

**Neuse River Council of Governments  
d/b/a Eastern Carolina Council  
New Bern, North Carolina**

Financial and Compliance Reports  
Year Ended June 30, 2018



**Eastern Carolina Council of Government d/b/a Eastern Carolina Council  
New Bern, North Carolina  
Executive Committee Members**

Name	Title	County	Position
Shane Turney	President	Craven	Town of Trent Woods, Commissioner
James "Jay" Bender, Jr.	1st Vice President	Jones	Mayor of Pollocksville
William "Bill" Taylor	2nd Vice Present	Carteret	Council Member of Morehead City
Edward Riggs, Jr.	Treasurer	Pamlico	County Commissioner
William Barnes, Jr.	Member	Lenoir	Town of Grifton, Commissioner
Pat Prescott	Member	Pamlico	County Commissioner
Chris Roberson	Member	Duplin	County Commissioner
A. Joe Gurley III	Member	Wayne	County Commissioner
Roland Best	Member	Lenoir	County Commissioner
Joseph Scott	Member	Wayne	Mayor of Mount Olive
Frank Emory	Member	Jones	County Commissioner
Arthur Robinson	Member	Greene	Mayor of Hookerton
Robert Cavanaugh	Member	Carteret	County Commissioner
Jesse Dowe	Member	Duplin	County Commissioner
Scott Dacey	Member	Craven	County Commissioner
Bennie Heath	Member	Greene	County Commissioner
McKinley Smith	Member	Onslow	Mayor of Town of Richlands



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**Financial Section**



## Independent Auditor's Report

To the Executive Committee  
Neuse River Council of Governments d/b/a Eastern Carolina Council  
New Bern, North Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Neuse River Council of Governments d/b/a Eastern Carolina Council (the "Council"), as of and for the year ended June 30, 2018, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Council as of June 30, 2018, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-8 and the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 32-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The Other Supplementary Information listed on pages 34-38 and the Schedule of Expenditures of Federal and State Awards, as required by Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information identified in the preceding paragraph is the responsibility of management and was 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 Other 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 8, 2018 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

*RSM US LLP*

Morehead City, North Carolina  
November 8, 2018

**Management's Discussion and Analysis**  
**(unaudited)**



# Neuse River Council of Governments d/b/a Eastern Carolina Council

## Management's Discussion and Analysis (Unaudited)

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This section of the Neuse River Council of Governments d/b/a Eastern Carolina Council ("Council") financial report represents management's discussion and analysis of the financial performance of the Council for the fiscal year ended June 30, 2018. This information should be read in conjunction with additional information that we have furnished in the Council's financial statements, which follow this narrative.

Regional councils are multi-county planning and development agencies serving different areas of the state. Membership in these councils is voluntary. In North Carolina, the Council is one of sixteen councils that share similar economic, physical and social characteristics.

### Financial Highlights

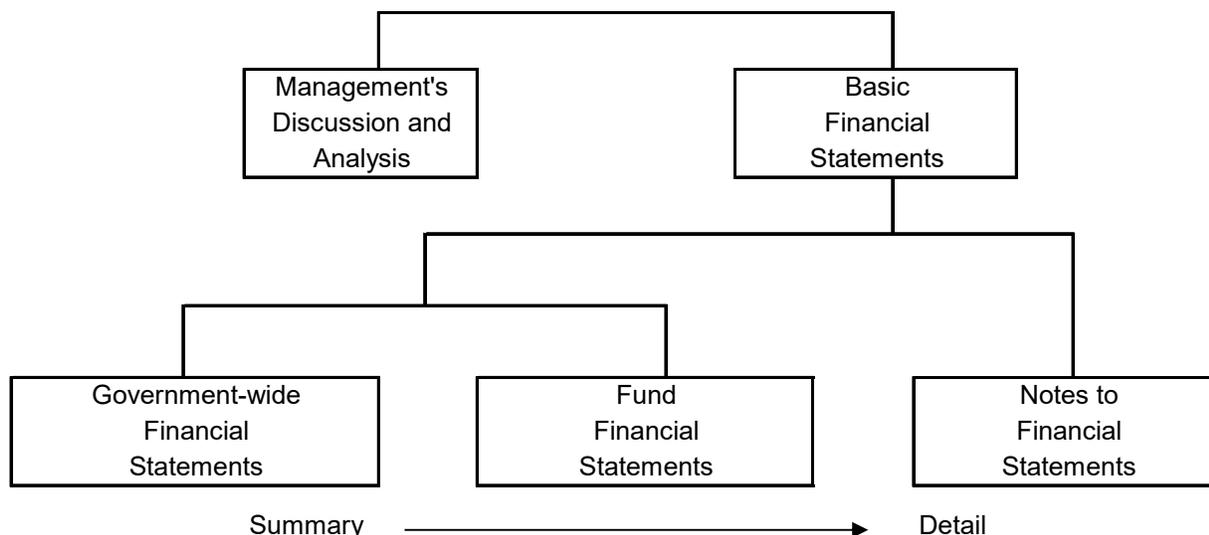
The assets of the Council exceeded its liabilities at the close of the fiscal year by \$484,141 (**net position**).

- The Council's total net position increased by \$9,006 during the fiscal year due to an increase in revenues.
- As of the close of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$518,248.
- The Council's fiscal obligation for accumulated personnel leave amounts to \$46,156 at June 30, 2018.

### Overview of the Financial Statements

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

**Figure 1**  
**Required Components of Annual Financial Report**



## Neuse River Council of Governments d/b/a Eastern Carolina Council

### Management's Discussion and Analysis (Unaudited)

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#### Basic Financial Statements

The first two statements (Pages 9 and 10) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Council's financial status.

The next statements (Pages 11, 12, 13 and 14) are the **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Council's structure. These statements provide more detail than the government-wide statements. Budgetary information required by the General Statutes can be found in this part of the statements.

The next section of the basic financial statements is the **Notes to Financial Statements**. The notes to financial statements explain in detail some of the data contained in those statements. After the notes, **Other Supplementary Information** is provided to show details about the Council's individual funds. More budgetary information required by the General Statutes can be found in this part of the statements as well as the statement of changes in the fiduciary (agency) fund.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Council's finances on the accrual basis, similar in format to financial statements 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 plus any deferred outflows and total liabilities plus any deferred inflows. Measuring net position is one way to gauge the Council's financial condition.

The government-wide statements present governmental activities only, as the Council has no business-type activities or discretely presented component units. The governmental activities include the Council's basic services. State and federal grant funds finance most of these activities.

The government-wide financial statements are on pages 9 and 10 of this report.

#### Fund Financial Statements

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

## Neuse River Council of Governments d/b/a Eastern Carolina Council

### Management's Discussion and Analysis (Unaudited)

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**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* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the 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 reconciliations that are a part of the fund financial statements.

The Council adopts an annual budget for all Funds as required by North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Council's member local governments, the management of the Council, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Council to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Council complied with the budget ordinance and whether or not the Council succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting (the modified accrual basis) 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 Funds** – Fiduciary funds are used to account for resources received and held for the benefit of parties outside of the government. The Council has one agency fund.

**Notes to 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 are on pages 15 through 31 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplemental financial data and other supplementary information. That information can be found beginning on page 32 of this report.

Neuse River Council of Governments d/b/a Eastern Carolina Council

Management's Discussion and Analysis (Unaudited)

Government-Wide Financial Analysis

**Table 1**  
**Condensed Statements of Net Position as of June 30, 2018 and 2017**

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
Assets and deferred outflows		
Current and other assets	\$ 957,533	\$ 1,117,917
Capital assets	9,834	14,042
Deferred outflows of resources	113,709	145,836
<b>Total assets and deferred outflows</b>	<b>1,081,076</b>	<b>1,277,795</b>
Liabilities and deferred inflows		
Current liabilities	369,028	672,738
Long-term liabilities	192,359	40,676
Unearned revenue	17,126	61,084
Pension deferrals	18,422	28,162
<b>Total liabilities and deferred inflows</b>	<b>596,935</b>	<b>802,660</b>
Net position:		
Net investment in capital assets	9,834	14,042
Restricted	253,262	145,788
Unrestricted	221,045	315,305
<b>Total net position</b>	<b>\$ 484,141</b>	<b>\$ 475,135</b>

Net position may serve over time as one useful indicator of a government's financial condition. The assets of the Council exceeded liabilities by \$484,141 as of June 30, 2018. The Council's net position increased by \$9,006 for the fiscal year ended June 30, 2018. Also, \$9,834 of net position reflects the Council's net investment in its capital assets; consequently these assets are not available for future spending. Additionally, \$253,262 of net position is restricted by state statute. The remaining balance of 221,045 is unrestricted.

Neuse River Council of Governments d/b/a Eastern Carolina Council

Management's Discussion and Analysis (Unaudited)

Government-Wide Financial Analysis (Continued)

Table 2

Condensed Statements of Net Activities for the Years Ended June 30, 2018 and 2017

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
Revenues:		
Program revenues:		
Charges for services	\$ 96,381	\$ 78,724
Operating grants and contributions	5,543,227	5,313,664
General revenues:		
Grants and contributions not program restricted	160,194	155,196
Miscellaneous	301	-
<b>Total revenues</b>	<b>5,800,103</b>	<b>5,547,584</b>
Expenses:		
General government	126,601	69,741
Transportation	272,835	237,252
Environmental protection	25,259	70,637
Economic and physical development	208,410	133,400
Human services	5,157,992	4,987,015
<b>Total expenses</b>	<b>5,791,097</b>	<b>5,498,045</b>
<b>Change in net position</b>	<b>9,006</b>	<b>49,539</b>
Net position, beginning of year	475,135	425,596
Net position, June 30	<b>\$ 484,141</b>	<b>\$ 475,135</b>

Governmental activities increased the Council's net position by \$9,006 thereby accounting for 100% of the total increase in the net position of the Council. The Council's revenues and expenses increased by \$252,519 and \$293,052, respectively, from fiscal year 2017 to fiscal year 2018. The primary cause of the increase in revenues and expenses was an increase in federal and state awards received during the fiscal year.

**Financial Analysis of the Council's Funds**

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

**Governmental Funds.** The focus of the Council's governmental funds is to provide information on near-term inflows, outflows and balances of usable resources. Such information is useful in assessing the Council's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

## Neuse River Council of Governments d/b/a Eastern Carolina Council

### Management's Discussion and Analysis (Unaudited)

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#### Financial Analysis of the Council's Funds (Continued)

The General Fund is the chief operating fund of the Council. At the end of the current fiscal year, fund balance was \$593,005 for the general fund, of which \$339,743 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. General fund unassigned fund balance represents 81.28% of total general fund expenditures before indirect cost allocation.

At June 30, 2018, the governmental funds of the Council reported a combined fund balance of \$518,248, a 1.6% increase over the June 30, 2017 combined balance due to current year revenues in excess of expenditures.

#### 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 made to recognize new funding amounts from external sources, such as federal and State grants; and (3) increased in appropriations that become necessary to maintain service.

The Council made several budget amendments due to increases or decreases in federal and State funding for various programs, and decreases in general administration. Total amendments to the Council's budget increased budgeted revenues by \$415,589. This increase is primarily due to increases to federal and State grant revenues.

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

**Capital assets.** The Council's investment in capital assets for its governmental activities as of June 30, 2018 totals \$9,834 (net of accumulated depreciation). These assets include furniture, fixtures, software and equipment used for operations and are scheduled in Note 2.A.3. in the Notes to Financial Statements.

#### Budgetary Highlights for the Coming Fiscal Year

The Council adopted a budget of \$6,054,793 for the fiscal year ending June 30, 2019 which is a 8.28% or \$463,218 increase from the original adopted budget for the previous year. The contribution rate of .353 cents per capita for member governments to the Council remains the same. The Council has a positive outlook for the upcoming year.

#### Requests for Information

This report is designed to provide an overview of the Council's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

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Neuse River Council of Governments  
d/b/a Eastern Carolina Council  
233 Middle Street, 3<sup>rd</sup> Floor  
PO Box 1717  
New Bern, NC 28563-1717  
(252) 638-3185, Ext 3005  
mlivingston@eccog.org

## **Basic Financial Statements**



Neuse River Council of Governments d/b/a Eastern Carolina Council

Statement of Net Position  
June 30, 2018

	Governmental Activities
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 329,648
Accounts receivable	7,324
Awards receivable	560,558
Total current assets	<u>897,530</u>
Non-current assets	
Notes receivable	10,003
Certificate of deposit	50,000
Capital assets, net of depreciation	9,834
<b>Total assets</b>	<u><b>967,367</b></u>
<b>Deferred outflows of resources</b>	
Pension deferrals	113,709
<b>Total deferred outflows of resources</b>	<u><b>113,709</b></u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable and accrued liabilities	61,148
Due to member counties	307,880
Unearned revenue	17,126
Total current liabilities	<u>386,154</u>
Non-current liabilities	
Compensated absences	46,156
Net pension liability	146,203
<b>Total liabilities</b>	<u><b>578,513</b></u>
<b>Deferred inflows of resources</b>	
Pension deferrals	18,422
<b>Total deferred inflows of resources</b>	<u><b>18,422</b></u>
<b>Net Position</b>	
Net investment in capital assets	9,834
Restricted	253,262
Unrestricted	221,045
<b>Total net position</b>	<u><u><b>\$ 484,141</b></u></u>

See Notes to Financial Statements.

Neuse River Council of Governments d/b/a Eastern Carolina Council

Statement of Activities  
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Governmental activities:				
General government	\$ 126,601	\$ 96,381	\$ -	\$ (30,220)
Transportation	272,835	-	259,063	(13,772)
Environmental protection	25,259	-	25,027	(232)
Economic and physical development	208,410	-	174,395	(34,015)
Human services	5,157,992	-	5,084,742	(73,250)
<b>Total governmental activities</b>	<b>\$ 5,791,097</b>	<b>\$ 96,381</b>	<b>\$ 5,543,227</b>	<b>(151,489)</b>
General revenues:				
Local dues				160,194
Miscellaneous				301
<b>Total general revenues</b>				<b>160,495</b>
Change in net position				
Net position, beginning of year				475,135
Net position, end of year				<b>\$ 484,141</b>

See Notes to Financial Statements.

Neuse River Council of Governments d/b/a Eastern Carolina Council

Balance Sheet - Governmental Funds  
June 30, 2018

	Major Funds		Total Governmental Funds
	General	Special Revenue	
<b>Assets</b>			
Cash and cash equivalents	\$ 329,648	\$ -	\$ 329,648
Certificate of deposit	50,000	-	50,000
Accounts receivable	7,324	-	7,324
Awards receivable	-	560,558	560,558
Notes receivable	-	10,003	10,003
Due from other funds	245,938	-	245,938
<b>Total assets</b>	<b>\$ 632,910</b>	<b>\$ 570,561</b>	<b>\$ 1,203,471</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 22,779	\$ 38,369	\$ 61,148
Due to member counties	-	307,880	307,880
Due to other funds	-	245,938	245,938
Unearned revenue	17,126	-	17,126
<b>Total liabilities</b>	<b>39,905</b>	<b>592,187</b>	<b>632,092</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	-	53,131	53,131
<b>Fund balance (deficit)</b>			
Nonspendable			
Notes receivable	-	10,003	10,003
Restricted			
Stabilized by State statute	253,262	507,427	760,689
Unassigned fund balance	339,743	(592,187)	(252,444)
<b>Total fund balance (deficit)</b>	<b>593,005</b>	<b>(74,757)</b>	<b>518,248</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 632,910</b>	<b>\$ 570,561</b>	<b>\$ 1,203,471</b>

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

Total fund balance	\$ 518,248
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	9,834
Revenues are recognized when measurable and available, therefore unavailable revenues are considered deferred inflows of resources in the fund financial statements	53,131
Net pension liability	(146,203)
Contributions to the pension plan in the current fiscal year	
Pension related deferred outflows of resources	113,709
Pension related deferred inflows of resources	(18,422)
Some liabilities, including accrued vacation are not due and payable in the current period and therefore are not reported in the funds	(46,156)
<b>Net position of governmental activities</b>	<b>\$ 484,141</b>

See Notes to Financial Statements.

Neuse River Council of Governments d/b/a Eastern Carolina Council

Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)  
Governmental Funds - Annual Budget and Actual

General and Major Special Revenue Funds, with Total Governmental Funds Actual  
Year Ended June 30, 2018

	General			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Federal government grants	\$ -	\$ -	\$ -	\$ -
State government grants	-	-	-	-
Local contributions	155,196	155,196	160,194	4,998
In-kind	-	-	-	-
Miscellaneous	-	-	301	301
Contract services	116,241	242,596	96,381	(146,215)
<b>Total revenues</b>	<b>271,437</b>	<b>397,792</b>	<b>256,876</b>	<b>(140,916)</b>
<b>Expenditures</b>				
General government	148,144	274,499	121,121	153,378
Transportation	-	-	-	-
Environmental protection	-	-	-	-
Economic and physical development	-	-	-	-
Human services	-	-	-	-
<b>Total expenditures</b>	<b>148,144</b>	<b>274,499</b>	<b>121,121</b>	<b>153,378</b>
<b>Revenues over (under) expenditures</b>	<b>123,293</b>	<b>123,293</b>	<b>135,755</b>	<b>12,462</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	(123,293)	(123,293)	(130,268)	(6,975)
Fund balance appropriated	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(123,293)</b>	<b>(123,293)</b>	<b>(130,268)</b>	<b>(6,975)</b>
	-	-	5,487	5,487
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>5,487</b>	<b>\$ 5,487</b>
Fund balance (deficit), beginning			587,518	
Fund balance (deficit), end of year			<u>\$ 593,005</u>	

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance  
(Deficit) of the General and Special Revenue Funds to the Statement of Activities:**

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

Net change in fund balances - total governmental funds

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

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities

Governmental funds recognize revenues when measurable and available.

Available is defined as cash to be received within 90 days. This is the amount of change from the previous year's amount

Some expenses reported in the statement of activities do not require the use of current financial resources in governmental funds:

Compensated absences

Pension expense

Change in net position of governmental activities

See Notes to Financial Statements.

Special Revenue				Total Governmental Funds
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Actual
Original	Final			
\$ 5,196,143	\$ 3,111,517	\$ 2,996,244	\$ (115,273)	\$ 2,996,244
48,263	2,398,124	2,466,908	68,784	2,466,908
54,566	65,618	54,565	(11,053)	214,759
-	10,208	4,665	(5,543)	4,665
-	-	-	-	301
4,500	4,500	4,590	90	100,971
5,303,472	5,589,967	5,526,972	(62,995)	5,783,848
-	-	-	-	121,121
272,836	272,836	272,835	1	272,835
30,999	45,188	25,259	19,929	25,259
188,333	246,570	208,410	38,160	208,410
4,951,263	5,168,071	5,148,189	19,882	5,148,189
5,443,431	5,732,665	5,654,693	77,972	5,775,814
(139,959)	(142,698)	(127,721)	14,977	8,034
123,293	123,293	130,268	6,975	130,268
-	-	-	-	(130,268)
16,666	19,405	-	(19,405)	-
-	-	-	-	-
139,959	142,698	130,268	(12,430)	-
-	-	2,547	2,547	8,034
\$ -	\$ -	2,547	\$ 2,547	8,034
		(77,304)		510,214
		\$ (74,757)		\$ 518,248
				\$ 8,034
				(4,208)
				38,559
				16,255
				(5,480)
				(44,154)
				\$ 9,006

**Neuse River Council of Governments d/b/a Eastern Carolina Council**

**Statement of Fiduciary Net Position  
June 30, 2018**

**Assets**

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Accounts receivable	<u>\$ 7,681</u>
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**Liabilities**

Accounts payable	<u>\$ 7,681</u>
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See Notes to Financial Statements.

## **Notes to Financial Statements**

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

The financial statements of Neuse River Council of Governments d/b/a Eastern Carolina Council (the "Council") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Council's accounting policies are described below.

**A. Reporting Entity**

The Council was formed as a jointly governed entity on May 9, 1967 to perform and carry out such powers, duties and responsibilities as authorized by North Carolina legislation. The Council is one of the sixteen regional councils of government formed pursuant to the General Statutes of North Carolina, Chapter 160A, Article 20, Part 2. Membership in the Council is composed of local governmental units who have:

1. Made application to the Council by resolution and adoption of the Council Charter and Bylaws.
2. Received membership acceptance and approval by the Board of Directors.
3. Appropriated in their annual budgets the pro-rata assessment for the support of the Council's operation.
4. Paid their annual pro-rata membership dues and are otherwise members in good standing.

As described below, although the Council is accounted for as a governmental entity, the Council does not have the statutory authority to levy taxes or issue bonds.

GAAP requires that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's statements to be misleading or incomplete. The Council has no component units, and is not a component unit of any other entity

**B. Governance**

The Board is constituted in a two-part governance:

1. The Executive Committee meets on several occasions throughout the year and is comprised of the following:
  - a. One county commissioner appointed by the member county.
  - b. One city/town alderman or councilman representing a member municipality elected by caucus of the member municipalities in that county.
  - c. Maximum number of Executive Committee is eighteen.
  - d. Officers of the Board are elected from those serving on the Executive Committee.

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

2. General membership board meets twice a year and is comprised of the following:
  - a. The Executive Committee.
  - b. Additional members appointed as necessary to satisfy Federal requirements on Board composition. The Boards of County Commissioners of the appropriate counties would select these additional members.

Dues and administrative fees received from the related local governments amounted to \$160,194 for the year ended June 30, 2018.

The officers of the Council consist of a president, a first and second vice-president, and a treasurer, all of whom are elected from and by the Board of Directors of the Council, and the Executive Director, who serves as secretary.

**C. Basis of Presentation**

*Government-Wide Statements:* The statement of net position and the statement of activities display information about the primary government, and exclude any fiduciary funds. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and any business-type activities of a local government unit. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Council has no business-type activities.

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

*Fund Financial Statements:* The fund financial statements provide information about the Council's funds. The Council currently maintains the following major governmental funds:

*General Fund* – The General Fund is the general operating fund of the Council. The General Fund accounts for and reports all unrestricted resources except those required to be accounted for in other funds.

*Special Revenue Fund* – The Special Revenue Fund accounts for the proceeds of specific revenue sources that are restricted by law or account for administrative action to expend funds for specified purposes. The primary revenue sources are federal and State grants, and the primary expenditures are for human services. The departments within this special revenue fund with current year operations are Transportation, Economic and Physical Development, Human Services, and Environmental Protection.

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

The Council's fiduciary fund consists of:

*The Coastal Coalition for Substance Abuse Prevention Fund ("CCSAP")* which ended in September 2017, *Craven Pamlico Re-Entry Council ("CPRC")* and *North Carolina Council of Governments Human Resources Group ("NC COG HR")* – The agency fund is custodial in nature and does not involve the measurement of operating results. The fund is used to account for assets the Council holds on behalf of others. The Council maintains one agency fund for the purpose of accounting for the activities of CCSAP and CPRC monies awarded to regional nonprofit organizations for which the Council acts as fiscal agent and accounting for the administrative monies related to the NC COG HR group.

**D. Measurement Focus and Basis of Accounting**

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

*Government-Wide 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 Funds Financial Statements* – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that long-term obligations (e.g. debt, compensated absences) and claims and judgments are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds.

The Council considers all revenues available if they are collected within 90 days after year-end. Those revenues susceptible to accrual are members' dues, investment earnings, technical assistance contracts and fees, and federal and State restricted intergovernmental revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied, subject to meeting the availability criterion. Grant receipts that are unearned at year-end are included as liabilities or deferred inflows, depending on which eligibility requirements have not been met.

**E. Budgetary Data**

The Council's budgets are adopted, as required by the North Carolina General Statutes, annually for all funds. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the program level. The Council's Budget 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.

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Data (Continued)**

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 Executive Committee, and the final budget amounts reflected in the statement of revenues, expenditures, and changes in fund balance (deficit) represent the budget as amended to June 30, 2018. Unencumbered annual appropriations lapse at each fiscal year-end and must be re-appropriated in the following fiscal year's budget.

**F. Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**G. 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 a cost methodology plan approved by the United States Department of Commerce.

The United States Department of Commerce continues to be the cognizant agency for the Council. As a local government entity, and a public authority, the Council complies with the indirect cost methodology regulated by the Office of Management and Budget ("OMB") 2 CFR part 200, subpart E and the North Carolina State Treasurer Policies, Section 55, User Fees - Utilizing Expense / Expenditure Information.

Per definition of the Uniform Guidance, the Council is a multi-function entity. The multi-functions include five (5) categories or functions: General Government, Transportation, Environmental Protection, Economic and Physical Development, and Human Services. To comply with the requirements of 2 CFR part 200, subpart E, the Council captures all indirect costs into one separate cost pool at the time of expenditure. On a monthly basis, the indirect costs are allocated to each function, and to individual awards and activities within that function, by means of the indirect cost methodology stated in 2 CFR part 200, subpart E – direct salaries and wages. Each month a percentage relationship is determined between salaries of a particular award or activity and its relation to the total salaries for the Council as a whole. The resultant percentage is applied to all indirect costs held in the pool. The indirect costs are then distributed to indirect line-items within each award or activity on that basis.

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

**1. Deposits and Investments**

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

**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**1. Deposits and Investments (Continued)**

All of the Council's deposits are either insured or collateralized under the Pooling Method, a system of state-wide single financial institution collateral pools, whereby all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. As the State Treasurer is acting in a fiduciary capacity for the Council, these deposits are considered to be held by the Council's agent in the Council'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 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 Pooling method depository. The Board has no formal policy regarding custodial credit risk for deposits, but informally complies with North Carolina General Statute 159-31.

At June 30, 2018, the Council's deposits had a carrying amount of \$329,648 and a bank balance of \$445,152. Of the bank balance, \$250,000 is covered under Federal Deposit Insurance Corporation (FDIC) insurance and \$195,152 is covered under the Pooling Method.

North Carolina General Statute 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). At June 30, 2018, the Council had \$50,000 invested in a certificate of deposit that is covered under Federal Deposit Insurance Corporation (FDIC) insurance and matures June 22, 2021.

**2. Notes Receivable**

Notes receivable are recognized as funds are loaned. Because the Council's notes receivable are long-term, they do not meet the definition of a current asset under the "current financial resources measurement focus" described above and, therefore, a like amount of the Council's special revenue fund balance is reported as nonspendable in the governmental funds balance sheet. Notes receivable determined to be uncollectible are shown in the statement of revenue, expenditures, and changes in fund balance as a reduction of fund balance. The amount of principal expected to be collected within one year on notes receivable is considered immaterial.

**3. Capital Assets**

Capital assets are reported in the Council's government-wide financial statements only and are defined by the Council as assets with an initial, individual cost greater than \$5,000 and an estimated useful life in excess of two years. Capital assets meeting this policy threshold are recorded at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at their acquisition value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books.

Notes to Financial Statements

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**3. Capital Assets (Continued)**

Any gain or loss on disposition is reflected in the earnings for the period. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Furniture and equipment	7 - 10
Copiers	5 - 7
Computer software	3
Computer equipment	3 - 5

**4. Compensated Absences**

Employees may accumulate up to 240 hours earned personal leave with such leave being fully vested when earned. Accumulated earned personal leave at June 30, 2018, was \$46,156. The Council's liability for accumulated earned personal leave as of June 30, 2018, is recorded in the government-wide financial statements and is considered to be used on a last-in, first-out (LIFO) basis, assuming that employees are taking leave time as it is earned. The current portion of the accumulated personal leave pay is not considered to be material and therefore, no current liability has been reported in the accompanying statement of net position.

In the governmental fund financial statements, an expenditure and a liability for compensated absences is recorded when payable, which occurs when the personal leave or sick leave is used or upon termination of an employee.

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and the balance sheet - governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Council has one item that meets this criterion, pension costs to be recognized in future years including contributions made to the pension plan in the 2018 fiscal year in accordance with GASB Statement 68. In addition to liabilities, the statement of financial position and the balance sheet - governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position or fund balance 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, unavailable revenue and pension deferrals under GASB Statement 68.

**6. Net Position/Fund Balances**

**Net Position**

Net position in government-wide financial statements is classified as net investment in capital assets; restricted; or unrestricted. Restricted net position represents constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through State statute.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**6. Net Position/Fund Balances (Continued)**

**Fund Balances**

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

The governmental fund types classify fund balances as follows:

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

*Notes Receivable* – Portion of fund balance that is not an available resource because it represents the year-end balances, which are not expected to be collected during the coming year and, therefore, are not considered spendable resources.

*Prepaid items* – Portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, which are not spendable resources.

**Restricted Fund Balance** – This classification includes revenue sources that are restricted to specific purposes externally imposed or imposed by law.

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

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

**Assigned Fund Balance** – Portion of fund balance that the Council governing board has budgeted.

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

**I. Pensions**

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

**J. Other Resources**

The General Fund provides the basis of local resources for the special revenue fund. These transactions are recorded as "Transfers out" or "Transfer of local matching funds" in the General Fund and "Transfers in" or "Transfer of local matching funds" in the receiving fund.

**Neuse River Council of Governments d/b/a Eastern Carolina Council**

**Notes to Financial Statements**

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**Note 2. Detailed Notes on All Funds**

**A. Assets**

**1. Accounts and Awards Receivable**

At June 30, 2018, accounts and awards receivable totaling \$567,882 consists of the following amounts due, principally from grantor agencies in the Special Revenue Fund:

General Fund	<u>\$ 7,324</u>
Special Revenue Fund	
Environmental Protection	943
Transportation	82,721
Economic and Physical Development	5,647
Human Services	<u>471,247</u>
	<u>560,558</u>
	<u><u>\$ 567,882</u></u>

**2. Notes Receivable**

Notes receivable at June 30, 2018, totaled \$10,003, and represented unpaid balances on loans to small businesses in eastern North Carolina. The loan program purpose is to create new jobs or maintain existing jobs in the region. The loan terms call for interest rates ranging from 6.5% to 9.0% and maturity dates range from July 2014 to August 2018. Payments are to be made monthly. The loans are collateralized in a number of ways depending on the business served. Types of collateral securing existing loans consist of: real estate, certificates of deposit, inventory, accounts receivable, vehicle titles, and life insurance policies. Certain notes have personal guarantees.

At June 30, 2018, the Council has not provided for a valuation allowance as it considers all outstanding loans to be fully collectible.

**3. Capital Assets**

The capital assets activity for the year ended June 30, 2018, is as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balances</u>
Capital assets being depreciated:				
Council equipment	\$ 128,124	\$ -	\$ -	\$ 128,124
Less accumulated depreciation for:				
Council equipment	<u>(114,082)</u>	<u>(4,208)</u>	-	<u>(118,290)</u>
Governmental activity capital assets, net	<u>\$ 14,042</u>	<u>\$ (4,208)</u>	<u>\$ -</u>	<u>\$ 9,834</u>

Depreciation expense was charged to governmental functions as follows:

General Government	<u>\$ (4,208)</u>
	<u><u>\$ (4,208)</u></u>

**Neuse River Council of Governments d/b/a Eastern Carolina Council**

**Notes to Financial Statements**

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**Note 2. Detailed Notes on All Funds (Continued)**

**B. Deferred Outflows of Resources**

Deferred outflows of resources as of June 30, 2018 is comprised of the following:

Governmental Activities

Contributions to pension plan in current fiscal year	\$ 38,559
Other pension deferrals	<u>75,150</u>
	<u>\$ 113,709</u>

**C. Liabilities**

**1. Long-Term Obligation Activity**

The following is a summary of long-term obligation changes for the fiscal year ended June 30, 2018:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities				
Net pension liability (LGERS)	\$ 162,995	\$ -	\$ 16,792	\$ 146,203
Compensated absences	40,676	50,031	44,551	46,156
Total	<u>\$ 203,671</u>	<u>\$ 50,031</u>	<u>\$ 61,343</u>	<u>\$ 192,359</u>

**2. Pension Plan Obligations**

Local Governmental Employees' Retirement System

*Plan Description.* The Council is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees of participating local governmental entities. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. LGERS is included in the Comprehensive Annual Financial Report (CAFR) of 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, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Note 2. Detailed Notes on All Funds (Continued)**

**2. Pension Plan Obligations (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 full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age 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. The Council employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Council's contractually required contribution rate for the year ended June 30, 2018, was 7.62% of compensation, actuarially determined as an amount that, when combined with employer contributions, is expected to finance the cost of benefits earned by employees during the year. Contributions to the pension plan from the Council were \$38,559 for the year ended June 30, 2018.

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

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

At June 30, 2018, the Council reported a liability of \$146,203 for its proportionate share of LGERS's net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017, 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 of all participating LGERS employers, actuarially determined. At June 30, 2017, the Council's proportion was .00957%, which was an increase of .00189% from its proportion measured as of June 30, 2016.

**Neuse River Council of Governments d/b/a Eastern Carolina Council**

**Notes to Financial Statements**

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**Note 2. Detailed Notes on All Funds (Continued)**

**2. Pension Plan Obligations (Continued)**

For the year ended June 30, 2018, the Council recognized pension expense of \$44,154. At June 30, 2018, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,423	\$ 4,139
Changes of assumptions	20,880	-
Net difference between projected and actual earnings on pension plan investments	35,498	-
Changes in proportion and differences between Council contributions and proportionate share of contributions	10,349	14,283
Council contributions subsequent to the measurement date	38,559	-
Total	<u>\$ 113,709</u>	<u>\$ 18,422</u>

\$38,559 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2018 (Council year ending June 30, 2019). Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2019	\$ 2,314
2020	41,730
2021	21,047
2022	(8,363)
2023	-
Thereafter	-
	<u>\$ 56,728</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.75 percent, including inflation and productivity factor
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

**Neuse River Council of Governments d/b/a Eastern Carolina Council**

**Notes to Financial Statements**

**Note 2. Detailed Notes on All Funds (Continued)**

**2. Pension Plan Obligations (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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Council's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Council's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the Council's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Council's proportionate share of the net pension liability (asset)	\$ 438,905	\$ 146,203	\$ (98,111)

**Neuse River Council of Governments d/b/a Eastern Carolina Council**

**Notes to Financial Statements**

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**Note 2. Detailed Notes on All Funds (Continued)**

**2. Pension Plan Obligations (Continued)**

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

**Supplemental Retirement Income Plan:**

*Plan Description.* The Council contributes to the Supplemental Retirement Income Plan, a defined contribution retirement (401(k)) plan administered by the Department of State Treasurer and a Board of Trustees. Article 5 of G.S Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan is also included in the CAFR of the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. 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.

Full-time employees of the Council are eligible for the supplemental retirement plan. Under this plan, an employee may contribute a percentage of their annual gross salary as limited by federal tax laws. Additionally, the Council contributes 3% of an eligible employee's gross salary to the supplemental retirement plan, regardless of the employee's contribution. The Council's contribution to the 401(k) plan for the year ended June 30, 2018, was \$15,320.

**3. 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 (the System), a multi-employer State administered cost-sharing plan funded on a one-year term cost basis. Lump sum death benefits are provided to employees who have completed one year as a contributing member in the System and (a) die in active service or (b) die within 180 days of retirement or termination of service. 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. Annually, the State sets the Council's monthly contribution rate for death benefits as a percentage of monthly payroll. For the fiscal year ended June 30, 2018, the Council did not make any contributions to the State of North Carolina death benefits plan as none were required.

**D. Deferred Inflows of Resources**

Deferred Inflows of resources as of June 30, 2018 is comprised of the following:

Governmental Activities	
Other pension plan deferrals	<u>\$ 18,422</u>
Special Revenue Fund	
Unavailable revenue - receivables not collected within 90 days	<u>\$ 53,131</u>

## Neuse River Council of Governments d/b/a Eastern Carolina Council

### Notes to Financial Statements

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#### Note 2. Detailed Notes on All Funds (Continued)

##### E. Fund Balance

The Council has a revenue spending policy for programs with multiple revenue sources. The Finance Officer works with the Department Director to ensure the use of resources in the following hierarchy: federal funds, State funds, local funds, Council funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed, assigned and unassigned fund balance. The Finance Officer has Board authorization to deviate from this policy if it is in the best interest of the Council. The following shows to the public the portion of the General Fund balance that is available for appropriation:

Total fund balance-General Fund	<b>\$ 593,005</b>
Less:	
Stabilized by state statute	<u>253,262</u>
Remaining fund balance	<u><b>\$ 339,743</b></u>
 Unassigned fund balance	 <u><b>\$ 339,743</b></u>

#### Note 3. Summary Disclosure of Other Significant Commitments and Contingencies

##### A. 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 a self-funded risk financing pool administered by the North Carolina Association of County Commissioners, transferring risk to the pool. Through this pool the Council obtains property insurance coverage of \$738,756, equipment insurance coverage of \$54,485 and general liability coverage of \$2 million. The pool is reinsured through commercial companies for single occurrence losses in excess of \$500,000 for property coverage and \$500,000 for general liability. The Council carries commercial coverage for all other risks of loss. Claims have not exceeded coverage in any of the past five fiscal years.

The Council purchased public officials bonds for the Finance Director and Executive Director in the amount of \$50,000.

In accordance with G.S. 159-29, the Council's employees that have access to \$100 or more at any given time of the Council's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. In addition, all employees are bonded under a blanket employee dishonesty bond for \$250,000.

##### B. Operating Lease

The Council is committed under an office space lease, which is considered for accounting purposes to be an operating lease. The Council also has noncancellable leases for certain office equipment. Rent under these leases for the year ended June 30, 2018, amounted to \$44,988.

**Neuse River Council of Governments d/b/a Eastern Carolina Council**

**Notes to Financial Statements**

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**Note 3. Summary Disclosure of Other Significant Commitments and Contingencies (Continued)**

Future minimum lease payments for the office and equipment leases are as follows:

<u>Year Ending June 30,</u>	<u>Total Minimum Lease Payments</u>
2019	\$ 46,159
2020	42,788
2021	5,701
2022	5,701
2023	3,563
	<u>\$ 103,912</u>

**C. Federal and State Assisted Programs**

The Council has received significant amounts of proceeds from federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies. Due to the Council's reliance on government funding sources, changes in State and federal budgets could have a significant effect on the Council's future operations.

**Note 4. Related Party Transactions**

During the year ended June 30, 2018, the Council received and recorded dues revenues of \$160,194 from member governments, including Carteret, Craven, Duplin, Greene, Jones, Lenoir, Onslow, Pamlico and Wayne Counties and the municipalities within their boundaries.

Also during the year ended June 30, 2018, the Council expended the following amounts to member governments, in the form of pass-through monies:

Carteret County	<b>\$ 456,882</b>
Craven County	<b>575,295</b>
Duplin County	<b>532,603</b>
Greene County	<b>243,634</b>
Jones County	<b>153,239</b>
Lenoir County	<b>431,306</b>
Onslow County	<b>672,490</b>
Pamlico County	<b>205,159</b>
Wayne County	<b>877,480</b>
	<u><b>\$ 4,148,088</b></u>

Amounts due to member counties at June 30, 2018, are presented separately on the statement of net position and the balance sheet.

## Neuse River Council of Governments d/b/a Eastern Carolina Council

### Notes to Financial Statements

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#### Note 5. Recent GASB Statements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. This Statement is effective for fiscal years beginning after June 15, 2017, and did not have a material impact on the Council's financial position, overall cash flow or balances or results of operations.

In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objectives of this Statement is to address issues that have been raised regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This Statement did not have a material impact on the Council's financial position, overall cash flow or balances or results of operations.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement is effective for reporting periods beginning after June 15, 2017, and did not have a material impact on the Council's financial position, overall cash flow or balances or results of operations.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for fiscal years beginning after June 15, 2017, and did not have a material impact on the Council's financial position, overall cash flow or balances or results of operations.

#### Note 6. Pending GASB Statements

The Council has not yet evaluated the effect of implementation of the following GASB pronouncements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on this guidance. This Statement is effective for fiscal years beginning after June 15, 2018.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

## Neuse River Council of Governments d/b/a Eastern Carolina Council

### Notes to Financial Statements

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#### **Note 6. Pending GASB Statements (Continued)**

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement is effective for fiscal years beginning after December 15, 2019.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This statements also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for fiscal years beginning after December 15, 2018.

#### **Note 7. Commitments and Contingencies**

The Agreement to Terminate the Financial Assistance Award for Convenience with the EDA related to the revolving loan fund in fiscal year 2012 did not relieve the Council of the obligation to pay the federal share on any amounts recovered on defaulted loans for a period of 10 years.

**Required  
Supplementary Financial Data  
(unaudited)**

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This section contains additional information required by generally accepted accounting principles.

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- Schedule of Proportionate Share of Net Pension Asset for Local Governmental Employees' Retirement System
- Schedule of Contributions to Local Governmental Employees' Retirement System

**Neuse River Council of Governments d/b/a Eastern Carolina Council  
Council's Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Five Fiscal Years\***

**Local Governmental Employees' Retirement System**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
The Council's proportion of the net pension liability (asset) (%)	0.00957%	0.00768%	0.01032%	0.00956%	0.01130%
The Council's proportion of the net pension liability (asset) (\$)	\$ 146,203	\$ 162,995	\$ 46,316	\$ (56,380)	\$ 136,208
The Council's covered employee payroll*	\$ 559,301	\$ 497,875	\$ 509,914	\$ 487,979	\$ 592,330
The Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.14%	32.74%	9.08%	-11.06%	23.00%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Council will present information for those years for which information is available.

**Neuse River Council of Governments d/b/a Eastern Carolina Council  
Council's Contributions  
Required Supplementary Information  
Last Five Fiscal Years**

**Local Governmental Employees' Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 38,559	\$ 41,146	\$ 33,507	\$ 36,051	\$ 34,500
Contributions in relation to the contractually required contribution	38,559	41,146	33,507	36,051	34,500
Contribution deficiency (excess)	<u>\$ -</u>				
The Council's covered-employee payroll	\$ 506,123	\$ 559,301	\$ 497,875	\$ 509,914	\$ 487,979
Contributions as a percentage of covered-employee payroll	7.62%	7.36%	6.73%	7.07%	7.07%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Council will present information for those years for which information is available.



## **Other Supplementary Information**



Neuse River Council of Governments d/b/a Eastern Carolina Council

Schedule of Revenues and Expenditures  
General Fund  
For the Year Ended June 30, 2018

<hr/>	
Revenues	
Local	\$ 160,194
Miscellaneous	301
Contract revenues	<u>96,381</u>
<b>Total revenues</b>	<b><u>256,876</u></b>
Expenditures	
Compensation and benefits	221,209
Board and advisory expenses	20,171
Travel	15,190
Rent	49,559
Utilities and maintenance	17,493
Training	11,239
Dues and subscriptions	8,619
Supplies	27,553
Professional services	15,785
Systems administration	26,982
Miscellaneous	<u>4,210</u>
	418,010
Indirect costs allocated	<u>(296,889)</u>
<b>Total expenditures</b>	<b><u>121,121</u></b>
<b>Revenues over expenditures</b>	<b>135,755</b>
Operational matching transfers (out)	<u>(130,268)</u>
Revenues and other financing sources over expenditures	<b><u>\$ 5,487</u></b>

Neuse River Council of Governments d/b/a Eastern Carolina Council

Combining Schedule of Revenues and Expenditures by Program  
 Special Revenue Fund  
 For the Year Ended June 30, 2018

	Transportation	Environmental Protection	Economic and Physical Development	Human Services	Total Special Revenue Fund
<b>Revenues</b>					
Federal	\$ 204,498	\$ 23,727	\$ 154,775	\$ 2,613,244	\$ 2,996,244
State	-	-	-	2,466,908	2,466,908
Local	54,565	-	-	-	54,565
Contract revenues	-	-	-	4,590	4,590
In-kind	-	1,300	3,365	-	4,665
<b>Total revenues</b>	<b>259,063</b>	<b>25,027</b>	<b>158,140</b>	<b>5,084,742</b>	<b>5,526,972</b>
<b>Expenditures</b>					
Direct support to counties, others	-	-	-	4,231,614	4,231,614
Compensation and benefits	141,609	17,293	118,320	427,546	704,768
Board and advisory expenses	-	-	-	5,087	5,087
Travel	15,955	272	5,182	43,246	64,655
Rent	-	-	360	1,460	1,820
Maintenance	6,952	-	2,363	10,792	20,107
Advertising	961	-	-	25,792	26,753
Training	4,240	-	2,212	13,050	19,502
Dues and publications	1,626	-	5,700	3,433	10,759
Supplies	25,068	77	1,088	25,146	51,379
Professional services	2,104	4,588	11,144	158,010	175,846
Systems administration	13,428	-	7,798	17,779	39,005
In-kind	-	1,300	3,365	-	4,665
Miscellaneous	-	-	-	1,844	1,844
Indirect costs	60,892	1,729	50,878	183,390	296,889
<b>Total expenditures</b>	<b>272,835</b>	<b>25,259</b>	<b>208,410</b>	<b>5,148,189</b>	<b>5,654,693</b>
<b>Revenues over (under) expenditures</b>	<b>(13,772)</b>	<b>(232)</b>	<b>(50,270)</b>	<b>(63,447)</b>	<b>(127,721)</b>
Operational matching transfers in	-	-	42,443	87,825	130,268
Revenues and other financing sources over (under) expenditures	\$ (13,772)	\$ (232)	\$ (7,827)	\$ 24,378	\$ 2,547

Neuse River Council of Governments d/b/a Eastern Carolina Council

Schedule of Member Dues and Administrative Fees Revenue  
For the Year Ended June 30, 2018

<u>County</u>	
Carteret	\$ 25,051
Craven	34,217
Duplin	21,303
Greene	7,716
Jones	4,070
Lenoir	13,728
Onslow	16,649
Pamlico	4,201
Wayne	33,259
	<u>\$ 160,194</u>

**Neuse River Council of Governments d/b/a Eastern Carolina Council**

**Schedule of Indirect Costs  
For the Year Ended June 30, 2018**

	<b>Fiscal Year 2017 Budgeted Cost</b>
Total Indirect Annual Salaries	\$ 109,377
Total Indirect Fringe Benefits	34,274
Professional Services	19,972
Travel	12,298
Board Fees/Travel	7,165
Occupancy Costs	52,356
Operating Expense	68,570
<b>Total Indirect Expenditures</b>	<b><u>\$ 304,012</u></b>
Total Personnel Costs	\$ 869,703
Less Total Indirect Salaries	(109,377)
Less Total Indirect Fringe Benefits	(34,274)
<b>Total Direct Salaries and Fringe Benefits</b>	<b><u>\$ 726,052</u></b>

**Indirect Rate Calculation**

<u>Total Indirect Expenditures</u>	=	<u>\$ 304,012</u>	<b>42%</b>
Total Direct Personnel Costs		\$ 726,052	

Rollover	\$ 304,013	
Total Indirect Expenditures	(287,713)	
Less Total Indirect Received	<b><u>\$ 16,300</u></b>	<b>1%</b>

Total Indirect Rate for Fiscal Year 2018 **43%**

Neuse River Council of Governments d/b/a Eastern Carolina Council

Schedule of Changes in Fiduciary Net Position - Agency Fund  
For the Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<b>Assets</b>				
Cash	\$ -	\$ 124,815	\$ 124,815	\$ -
Accounts receivable	12,878	7,681	12,878	7,681
Total assets	<u>\$ 12,878</u>	<u>\$ 132,496</u>	<u>\$ 137,693</u>	<u>\$ 7,681</u>
 <b>Liabilities</b>				
Escrow funds	\$ -	\$ 124,815	\$ 124,815	\$ -
Accounts payable	12,878	7,681	12,878	7,681
Total liabilities	<u>\$ 12,878</u>	<u>\$ 132,496</u>	<u>\$ 137,693</u>	<u>\$ 7,681</u>



**Compliance Section**

**Independent Auditor's Report  
On Internal Control Over Financial Reporting  
And on Compliance and Other Matters Based  
on an Audit Of Financial Statements Performed In  
Accordance with Government Auditing Standards**

To the Executive Committee  
Neuse River Council of Governments d/b/a Eastern Carolina Council  
New Bern, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Neuse River Council of Governments d/b/a Eastern Carolina Council (the "Council"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated November 8, 2018.

**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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as findings 2018-001 and 2018-002 that we consider to be significant deficiencies.

### **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*.

### **Council's Response to Finding**

The Council's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*RSM US LLP*

Morehead City, North Carolina  
November 8, 2018



## Independent Auditor's Report On Compliance For Each Major Federal Program And Report On Internal Control Over Compliance

RSM US LLP

To the Executive Committee  
Neuse River Council of Governments d/b/a Eastern Carolina Council  
New Bern, North Carolina

### Report on Compliance for Each Major Federal Program

We have audited Neuse River Council of Governments d/b/a Eastern Carolina Council's (the "Council's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina* issued by the Local Government Commission that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2018. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditor's Responsibility

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

We believe 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, 2018.

## 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as findings 2018-003 and 2018-004, that we consider to be significant deficiencies.

The Council's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The Council's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

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.

*RSM US LLP*

Morehead City, North Carolina  
November 8, 2018

**Independent Auditor's Report On Compliance For Each  
Major State Program And Report On  
Internal Control Over Compliance**

To the Executive Committee  
Neuse River Council of Governments d/b/a Eastern Carolina Council  
New Bern, North Carolina

**Report on Compliance for Each Major State Program**

We have audited Neuse River Council of Governments d/b/a Eastern Carolina Council's (the "Council's") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina* issued by the Local Government Commission that could have a direct and material effect on each of the Council's major State programs for the year ended June 30, 2018. The Council's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State awards applicable to its State programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Council's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the applicable sections of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of 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, 2018.

## 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 each major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the applicable sections of the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as findings 2018-005 and 2018-006, that we consider to be significant deficiencies.

The Council's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The Council's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

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 applicable sections of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

*RSM US LLP*

Morehead City, North Carolina  
November 8, 2018

**Neuse River Council of Governments d/b/a Eastern Carolina Council**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018**

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**Section I - Summary of Independent Auditor's Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were in accordance with GAAP:

Internal control over financial reporting:

Material weakness(as) identified?

Unmodified

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\_\_\_\_\_ Yes                        ✓   No

Significant deficiency(ies) identified?

  ✓   Yes                      \_\_\_\_\_ None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes                        ✓   No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes                        ✓   No

Significant deficiency(ies) identified?

  ✓   Yes                      \_\_\_\_\_ None Reported

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

Unmodified

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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes                        ✓   No

Identification of major federal programs:

CFDA Number	Program Name or Cluster
Aging Cluster	
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services
93.053	Nutrition Services Incentive Program
93.667	Social Services Block Grant (included with Aging Cluster)

Dollar threshold used to distinguish between type A and type B programs

  \$ 750,000  

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes                        ✓   No

(Continued)

**Neuse River Council of Governments d/b/a Eastern Carolina Council**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2018**

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**Section I - Summary of Independent Auditor's Results (Continued)**

State Awards

Internal control over major state programs:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ <input checked="" type="checkbox"/> Yes	_____ None Reported

Type of auditor's report issued on compliance for major state programs:

\_\_\_\_\_ Unmodified \_\_\_\_\_

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

\_\_\_\_\_ Yes      \_\_\_\_\_  No

Identification of major State programs:

CFDA Number	Program Name or Cluster
Aging Cluster	
N/A	Ombudsman
N/A	Access
N/A	In Home/Support Services
N/A	Home Delivered Meals

(Continued)

**Neuse River Council of Governments d/b/a Eastern Carolina Council**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2018**

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**Section II - Financial Statement Findings**

**Identifying Number: 2018-001 - Insufficient Review of Payroll (Significant Deficiency)**

Criteria: Appropriate internal controls should be in place to ensure a proper level of review is performed over payroll.

Condition and Context: We noted that the review being performed over payroll was insufficient. The review is not being performed timely and is not executed in sufficient detail. The review is taking place at month-end in conjunction with the bank statement and reconciliation review while the documents being reviewed do not provide enough detail for a thorough review by the Executive Director.

Effect: Given that the Council is a smaller entity, the only review performed over the payroll process is by the Executive Director, therefore a comprehensive and timely review is a fundamental payroll control that is currently lacking.

Cause: Inadequate review of payroll by those with the skills, knowledge and experience to ensure payroll is accurate.

Recommendation: We recommend the Executive Director perform a thorough review of payroll as it is being processed, utilizing appropriate payroll reports with enough detail to ensure payroll is accurate.

**Identifying Number: 2018-002 - Untimely Review of Manual Journal Entries (Significant Deficiency)**

Criteria: Appropriate internal controls should be in place to ensure all manual journal entries prepared by the Finance Director have been reviewed timely.

Condition and Context: During our testing of manual journal entries, we noted that the Executive Director's review of these entries was not being performed in a timely manner.

Effect: Numerous manual journal entries prepared by the Finance Director had been entered into the general ledger without the Executive Director's review for various lengths of time.

Cause: Untimely review of manual journal entries by those with the skills, knowledge and experience to ensure journal entries are in accordance with GAAP.

Recommendation: We recommend the Council adhere to their policy of reviewing all journal entries in a timely manner to ensure journal entries are in accordance with GAAP.

**Section III - Federal Award Findings and Questioned Costs**

**Identifying Number: 2018-003**

Refer to Section II. Financial Statement Findings, Finding 2018-001

Questioned Costs: None

**Identifying Number: 2018-004**

Refer to Section II. Financial Statement Findings, Finding 2018-002

Questioned Costs: None

**Section IV - State Award Findings and Questioned Costs**

**Identifying Number: 2018-005**

Refer to Section II. Financial Statement Findings, Finding 2018-001

Questioned Costs: None

**Identifying Number: 2018-006**

Refer to Section II. Financial Statement Findings, Finding 2018-002

Questioned Costs: None



# Eastern Carolina Council

Neuse River Council of Governments d/b/a Eastern Carolina Council  
Corrective Action Plan  
Year Ended June 30, 2018

## Section II - Financial Statement, Federal and State Award Identifying Numbers

**Name of Contact Person:** Jenny Miller, Finance Director

**Identifying Number:** 2018-001, 2018-003, 2018-005

**Audit Finding:** The review of payroll is not being performed timely and is not executed in sufficient detail.

**Corrective Actions Taken or Planned:** New procedures have been put in place to ensure a timely and thorough review of bi-weekly payroll is performed prior to submission. Necessary training will be provided to staff who will be responsible for reviewing payroll to ensure they fully understand this process and work to improve internal controls.

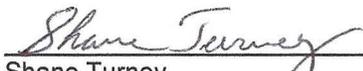
**Proposed Completion Date:** Implemented.

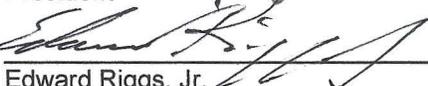
**Identifying Number:** 2018-002, 2018-004, 2018-006

**Audit Finding:** The review of manual journal entries is not being performed in a timely manner.

**Corrective Actions Taken or Planned:** New internal control procedures have been implemented and journal entries will now be reviewed at the time they are entered.

**Proposed Completion Date:** Implemented.

  
\_\_\_\_\_  
Shane Turney  
President

  
\_\_\_\_\_  
Edward Riggs, Jr.  
Treasurer

  
\_\_\_\_\_  
Jenny Miller  
Finance Director



# Eastern Carolina Council

Neuse River Council of Governments d/b/a Eastern Carolina Council  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2018

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## Section II - Financial Statement Findings

### Identifying Number: 2017-001 - Completeness of Year-end Journal Entries (Material Weakness)

**Audit Finding:** We noted two instances where insufficient review of the completeness of year-end journal entries resulted in receivables and payables that were not properly accrued, one in the Special Revenue Fund and one in the Agency Fund. We noted another instance where insufficient review of the completeness of year-end journal entries resulted in an accrued liability that was over-accrued for the General Fund.

**Corrective Action Taken:** The finance director formulated a year-end accounting checklist to use in future years and modifies the checklist as necessary to ensure a complete review.

### Identifying Number: 2017-002 - Fund Balance Adjustments (Material Weakness)

**Audit Finding:** During testing of fund balance classifications, we noted two instances where the Council incorrectly recorded a budgetary appropriation of fund balance as an adjustment to the General Fund's actual fund balance.

**Corrective Action Taken:** The finance director has continued regular trainings and consults appropriate accounting guidance when warranted.

## Section III - Federal Award Findings and Questioned Costs

None reported.

## Section IV - State Award Findings and Questioned Costs

None reported.

Neuse River Council of Governments d/b/a Eastern Carolina Council

Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2018

	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures	State Expenditures	Pass-through to Subrecipients
<b>Federal Programs</b>					
<u>US Department of Health &amp; Human Services</u>					
Passed through NC Dept of Health and Human Services					
Division of Aging & Adult Services					
Aging Cluster:					
(93.044, 93.045 & 93.053):					
Special Programs for the Aging - Title III B	93.044	NC-15			
Planning and administration			\$ 144,639	\$ 7,925	\$ -
Ombudsman			76,452	4,497	-
Legal Services			20,508	1,207	21,715
Access			306,085	18,005	324,090
In Home/Support Services			120,637	7,096	127,733
Special Programs for the Aging - Title III C	93.045	NC-15			
Planning and Administration			71,509	3,919	-
Congregate Meals			613,615	36,097	649,712
Home Delivered Meals			362,749	21,338	384,087
Nutrition Services Incentive Program (NSIP)	93.053	NC-15	237,040	-	237,040
<b>Total Aging Cluster</b>			<b>1,953,234</b>	<b>100,084</b>	<b>1,744,377</b>
Medicare Improvement for Patients and Providers	93.518	NC-15	56,947	-	15,252
Special Programs for the Aging - Title III D	93.043	NC-15			
Preventive Health			30,996	1,824	29,857
Elder Abuse Prevention	93.041	NC-15			
Title VII Elder Abuse			7,864	463	-
Special Programs for the Aging - Title VII E	93.042	NC-15			
Ombudsman			45,484	2,676	-
Money Follows the Person					
Rebalancing Demonstration	93.791	NC-15	34,447	-	-
LCA	93.791	NC-15	60,000	-	-
National Family Caregiver Support Program	93.052	NC-15			
Planning and administration			16,863	924	-
Family Caregiver Services			228,554	15,237	100,847
<b>Total Family Caregiver Services</b>			<b>245,417</b>	<b>16,161</b>	<b>100,847</b>
Division of Social Services					
Social Services Block Grant In-home Services	93.667	NC-15	178,855	5,110	183,965
<b>Total US Department of Health and Human Services</b>			<b>\$ 2,613,244</b>	<b>\$ 126,318</b>	<b>\$ 2,074,298</b>

(Continued)

Neuse River Council of Governments d/b/a Eastern Carolina Council

Schedule of Expenditures of Federal and State Awards (Continued)  
Year Ended June 30, 2018

	Federal CFDA Number	Pass-Through Grantor Number	Federal Expenditures	State Expenditures	Pass-through to Subrecipients
<u>US Department of Commerce</u>					
Direct Program					
Economic Development Administration (EDA) Supplemental	11.302	-	\$ 154,775	\$ -	\$ -
<u>US Environmental Protection Agency</u>					
Passed through the NC Department of Environmental Quality					
Water Quality Management Planning	66.454	-	23,727	-	-
<u>US Department of Transportation</u>					
Passed through the NC Department of Transportation					
State Planning & Research Rural					
East Carolina RPO	20.205-8	-	106,375	-	-
Down East RPO	20.205-8	-	98,123	-	-
<b>Total US Department of Transportation</b>			<b>204,498</b>	<b>-</b>	<b>-</b>
<b>State Grants</b>					
<u>NC Department of Health and Human Services</u>					
Division of Aging & Adult Services					
Division of Social Services					
Ombudsman - 90% State Funds	-	NC-15	-	48,423	-
Access 90% State Funds	-	NC-15	-	227,021	227,021
In Home/Support Services - 90% State Funds	-	NC-15	-	1,488,118	1,488,118
Home Delivered Meals - 90% State	-	NC-15	-	353,898	353,898
Title III P&A / AAA Administration	-	NC-15	-	48,262	-
Senior Center Development / General Purpose	-	NC-15	-	82,981	82,981
Operation Fan	-	NC-15	-	5,298	5,298
<b>Total NC Department of Health and Human Services</b>			<b>-</b>	<b>2,254,001</b>	<b>2,157,316</b>
<u>NC Department of Public Safety</u>					
Rehabilitative Program Services					
Reentry Program	-	-	-	86,589	-
<b>Total assistance expended</b>			<b>\$ 2,996,244</b>	<b>\$ 2,466,908</b>	<b>\$ 4,231,614</b>

See Notes to Schedule of Expenditures of Federal and State Awards

## Neuse River Council of Governments d/b/a Eastern Carolina Council

### Notes to the Schedule of Expenditures of Federal and State Awards For the Fiscal Year Ended June 30, 2018

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#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (the "Schedule") includes the federal and State award activity of Neuse River Council of Governments d/b/a Eastern Carolina Council, primary government, under programs of the federal and State government for the year ended June 30, 2018. 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. Because the Schedule presents only a selected portion of the operations of Neuse River Council of Governments d/b/a Eastern Carolina Council, it is not intended to and does not present the financial position, and changes in net assets of Neuse River Council of Governments d/b/a Eastern Carolina Council.

#### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### **Note 3. Indirect Cost Rate**

Neuse River Council of Governments d/b/a Eastern Carolina Council utilizes an approved indirect cost rate of 43% as allowed under the Uniform Guidance. Accordingly, the Council does not utilize the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Neuse River Council of Governments d/b/a Eastern Carolina Council**

**Notes to the Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended June 30, 2018**

**Note 4. Subrecipients**

Federal and State awards which have been passed-through to subrecipients by program:

<b>Program</b>		<b>Federal CFDA/ State</b>	
		<b>Pass-through Number</b>	<b>Federal and State Amount</b>
Carteret County	HCCBG - In Home/Support Services	93.667	\$ 37,672
Craven County	HCCBG - In Home/Support Services	93.667	13,133
Duplin County	HCCBG - In Home/Support Services	93.667	10,471
Greene County	HCCBG - In Home/Support Services	93.667	10,284
Jones County	HCCBG - In Home/Support Services	93.667	2,327
Lenoir County	HCCBG - In Home/Support Services	93.667	22,023
Onslow County	HCCBG - In Home/Support Services	93.667	33,875
Pamlico County	HCCBG - In Home/Support Services	93.667	9,777
Wayne County	HCCBG - In Home/Support Services	93.667	44,404
Carteret County	HCCBG - In Home/Support Services	93.044	17,765
Craven County	HCCBG - In Home/Support Services	93.044	14,658
Duplin County	HCCBG - In Home/Support Services	93.044	11,098
Greene County	HCCBG - In Home/Support Services	93.044	7,412
Jones County	HCCBG - In Home/Support Services	93.044	3,244
Lenoir County	HCCBG - In Home/Support Services	93.044	24,197
Onslow County	HCCBG - In Home/Support Services	93.044	33,932
Pamlico County	HCCBG - In Home/Support Services	93.044	9,089
Wayne County	HCCBG - In Home/Support Services	93.044	6,339
Carteret County	HCCBG - In Home/Support Services	NC-15	214,034
Craven County	HCCBG - In Home/Support Services	NC-15	174,476
Duplin County	HCCBG - In Home/Support Services	NC-15	102,021
Greene County	HCCBG - In Home/Support Services	NC-15	79,907
Jones County	HCCBG - In Home/Support Services	NC-15	23,545
Lenoir County	HCCBG - In Home/Support Services	NC-15	251,166
Onslow County	HCCBG - In Home/Support Services	NC-15	307,182
Pamlico County	HCCBG - In Home/Support Services	NC-15	101,300
Wayne County	HCCBG - In Home/Support Services	NC-15	234,485
Carteret County	HCCBG - Access	93.044	25,597
Craven County	HCCBG - Access	93.044	59,295
Duplin County	HCCBG - Access	93.044	46,978
Greene County	HCCBG - Access	93.044	22,909
Lenoir County	HCCBG - Access	93.044	20,236
Onslow County	HCCBG - Access	93.044	55,019
Wayne County	HCCBG - Access	93.044	94,057

(Continued)

**Neuse River Council of Governments d/b/a Eastern Carolina Council**

**Notes to the Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended June 30, 2018**

**Note 4. Subrecipients (Continued)**

<b>Subrecipient</b>	<b>Program Name</b>	<b>Federal CFDA/ State Pass-through Number</b>	<b>Federal and State Amount</b>
Carteret County	HCCBG - Access	NC-15	\$ 16,214
Craven County	HCCBG - Access	NC-15	39,092
Duplin County	HCCBG - Access	NC-15	32,279
Greene County	HCCBG - Access	NC-15	12,695
Lenoir County	HCCBG - Access	NC-15	13,899
Onslow County	HCCBG - Access	NC-15	44,530
Wayne County	HCCBG - Access	NC-15	68,313
Carteret County	HCCBG - Congregate Meals	93.045	76,150
Craven County	HCCBG - Congregate Meals	93.045	50,139
Duplin County	HCCBG - Congregate Meals	93.045	160,627
Greene County	HCCBG - Congregate Meals	93.045	42,522
Jones County	HCCBG - Congregate Meals	93.045	63,530
Lenoir County	HCCBG - Congregate Meals	93.045	54,249
Onslow County	HCCBG - Congregate Meals	93.045	85,268
Pamlico County	HCCBG - Congregate Meals	93.045	19,161
Wayne County	HCCBG - Congregate Meals	93.045	98,105
Carteret County	HCCBG - Home Delivered Meals	93.045	20,497
Craven County	HCCBG - Home Delivered Meals	93.045	87,191
Duplin County	HCCBG - Home Delivered Meals	93.045	57,606
Greene County	HCCBG - Home Delivered Meals	93.045	19,418
Jones County	HCCBG - Home Delivered Meals	93.045	21,975
Lenoir County	HCCBG - Home Delivered Meals	93.045	19,019
Onslow County	HCCBG - Home Delivered Meals	93.045	31,975
Pamlico County	HCCBG - Home Delivered Meals	93.045	24,579
Wayne County	HCCBG - Home Delivered Meals	93.045	101,827
Carteret County	HCCBG - Home Delivered Meals	NC-15	16,631
Craven County	HCCBG - Home Delivered Meals	NC-15	74,273
Duplin County	HCCBG - Home Delivered Meals	NC-15	47,882
Greene County	HCCBG - Home Delivered Meals	NC-15	16,550
Jones County	HCCBG - Home Delivered Meals	NC-15	21,186
Lenoir County	HCCBG - Home Delivered Meals	NC-15	16,801
Onslow County	HCCBG - Home Delivered Meals	NC-15	38,609
Pamlico County	HCCBG - Home Delivered Meals	NC-15	16,845
Wayne County	HCCBG - Home Delivered Meals	NC-15	105,120

(Continued)

Neuse River Council of Governments d/b/a Eastern Carolina Council

Notes to the Schedule of Expenditures of Federal and State Awards (Continued)  
 Year Ended June 30, 2018

Note 4. Subrecipients (Continued)

Subrecipient	Program Name	Federal CFDA/ State Pass-through Number	Federal and State Amount
Carteret County	USDA Nutrition	93.053	\$ 13,427
Craven County	USDA Nutrition	93.053	35,953
Duplin County	USDA Nutrition	93.053	41,316
Greene County	USDA Nutrition	93.053	10,381
Jones County	USDA Nutrition	93.053	13,904
Lenoir County	USDA Nutrition	93.053	9,716
Onslow County	USDA Nutrition	93.053	24,596
Pamlico County	USDA Nutrition	93.053	12,403
Wayne County	USDA Nutrition	93.053	75,344
Legal Aid of North Carolina	Legal Services	93.044	20,508
Legal Aid of North Carolina	Legal Services	NC-15	1,207
Carteret Senior Services	Senior Center Outreach and General Purpose	NC-15	10,936
Havelock Senior Center	Senior Center Outreach and General Purpose	NC-15	6,999
Craven Department of Social Services	Senior Center Outreach and General Purpose	NC-15	3,647
Duplin Services on Aging	Senior Center Outreach and General Purpose	NC-15	3,647
Greene County Senior Services	Senior Center Outreach and General Purpose	NC-15	10,939
Jones Co-op Extension	Senior Center Outreach and General Purpose	NC-15	3,266
Lenoir County Council on Aging	Senior Center Outreach and General Purpose	NC-15	10,938
Onslow Senior Services	Senior Center Outreach and General Purpose	NC-15	10,780
Pamlico Senior Services	Senior Center Outreach and General Purpose	NC-15	10,939
Wayne Services of Aging	Senior Center Outreach and General Purpose	NC-15	10,938
Carteret Senior Services	Special Programs for the Aging - Title III D	93.043	4,317
Craven Department of Social Services	Special Programs for the Aging - Title III D	93.043	2,269
Duplin Services on Aging	Special Programs for the Aging - Title III D	93.043	4,684
Greene County Senior Services	Special Programs for the Aging - Title III D	93.043	2,233
Lenoir County Council on Aging	Special Programs for the Aging - Title III D	93.043	4,344
Onslow Senior Services	Special Programs for the Aging - Title III D	93.043	3,698
Wayne Services of Aging	Special Programs for the Aging - Title III D	93.043	8,261

(Continued)

**Notes to the Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended June 30, 2018**

**Note 4. Subrecipients (Continued)**

Subrecipient	Program Name	Federal CFDA/ State Pass-through Number	Federal and State Amount
Coastal Community Action	National Family Caregiver Support Program	93.052	\$ 38,515
Havelock Senior Center	National Family Caregiver Support Program	93.052	701
Craven Department of Social Services	National Family Caregiver Support Program	93.052	7,816
Duplin Services on Aging	National Family Caregiver Support Program	93.052	11,286
Greene Home Health	National Family Caregiver Support Program	93.052	7,179
Lenoir County Council on Aging	National Family Caregiver Support Program	93.052	7,528
Onslow Senior Services	National Family Caregiver Support Program	93.052	2,226
Wayne Services of Aging	National Family Caregiver Support Program	93.052	25,595
Carteret County	Medicare Improvement for Patients and Providers	93.518	2,918
Craven County	Medicare Improvement for Patients and Providers	93.518	5,138
Duplin County	Medicare Improvement for Patients and Providers	93.518	2,242
Greene County	Medicare Improvement for Patients and Providers	93.518	925
Pamlico County	Medicare Improvement for Patients and Providers	93.518	786
Wayne County	Medicare Improvement for Patients and Providers	93.518	3,378
Carteret Community Action	Operation Fan	NC-15	724
Craven Department of Social Services	Operation Fan	NC-15	515
Duplin Services on Aging	Operation Fan	NC-15	466
Greene County Senior Services	Operation Fan	NC-15	280
Jones Co-op Extension	Operation Fan	NC-15	262
Lenoir County Council on Aging	Operation Fan	NC-15	486
Onslow Senior Services	Operation Fan	NC-15	800
Pamlico Senior Services	Operation Fan	NC-15	280
Wayne Services of Aging	Operation Fan	NC-15	1,314
<b>Total Federal and State Awards Passed-Through to Subrecipients For Aging Programs</b>			<b>\$ 4,231,614</b>
<b>Total Federal and State Awards Passed-Through to Subrecipients</b>			<b>\$ 4,231,614</b>

**Total Federal and State Awards Passed-Through to Subrecipients Summary by Program**

HCCBG - In Home/Support Services	93.044	\$ 1,615,851
HCCBG - Access	93.044	551,111
HCCBG - Congregate Meals	93.045	649,712
HCCBG - Home Delivered Meals	93.045	737,985
Nutrition Services Incentive Program (NSIP)	93.053	237,040
Legal Services	93.044	21,715
Senior Center Outreach and General Purpose	NC-15	82,981
Special Programs for the Aging - Title III D	93.043	29,857
National Family Caregiver Support Program	93.052	100,847
Medicare Improvement for Patients and Providers	93.518	15,252
Social Services Block Grant	93.667	183,965
Operation Fan	NC-15	5,298
<b>Total Federal and State Awards Passed-Through to Subrecipients For Aging Programs</b>		<b>\$ 4,231,614</b>