivables

The amount due from other governments and other receivables that is owed to the Council at June 30, 2019 consists of the following:

DHHS – Office of the Secretary	\$ 876,058
NC Department of Transportation	440,232
Other receivables	<u>337,458</u>
Total	<u><u>\$ 1,653,748</u></u>

Note 4—Capital assets

The capital assets of the Council at June 30, 2019, consist of administrative and program equipment and vehicles. The following is a schedule of capital assets:

	<u>June 30, 2018</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u> <u>Balance</u>
Capital assets being depreciated:				
Vehicles	\$ 23,524	\$ -	\$ -	\$ 23,524
Capital leases	<u>22,783</u>	<u>-</u>	<u>-</u>	<u>22,783</u>
	<u>46,307</u>	<u>-</u>	<u>-</u>	<u>46,307</u>
Less accumulated depreciation for:				
Vehicles	23,524	-	-	23,524
Capital leases	<u>9,114</u>	<u>4,557</u>	<u>-</u>	<u>13,671</u>
	<u>32,638</u>	<u>\$ 4,557</u>	<u>\$ -</u>	<u>37,195</u>
Governmental activities capital assets, net of depreciation	<u><u>\$ 13,669</u></u>			<u><u>\$ 9,112</u></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 Comprehensive Annual Financial Report (“CAFR”) for the State of North Carolina. The State’s CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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 post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Organization 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, 2019 was 7.75% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Council were \$144,865 for the year ended June 30, 2019. 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.

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 \$95,857 for the year ended June 30, 2019.

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

At June 30, 2019, the Council reported a liability of \$600,914 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018, utilizing update procedures incorporating the actuarial assumptions. The 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, 2019, the Council's proportion was 0.025%, which was a decrease of 0.001% from its proportion measured at June 30, 2018.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 5—Retirement plan (continued)

For the fiscal year ended June 30, 2019, the Council recognized pension expense of \$168,803. At June 30, 2019, 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	\$ 92,707	\$ 3,111
Changes of assumptions	159,459	-
Net difference between projected and actual earnings on pension plan investments	82,487	-
Changes in proportion and differences between Council contributions and proportionate share of contributions	16,940	7,235
Council contributions subsequent to the measurement date	144,865	-
Total	<u>\$ 496,458</u>	<u>\$ 10,346</u>

Deferred outflows of resources related to pensions resulting from the Council's contributions subsequent to the measurement date of \$144,865 will be recognized as an increase of the net pension liability in the year ending June 30, 2020. 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,

2020	\$ 161,432
2021	108,449
2022	24,088
2023	47,278
	<u>\$ 341,247</u>

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

Inflation	3%
Salary increases	3.50% to 7.75%, 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, 2017 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, 2019

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, 2018, 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%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2017 asset (liability) and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

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

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 5—Retirement plan (continued)

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Council's proportionate share of the net pension liability (asset)	\$ 1,443,448	\$ 600,914	\$ (103,120)

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

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 10 retirees and 28 active employees for a total of 38 employees included in the calculation as of June 30, 2019.

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 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, 2019, the Council's total contributions were \$91,682. 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, 2019:

<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%
10-20 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, 2019

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, 2019:

<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, 2019, 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, 2019 were as follows:

Total OPEB Liability	\$ 1,896,593
Plan fiduciary net position	126,606
Net OPEB liability	<u>\$ 1,769,987</u>

Plan fiduciary net position as a percentage of the total OPEB liability	6.68%
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Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Real wage growth	1.00%
Wage inflation	3.50%
Salary increases	3.50 - 7.75%
Investment rate of return	0.03%
Municipal bond index rate - prior measurement date	3.89%
Municipal bond index rate - measurement date	3.50%
Single equivalent interest rate - prior measurement date	3.87%
Single equivalent interest rate - measurement date	3.17%
Healthcare cost trend rates - Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028
Healthcare cost trend rates - Medicare	5.38% for 2018 decreasing to an ultimate rate of 4.75% by 2022

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 6—Other postemployment benefits (continued)

The total OPEB liability was rolled forward to June 30, 2019, 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 RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 – December 31, 2014, adopted by the LGERS.

The remaining actuarial assumptions used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 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 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease (2.17%)</u>	<u>Current Discount Rate (3.17%)</u>	<u>1% Increase (4.17%)</u>
Net OPEB Liability	\$ 2,153,143	\$ 1,769,987	\$ 1,472,133

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 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 1,421,870	\$ 1,769,987	\$ 2,235,442

Changes in Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2019, the Council reported a net OPEB Liability of \$1,769,987. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 6—Other postemployment benefits (continued)

At June 30, 2019, the components of the net OPEB liability of the Council, measured as of June 30, 2019 were as follows:

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2018	<u>\$ 1,535,470</u>	<u>\$ 56,492</u>	<u>\$ 1,478,978</u>
Changes for the year:			
Service cost at the end of the year	62,775	-	62,775
Interest on TOL and Cash Flows	59,009	-	59,009
Change in benefit terms	-	-	-
Difference between expected and actual experience	45,705	-	45,705
Changes of assumptions or other inputs	215,218	-	215,218
Contributions - employer	-	91,682	(91,682)
Contributions - non-employer	-	-	-
Net investment income	-	16	(16)
Benefit payments	(21,584)	(21,584)	-
Plan administrative expenses	-	-	-
Other	-	-	-
Net changes	<u>361,123</u>	<u>70,114</u>	<u>291,009</u>
Balance as of June 30, 2019	<u>\$ 1,896,593</u>	<u>\$ 126,606</u>	<u>\$ 1,769,987</u>

Changes of Assumptions – Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.17% in 2019.

For the year ended June 30, 2019, the Council recognized OPEB expense of \$156,008. At June 30, 2019, 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	\$ 70,609	\$ -
Changes of assumptions or other inputs	181,851	56,243
Net difference between projected and actual earnings on plan investments	10	4
Total	<u>\$ 252,470</u>	<u>\$ 56,247</u>

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 6—Other postemployment benefits (continued)

\$196,223 reported as deferred inflows of resources net of deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period for Fiscal Years Ending June 30:

2020	\$	34,252
2021		34,252
2022		34,251
2023		34,810
2024		40,453
Thereafter		18,205
	<u>\$</u>	<u>196,223</u>

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

Note 7—Other Employment benefits

The Council has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. 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 post-employment 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:

	2019
Capital assets	<u>\$ 22,783</u>
Less accumulated depreciation	<u>(13,671)</u>
	<u>\$ 9,112</u>

The lease agreements contain bargain purchase options at the end of the lease term.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 8—Long-term obligations (continued)

The following is a schedule by years of future minimum payments required under the capital leases together with their present value as of June 30, 2019:

2020	\$ 5,159
2021	4,729
Total minimum lease payments	9,888
Less amount representing interest	(478)
Present value of minimum lease payments	9,410
Less current portion of capital leases	(4,798)
Long-term portion of capital leases	<u>\$ 4,612</u>

Amortization of assets held under capital leases is included with depreciation expense.

Change in Long-Term Obligations – A summary of changes in long-term obligations for the year ended June 30, 2019 is as follows:

	<u>June 30, 2018</u>	<u>Net Increase</u>	<u>Net Decrease</u>	<u>June 30, 2019</u>	<u>Due Within One Year</u>
Net OPEB liability	\$ 1,478,978	\$ 291,009	\$ -	\$ 1,769,987	\$ -
Compensated absences	105,647	18,105	-	123,752	-
Capital leases	13,975	-	(4,563)	9,412	4,798
Net pension liability	401,638	199,276	-	600,914	-
	<u>\$ 2,000,238</u>	<u>\$ 508,390</u>	<u>\$ (4,563)</u>	<u>\$ 2,504,065</u>	<u>\$ 4,798</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, 2019, according to the following schedule:

Fiscal Years Ending June 30,

2020	\$ 214,511
2021	220,388
2022	226,447
2023	252,131
	<u>\$ 913,477</u>

Rent expense under all leases was \$217,416 for the year ended June 30, 2019.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, 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 71.16% of the Council's total revenue for the year ended June 30, 2019. 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 November 26, 2019 in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

This section contained 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

YEAR ENDED JUNE 30, 2019

Schedule of Changes in Net OPEB Liability and Related Ratios

	2019	2018	2017
Total OPEB liability			
Service Cost	\$ 62,775	\$ 66,435	\$ 74,614
Interest	59,009	52,713	47,205
Changes of benefit terms	-	-	-
Difference between expected and actual experience	45,705	48,354	-
Changes in assumptions	215,218	(85,011)	(147,357)
Benefit payments	(21,584)	(71,569)	(46,797)
Net change in total OPEB liability	<u>361,123</u>	<u>10,922</u>	<u>(72,335)</u>
Total OPEB liability, Beginning	<u>1,535,470</u>	<u>1,524,548</u>	<u>1,596,883</u>
Total OPEB liability, Ending	<u>\$ 1,896,593</u>	<u>\$ 1,535,470</u>	<u>\$ 1,524,548</u>
Plan fiduciary net position			
Contributions - employer	\$ 91,682	\$ 20,463	\$ 107,575
Contributions - non-employer	-	-	-
Contributions - active member	-	-	-
Net investment income	16	23	-
Benefit payments	(21,584)	(71,569)	(46,797)
Administrative expense	-	-	-
Other	-	46,797	-
Net change in plan fiduciary net position	<u>70,114</u>	<u>(4,286)</u>	<u>60,778</u>
Plan fiduciary net position, Beginning	<u>56,492</u>	<u>60,778</u>	<u>-</u>
Plan fiduciary net position, Ending	<u>\$ 126,606</u>	<u>\$ 56,492</u>	<u>\$ 60,778</u>
Net OPEB liability - Ending	\$ 1,769,987	\$ 1,478,978	\$ 1,463,770
Plan fiduciary net position as a percentage of the total OPEB liability	6.68%	3.68%	3.99%

Healthcare cost trend rates - Pre-Medicare

7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028

Healthcare cost trend rates - Medicare

5.38% for 2018 decreasing to an ultimate rate of 4.75% by 2022

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

YEAR ENDED JUNE 30, 2019

Schedule of Employer Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 276,180	\$ 276,180	\$ 99,870
Contributions in relation to the actuarially determined contribution			
Contribution deficiency (excess)	91,682	67,260	107,575
	<u>\$ 184,498</u>	<u>\$ 208,920</u>	<u>\$ (7,705)</u>

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

(2) For years following the caluatio date (when no new valuation is performed), covered payroll has been set equal from the most recent valuation. Covered payroll does not include pay for active memebers who are ineligible for benefits.

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 (form the June 30, 2018 actuarial valuation) were used to determine contribution rates report in that schedule for the year ending June 30, 2019:

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	1.00%
Wage inflation	3.50%
Salary increases	3.50 - 7.75%
Investment rate of return	0.03%
Municipal bond index rate - prior measurement date	3.89%
Municipal bond index rate - measurement date	3.50%
Single equivalent interest rate - prior measurement date	3.87%

TRIANGLE J COUNCIL OF GOVERNMENTS

LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM –

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITIES AND SCHEDULE OF CONTRIBUTIONS

*LAST SIX FISCAL YEARS ENDED JUNE 30**

Schedule of Proportionate Share of Net Pension Liability (Asset)

	2019	2018	2017	2016	2015	2014
Council's proportion of the net pension liability (asset) (%)	0.025%	0.026%	0.023%	0.024%	(0.027%)	0.027%
Council's proportion of the net pension liability (asset) (\$)	\$ 600,914	\$ 401,638	\$ 485,166	\$ 108,159	\$ (156,814)	\$ 323,043
Council's covered payroll	1,729,645	1,635,289	1,376,448	1,472,426	1,451,793	1,237,322
Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	34.74%	24.56%	35.25%	7.35%	(10.65%)	22.25%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	98.31%	97.97%	98.09%	102.64%	94.35%

Schedule of Contributions

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 144,865	\$ 130,516	\$ 119,540	\$ 91,809	\$ 105,581	\$ 105,921
Contributions in relation to the contractually required contribution	144,865	130,516	119,540	91,809	105,581	105,921
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Council's covered payroll	\$ 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	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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Indirect Personnel Costs:			
Salaries	\$ 369,319	\$ 357,110	\$ 12,209
Fringe benefits	134,888	130,001	4,887
	<u>504,207</u>	<u>487,111</u>	<u>17,096</u>
Administrative Costs:			
Telecommunications	125,351	137,090	(11,739)
Travel-mileage	1,500	121	1,379
Computer equipment	-	6,083	(6,083)
Equipment	-	2,076	(2,076)
Leased equipment	8,300	8,096	204
Maintenance:			
Equipment/software maintenance	7,931	9,533	(1,602)
Rent building	216,104	217,416	(1,312)
Rent facility	2,500	2,475	25
Office supplies	7,000	5,396	1,604
Postage	3,000	950	2,050
Printing	13,000	10,917	2,083
Meeting expense	6,600	4,130	2,470
Conferences/training	11,500	9,519	1,981
Contractual	16,660	32,998	(16,338)
Legal cost	3,000	1,250	1,750
Audit cost	26,400	25,000	1,400
Dues & subscriptions	15,500	12,307	3,193
Insurance	12,500	11,586	914
Miscellaneous	3,000	-	3,000
	<u>479,846</u>	<u>496,943</u>	<u>(17,097)</u>
Total Indirect Costs	<u>\$ 984,053</u>	<u>\$ 984,054</u>	<u>\$ (1)</u>

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

YEAR ENDED JUNE 30, 2019

	Program Salaries and Fringe	Actual Indirect Costs Allocated to Programs Based on Salaries
Member Services	\$ 179,939	\$ 79,765
Drug Alcohol Testing Program	21,081	9,607
Regional Summit	7,114	3,340
Facilitation	8,245	3,780
Triangle Area Rural Planning Organization	90,835	41,461
Foreign Trade Zone	42,796	19,355
Economic Development District	16,658	7,028
Water Resources Conservation	28,934	9,668
Triangle Regional Resiliency	7,002	3,371
Upper Cape Fear Conservation Assessment	3,352	1,346
New Cross Creek	916	439
319 Septic	2,289	886
Siler City 205j	4,615	1,907
Upper Middle Creek	3,613	1,493
Triangle Area Water Supply Monitoring Project	12,740	5,796
Clean Water Education Partnership (CWEP)	34,990	15,488
NSAB & NCDP Facilitation	19,660	8,567
Upper Cape Fear River Basin Association	12,470	5,532
Transportation Demand Management (TDM)	234,002	105,103
Triangle Clean Cities	16,596	6,229
Energy & Environment Project Planning	15,767	7,097
Disaster Recovery and Resiliency	9,086	4,087
Hillsborough Clean Energy	3,266	1,559
Intercity Rail Outreach	38,088	16,817
Clean Fuels Advanced Technologies	34,298	15,782
Regional Data Center/GIS	18,629	8,454
Center of the Region Enterprise (CORE)	7,642	3,230
Development & Infrastructure Planning	28,590	12,961
Smart Growth Education	39,226	17,979
Land Use - Transportation - Air Quality	144,363	64,533
Transit Oriented Development Project	60,826	30,283
Chatham Housing Project	28,564	12,888
Wake Transit Support	37,185	16,545
Princeton Land Development Plan	5,418	2,422
Wake Comprehensive Plan	7,350	3,124
Planning Technical Assistance	31,980	13,478
Home Repair Project	8,024	3,223

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

YEAR ENDED JUNE 30, 2019

	<u>Program Salaries and Fringe</u>	<u>Actual Indirect Costs Allocated to Programs Based on Salaries</u>
Aging:		
Planning	\$ 348,364	\$ 159,413
Ombudsman	353,801	160,435
Family Caregiver	89,726	40,663
Elder Abuse	11,345	5,122
Health Promotion	2,396	1,097
Local Contact Agency (LCA)	28,105	13,460
Durham Community Resource Connections	19,555	8,731
Veteran Directed Home & Community Based Services	1,339	628
Geriatric Workforce Enhancement Program	42,033	18,513
Medicare Improvements Patient and Providers Act III	25,695	11,369
Total Indirect Costs	<u>\$ 2,188,508</u>	<u>\$ 984,054</u>

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

YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government:			
Non-Departmental & Contingency	\$ 134,413	\$ 151,325	\$ 16,912
Member Services	309,389	290,201	(19,188)
Drug Alcohol Testing Program	70,000	65,474	(4,526)
Regional Summit	34,347	30,246	(4,101)
Facilitation	14,603	14,603	-
	<u>562,752</u>	<u>551,849</u>	<u>(10,903)</u>
Transportation:			
TARPO planning	150,088	139,306	(10,782)
Economic and Physical Development:			
Foreign Trade Zone	79,000	71,000	(8,000)
Economic Development District	50,000	34,295	(15,705)
Regional Data Center and GIS	32,975	32,974	(1)
Center of the Region Enterprise	32,500	32,500	-
Development and Infrastructure Planning	49,599	44,599	(5,000)
Smart Growth Education and Technical Assistance	67,050	63,446	(3,604)
Land Use - Transportation - Air Quality	302,820	199,091	(103,729)
Transit Oriented Development Project	96,750	96,748	(2)
Chatham Housing Project	49,000	47,951	(1,049)
Wake Transit Support	139,000	61,205	(77,795)
Princeton Land Development Plan	9,907	6,905	(3,002)
Wake Comprehensive Plan	30,000	-	(30,000)
Planning Technical Assistance	48,090	43,680	(4,410)
Home Repair Project	124,999	55,588	(69,411)
	<u>1,111,690</u>	<u>789,982</u>	<u>(321,708)</u>

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

YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Positive (Negative)
Water Resources Conservation	\$ 47,216	\$ 45,028	\$ (2,188)
Triangle Regional Resiliency	29,285	24,142	(5,143)
Upper Cape Fear Conservation Assessment	25,000	25,000	-
New Cross Creek	3,000	3,000	-
Siler City 205j	18,660	7,759	(10,901)
319 Septic	21,069	19,902	(1,167)
Jordan Lake One Water	20,000	20,000	-
Upper Middle Creek	15,317	5,261	(10,056)
Triangle Area Water Supply Monitoring Project	387,500	387,413	(87)
Clean Water Education Partnership	218,463	189,417	(29,046)
NSAB & NCDP Facilitation	40,529	35,814	(4,715)
Upper Cape Fear River Basin Association	20,000	20,000	-
Transportation Demand Management	1,927,945	1,499,946	(427,999)
Triangle Clean Cities	86,781	46,336	(40,445)
Energy and Environment Project Planning	29,762	31,678	1,916
Disaster Recovery and Resiliency	50,480	49,604	(876)
Hillsborough Clean Energy	3,439	3,439	-
Intercity Rail Outreach	245,770	136,400	(109,370)
Clean Fuels Advanced Technologies	81,265	36,466	(44,799)
	<u>3,271,481</u>	<u>2,586,605</u>	<u>(684,876)</u>
Human Services:			
Aging Program:			
Planning	828,429	576,971	(251,458)
Ombudsman	591,931	531,737	(60,194)
Family Caregiver	666,553	668,053	1,500
Elder Abuse	21,062	18,953	(2,109)
Aging Program Subtotal	<u>2,107,975</u>	<u>1,795,714</u>	<u>(312,261)</u>
Home Com Care Block Grant	8,636,746	8,623,017	(13,729)
Legal	46,061	46,059	(2)
Health Promotion	112,461	100,041	(12,420)
Aging Fans	20,908	18,801	(2,107)
Aging Senior Center - GP	153,265	153,258	(7)
Local Contact Agency	90,000	45,000	(45,000)
Durham Community Resource Connections	53,887	32,139	(21,748)
Veteran Directed Home and Community Based Services	84,312	49,900	(34,412)
Geriatric Workforce Enhancement Program	67,589	53,698	(13,891)
MIPPA - III	75,185	73,598	(1,587)
Durham Master Aging Plan	28,210	9,304	(18,906)
	<u>11,476,599</u>	<u>11,000,529</u>	<u>(476,070)</u>
Total Program Revenues	<u>\$ 16,572,610</u>	<u>\$ 15,068,271</u>	<u>\$ (1,504,339)</u>

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

YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government:			
Non-Departmental & Contingency	\$ 134,413	\$ 50,518	\$ 83,895
Member Services	309,389	309,282	107
Drug Alcohol Testing Program	70,000	67,155	2,845
Regional Summit	34,347	22,546	11,801
Facilitation	14,603	13,300	1,303
	<u>562,752</u>	<u>462,801</u>	<u>99,951</u>
Transportation:			
TARPO planning	150,088	139,306	10,782
Economic and Physical Development:			
Foreign Trade Zone	79,000	72,193	6,807
Economic Development District	50,000	34,295	15,705
Regional Data Center and GIS	32,975	32,974	1
Center of the Region Enterprise	32,500	11,707	20,793
Development and Infrastructure Planning	49,599	46,195	3,404
Smart Growth Education and Technical Assistance	67,050	58,835	8,215
Land Use - Transportation - Air Quality	302,820	212,158	90,662
Transit Oriented Development Project	96,750	96,748	2
Chatham Housing Project	49,000	47,951	1,049
Wake Transit Support	139,000	61,205	77,795
Princeton Land Development Plan	9,907	8,142	1,765
Wake Comprehensive Plan	30,000	10,505	19,495
Planning Technical Assistance	48,090	49,670	(1,580)
Home Repair Project	124,999	55,588	69,411
	<u>1,111,690</u>	<u>798,166</u>	<u>313,524</u>

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

YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Water Resources Conservation	\$ 47,216	\$ 45,028	\$ 2,188
Triangle Regional Resiliency	29,285	23,366	5,919
Upper Cape Fear Conservation Assessment	25,000	22,590	2,410
New Cross Creek	3,000	1,402	1,598
Siler City 205j	18,660	7,759	10,901
319 Septic	21,069	20,219	850
Jordan Lake One Water	20,000	-	20,000
Upper Middle Creek	15,317	5,261	10,056
Triangle Area Water Supply Monitoring Project	387,500	385,772	1,728
Clean Water Education Partnership	218,463	218,455	8
NSAB & NCDP Facilitation	40,529	35,814	4,715
Upper Cape Fear River Basin Association	20,000	18,788	1,212
Transportation Demand Management	1,927,945	1,500,980	426,965
Triangle Clean Cities	86,781	27,290	59,491
Energy and Environment Project Planning	29,762	23,461	6,301
Disaster Recovery and Resiliency	50,480	49,604	876
Hillsborough Clean Energy	3,439	4,928	(1,489)
Intercity Rail Outreach	245,770	142,094	103,676
Clean Fuels Advanced Technologies	81,265	55,511	25,754
	<u>3,271,481</u>	<u>2,588,322</u>	<u>683,159</u>
Human Services:			
Aging Program:			
Planning	828,429	559,952	268,477
Ombudsman	591,931	531,737	60,194
Family Caregiver	666,553	670,381	(3,828)
Elder Abuse	21,062	19,191	1,871
Aging Program Subtotal	<u>2,107,975</u>	<u>1,781,261</u>	<u>326,714</u>
Home Com Care Block Grant	8,636,746	8,623,018	13,728
Legal	46,061	46,067	(6)
Health Promotion	112,461	100,276	12,185
Aging Fans	20,908	18,801	2,107
Aging Senior Center - GP	153,265	153,258	7
Local Contact Agency	90,000	45,320	44,680
Durham Community Resource Connections	53,887	32,139	21,748
Veteran Directed Home and Community Based Services	84,312	56,736	27,576
Geriatric Workforce Enhancement Program	67,589	67,588	1
MIPPA - III	75,185	73,598	1,587
Durham Master Aging Plan	28,210	9,304	18,906
	<u>11,476,599</u>	<u>11,007,366</u>	<u>469,233</u>
Total Program Expenditures	<u><u>\$ 16,572,610</u></u>	<u><u>\$ 14,995,961</u></u>	<u><u>\$ 1,576,649</u></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, 2019, and the related notes to the financial statements, which collectively comprises the Council's basic financial statements, and have issued our report thereon dated November 26, 2019.

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") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
November 26, 2019

**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, 2019. 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 the requirements of laws, regulations, contracts, and grants 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* (CFR) 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of 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, 2019.

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
November 26, 2019

**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, 2019. 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 the requirements of laws, regulations, contracts, and grants 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* (CFR) 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 that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the 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, 2019.

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
November 26, 2019

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

YEAR ENDED JUNE 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA 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	\$ 17,903	\$ 1,053	\$ -
Special Programs for the Aging-Title III-D:					
Disease Prevention and Health Promotion Services					
	93.043	NC-10	94,178	5,540	96,769
Special Programs for the Aging-Title VII-D:					
Long Term Care Ombudsman Services for Older Individuals					
	93.042	NC-10	47,167	2,775	-
Fan Heat					
		NC-10	-	17,360	17,360
Money Follows the Person Rebalancing Demonstration					
	93.791	NC-10	45,000	-	-
			<u>204,248</u>	<u>26,728</u>	<u>114,129</u>
<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	43,500	2,559	46,059
Ombudsman - Title III, Part B & 90% State Funds					
	93.044	NC-10	146,979	8,646	-
Ombudsman					
		NC-10	-	167,475	-
Access - 90% State Funds					
		NC-10	-	517,222	517,222
Access - Title III, Part B					
	93.044	NC-10	796,032	46,825	842,857
In-Home Services - Title III, Part B					
	93.044	NC-10	1,535,020	90,295	1,625,315
In-Home Services - 90% Funds					
		NC-10	-	2,241,723	2,241,723
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	412,094	22,583	-
Congregate Nutrition - Title III, Part C1					
	93.045	NC-10	959,863	56,463	1,016,326
Home Delivered Meals - 90% State Funds					
		NC-10	-	791,940	791,940
Senior Center Development					
	93.045	NC-10	-	153,262	153,262
Home Delivered Meals - Title III, Part C2					
	93.045	NC-10	794,860	46,756	841,616
Nutrition Services Incentive Program					
	93.053	NC-10	364,280	-	364,280
Total Aging Cluster					
			<u>5,052,628</u>	<u>4,194,010</u>	<u>8,440,600</u>
<u>Subsidized Child Care Cluster</u>					
Social Services Block Grant					
	93.667	NC-10	371,167	10,605	381,772
Total Subsidized Child Care Cluster					
			<u>371,167</u>	<u>10,605</u>	<u>381,772</u>
National Family Caregiver Support, Title III, Part E					
	93.052	NC-10	624,893	41,660	532,517
			<u>624,893</u>	<u>41,660</u>	<u>532,517</u>
Total U.S. Department of Health and Human Services			<u>6,252,936</u>	<u>4,273,003</u>	<u>9,469,018</u>
U.S. Department of Energy:					
Program passed through North Carolina Department of Energy:					
Conservation Research and Development:					
Triangle Clean Cities					
	81.086	DE-FE0004002	46,336	-	-
Highway Planning and Construction					
	20.205		30,533	-	-
Total U.S. Department of Energy			<u>76,869</u>	<u>-</u>	<u>-</u>

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

YEAR ENDED JUNE 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA 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	\$ 1,302,410	\$ -	\$ 1,149,171
Intercity Rail Outreach	20.205	50062.4.3	129,295	-	-
TARPO Planning	20.205	45439.1.18	110,103	-	-
Total U.S. Department of Transportation			1,541,808	-	1,149,171
U.S. Department of Insurance:					
Medicare Enrollment Assistance Program	93.071		55,981	-	21,070
U.S. Department of Commerce:					
Economic Development District	93.071		34,295	-	-
Hurricane Matthew Resiliency	93.071		46,854	-	-
U.S. Department of Veterans Affairs					
Veterans Directed Home & Community Based Services	64.044		63,632	-	-
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	19,902	-	17,000
Siler City 2015j	66.454	5683	7,122	-	-
Upper Middle Creek	66.454	6281	4,145	-	-
Nutrient Scientific Advisory Board & Nutrient Criteria	66.454	6818	29,819	-	-
Total U.S. Environmental Protection Agency			60,988	-	17,000
TOTAL FEDERAL AWARDS			8,133,363	4,273,003	10,656,259
STATE GRANTS					
North Carolina Department of Transportation:					
Transportation Demand Management		2000004445 & 2000004447	-	197,538	-
TOTAL ASSISTANCE-STATE PROGRAMS			-	197,538	-
TOTAL ASSISTANCE			\$ 8,133,363	\$ 4,470,541	\$ 10,656,259

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 FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes X no
- Significant deficiency(ies) identified
that are not considered to be
material weaknesses ___yes X none reported

Noncompliance material to financial
statements noted ___yes X no

Federal Awards

Internal control over major Federal programs:

- Material weakness(es) identified? ___yes X no
- Significant deficiency(ies) identified
that are not considered to be
material weaknesses ___yes X none reported

Noncompliance material to Federal awards ___yes X no

Type of auditor’s report issued on compliance for major Federal program: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the Uniform Guidance ___yes X no

Identification of major Federal programs:

<u>CFDA#</u>	<u>Program Name</u>
93.044, 93.045, 93.053 20.205	Aging Cluster Highway Planning and Construction

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

Auditee qualified as low-risk auditee X yes ___ no

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

State Awards

Internal control over major State programs:

- Material weakness(es) identified? ___ yes X no

- Significant deficiency(ies) identified
that are not considered to be
material weaknesses ___ yes X none reported

Noncompliance material to State awards ___ yes X no

Type of auditor's report issued on compliance of major State programs: Unmodified

Any audit findings disclosed that are required to be
reported in accordance with the State Single
Audit Implementation Act ___ yes X no

Identification of major State programs:

<u>Program Name</u>	<u>Cluster or Grant Number</u>
NC DHHS Aging Cluster	93.044, 93.045, 93.053

Section II – Financial Statement Findings

None reported.

Section III – Federal Awards Findings and Questioned Costs

None reported.

Section IV – State Awards Findings and Questioned Costs

None reported.

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2019

None reported.