

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**FINANCIAL AND COMPLIANCE REPORTS**

**YEAR ENDED JUNE 30, 2022**



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ASSURANCE, TAX & ADVISORY SERVICES

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

Name	Title	County	Position
James V. Bender, Jr.	President	Jones	Mayor, Town of Pollocksville
Edward Riggs, Jr.	1st Vice President	Pamlico	Chairman, Pamlico County
Arthur Robinson	2nd Vice President	Greene	Commissioner, Town of Hookerton
Shane Turney	Treasurer	Craven	Commissioner, Town of Trent Woods
Robert Cavanaugh	Member	Carteret	Commissioner, Carteret County
Jesse Dowe	Member	Duplin	Commissioner, District 4
Bennie Heath	Member	Greene	Chairman, District 4
Frank Emory	Member	Jones	Commissioner, Jones County
Roland Best	Member	Lenoir	Commissioner, District 5
McKinley Smith	Member	Onslow	Mayor, Town of Richlands

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the respective budgetary comparisons for the General Fund and Special Revenue Fund, and each major fund of Neuse River Council of Governments d/b/a Eastern Carolina Council (the Council), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Council as of June 30, 2022, and the respective changes in financial position 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-10 and the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 37-38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary 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 39-42 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. Such information 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. The 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 GAAS. 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 March 13, 2024, 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.

***PBMares, LLP***

Morehead City, North Carolina  
March 13, 2024

**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, 2022. 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*

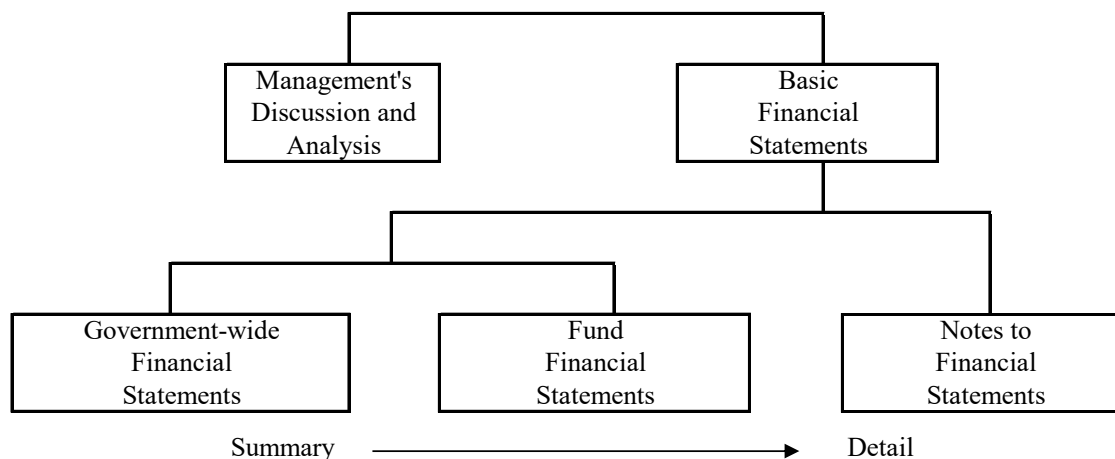
The assets of the Council exceeded its liabilities at the close of the fiscal year by \$161,912 (**net position**).

- The Council's total net position increased by \$12,901 during the fiscal year due to an increase in charges for services combined with a reduction in expenses.
- As of the close of the current fiscal year, the Council's governmental funds reported combined ending fund balances of \$349,889.
- The Council's fiscal obligation for accumulated personnel leave amounts to \$55,556 at June 30, 2022.

### *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 11 and 12) 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 13, 14 and 15) 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.

Following the Fund Financial Statements are the Fiduciary Fund 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, the Required Supplementary Financial Data (unaudited) is provided to show additional information required by generally accepted accounting principles. The next section is Other Supplementary Information which 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 (custodial) 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 11 and 12 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.

**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 16 through 36 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 37 of this report.

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

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

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**Government-Wide Financial Analysis**

**Table 1  
Condensed Statements of Net Position as of June 30, 2022 and 2021**

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
Assets and deferred outflows		
Current and other assets	\$ 1,489,730	\$ 1,638,229
Capital and right to use leased assets	151,331	-
<b>Total assets</b>	<b>1,641,061</b>	<b>1,638,229</b>
Deferred outflows of resources	235,571	177,474
<b>Total assets and deferred outflows</b>	<b>1,876,632</b>	<b>1,815,703</b>
Liabilities and deferred inflows		
Current liabilities	1,165,237	1,278,383
Long-term liabilities	314,196	373,947
<b>Total liabilities</b>	<b>1,479,433</b>	<b>1,652,330</b>
Deferred inflows of resources	235,287	14,362
<b>Total liabilities and deferred inflows</b>	<b>1,714,720</b>	<b>1,666,692</b>
Net position:		
Net investment in capital assets	-	-
Restricted	1,516,905	1,634,459
Unrestricted	(1,354,993)	(1,485,448)
<b>Total net position</b>	<b>\$ 161,912</b>	<b>\$ 149,011</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 \$161,912 as of June 30, 2022. The Council's net position increased by \$12,901 for the fiscal year ended June 20, 2022. Additionally, \$1,516,905 of net position is restricted by state statute. The remaining deficit balance of (\$1,354,993) 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, 2022 and 2021**

	<b>Governmental Activities</b>	
	<b>2022</b>	<b>2021</b>
Revenues:		
Program revenues:		
Charges for services	\$ -	\$ 71,078
Operating grants and contributions	<b>6,362,109</b>	6,868,435
General revenues:		
Local dues	<b>155,294</b>	160,545
Miscellaneous	<b>30,120</b>	3,054
<b>Total revenues</b>	<b>6,547,523</b>	7,103,112
Expenses:		
General government	<b>111,927</b>	89,279
Transportation	<b>273,086</b>	258,227
Environmental protection	-	37,628
Economic and physical development	<b>78,167</b>	571,559
Human services	<b>6,071,442</b>	6,319,675
<b>Total expenses</b>	<b>6,534,622</b>	7,276,368
<b>Change in net position</b>	<b>12,901</b>	(173,256)
Net position, beginning of year	<b>149,011</b>	322,267
Net position, June 30	<b>\$ 161,912</b>	\$ 149,011

Governmental activities increased the Council's net position by \$12,901 thereby accounting for 9% of the total increase in the net position of the Council. The Council's revenues and expenses decreased by \$555,589 and \$741,746, respectively, from fiscal year 2021 to fiscal year 2022. The primary cause of the decrease in revenues and expenses was a decrease 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 \$501,503 for the general fund, of which \$163,691 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 155% of total general fund expenditures.

At June 30, 2022, the governmental funds of the Council reported a combined fund balance of \$349,889 a 2.11% increase over the June 30, 2021 combined balance due to current year revenues in excess of expenditures.

**Impact of Coronavirus on the Council.** During the fiscal year, the Council and the nation were affected by the spread of the coronavirus. There was limited financial and economic impact on the Council.

### 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 in federal and State funding for various programs. Total amendments to the Council's budget increased budgeted revenues by \$3,025,590. This increase is primarily due to increases to federal grant revenues and local 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, 2022 totals \$0 (net of accumulated depreciation). These assets include furniture, fixtures, software and equipment used for operations and are scheduled in Note 2.A.2. in the Notes to Financial Statements.

**Right to use leased assets.** Effective with the fiscal year ending June 30, 2022, the Council recorded the value of the right to use assets in accordance with GASB 87, "Leases". Governmental activities included right to use lease assets of \$151,331 and lease liability of \$153,506.

### Budgetary Highlights for the Coming Fiscal Year

The Council adopted a budget of \$8,949,500 for the fiscal year ending June 30, 2023, which is a 10.47% or \$847,961 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.

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

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

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**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:

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  
[executivedirector@eccog.org](mailto:executivedirector@eccog.org)



## **BASIC FINANCIAL STATEMENTS**



**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**STATEMENT OF NET POSITION  
June 30, 2022**

	Governmental Activities
<b>Assets</b>	
Current Assets	
Cash and cash equivalents	\$ 208,067
Prepaid items	4,512
Accounts receivable	13,087
Awards receivable	1,211,497
Total current assets	<u>1,437,163</u>
Non-current Assets	
Right to use leased assets, net of amortization	151,331
Certificate of deposit	52,567
<b>Total assets</b>	<u>1,641,061</u>
<b>Deferred Outflows of Resources</b>	
Pension deferrals	235,571
<b>Total deferred outflows of resources</b>	<u>235,571</u>
<b>Liabilities</b>	
Current Liabilities	
Current portion of long-term liabilities	53,286
Accounts payable and accrued liabilities	175,409
Due to member counties	936,542
Total current liabilities	<u>1,165,237</u>
Non-current Liabilities	
Compensated absences	55,556
Net pension liability	158,420
Long-term liabilities	100,220
<b>Total liabilities</b>	<u>1,479,433</u>
<b>Deferred Inflows of Resources</b>	
Pension deferrals	235,287
<b>Total deferred inflows of resources</b>	<u>235,287</u>
<b>Net Position</b>	
Restricted	1,516,905
Unrestricted	(1,354,993)
<b>Total net position</b>	<u>\$ 161,912</u>

*See Notes to Financial Statements*

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
				Primary Governmental Activities
<b>Governmental activities:</b>				
General government	\$ 111,927	\$ -	\$ -	\$ (111,927)
Transportation	273,086	-	239,543	(33,543)
Environmental protection	-	-	17,197	17,197
Economic and physical development	78,167	-	61,840	(16,327)
Human services	6,071,442	-	6,043,529	(27,913)
<b>Total governmental activities</b>	<b>\$ 6,534,622</b>	<b>\$ -</b>	<b>\$ 6,362,109</b>	<b>(172,513)</b>
<b>General revenues:</b>				
				155,294
Local dues				30,120
Miscellaneous				<u>185,414</u>
Total general revenues				
Change in net position				12,901
Net position, beginning of year				<u>149,011</u>
Net position, end of year				<u>\$ 161,912</u>

*See Notes to Financial Statements*

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2022**

	Major Funds		Total Governmental Funds
	General	Special Revenue	
<b>Assets</b>			
Cash and cash equivalents	\$ 208,067	\$ -	\$ 208,067
Certificate of deposit	52,567	-	52,567
Accounts receivable	13,087	-	13,087
Awards receivable	-	1,211,497	1,211,497
Prepaid items	4,512	-	4,512
Due from other funds	320,210	-	320,210
<b>Total assets</b>	<b>\$ 598,443</b>	<b>\$ 1,211,497</b>	<b>\$ 1,809,940</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 96,940	\$ 78,469	\$ 175,409
Due to member counties	-	936,542	936,542
Due to other funds	-	320,210	320,210
<b>Total liabilities</b>	<b>96,940</b>	<b>1,335,221</b>	<b>1,432,161</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	-	27,890	27,890
<b>Fund Balance (Deficit)</b>			
Nonspendable			
Prepaid items	4,512	-	4,512
Restricted			
Stabilized by State statute	333,300	1,183,605	1,516,905
Unassigned fund balance	163,691	(1,335,219)	(1,171,528)
<b>Total fund balance (deficit)</b>	<b>501,503</b>	<b>(151,614)</b>	<b>349,889</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 598,443</b>	<b>\$ 1,211,497</b>	<b>\$ 1,809,940</b>

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

Total fund balance	\$ 349,889
Revenues are recognized when measurable and available, therefore unavailable revenues are considered deferred inflows of resources in the fund financial statements	27,890
Net pension liability	(158,420)
Pension related deferred outflows of resources	235,571
Pension related deferred inflows of resources	(235,287)
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds	151,331
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements	(153,506)
Some liabilities, including accrued vacation are not due and payable in the current period and therefore are not reported in the funds	(55,556)
<b>Net position of governmental activities</b>	<b>\$ 161,912</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) – ANNUAL BUDGET AND ACTUAL – GOVERNMENTAL  
FUNDS**

**Year Ended June 30, 2022**

	General			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues</b>				
Federal government grants	\$ -	\$ -	\$ -	\$ -
State government grants	-	-	-	-
Local dues	161,420	161,420	155,294	(6,126)
Miscellaneous	73,594	73,594	30,120	(43,474)
Contract services	-	-	-	-
<b>Total revenues</b>	<b>235,014</b>	<b>235,014</b>	<b>185,414</b>	<b>(49,600)</b>
<b>Expenditures</b>				
General government	92,820	92,820	41,372	51,448
Transportation	-	-	-	-
Economic and physical development	-	-	-	-
Human services	-	-	-	-
Capital outlay-leases	-	-	207,316	(207,316)
Leases:				
Principal	-	-	58,666	(58,666)
Interest	-	-	5,813	(5,813)
<b>Total expenditures</b>	<b>92,820</b>	<b>92,820</b>	<b>313,167</b>	<b>(220,347)</b>
<b>Revenues over (under) expenditures</b>	<b>142,194</b>	<b>142,194</b>	<b>(127,753)</b>	<b>(269,947)</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	(142,194)	(142,194)	(142,194)	-
Lease liabilities issued	-	-	207,316	207,316
Fund balance appropriated	-	-	-	-
<b>Total other financing uses</b>	<b>(142,194)</b>	<b>(142,194)</b>	<b>65,122</b>	<b>207,316</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(62,631)</b>	<b>\$ (62,631)</b>
Fund balance (deficit), beginning of year			564,134	
Fund balance (deficit), end of year			<u>\$ 501,503</u>	

*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) – ANNUAL BUDGET AND ACTUAL – GOVERNMENTAL  
FUNDS (Continued)  
Year Ended June 30, 2022**

Special Revenue				Total Governmental Funds
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Actual
Original	Final			
\$ 5,682,507	\$ 8,334,525	\$ 3,738,811	\$ (4,595,714)	\$ 3,738,811
2,101,952	2,475,524	2,556,247	80,723	2,556,247
54,566	54,566	52,015	(2,551)	207,309
-	-	-	-	30,120
4,500	4,500	4,343	(157)	4,343
<u>7,843,525</u>	<u>10,869,115</u>	<u>6,351,416</u>	<u>(4,517,699)</u>	<u>6,536,830</u>
-	-	-	-	41,372
272,836	272,836	273,086	(250)	273,086
215,000	215,000	78,167	136,833	78,167
7,520,883	10,546,473	6,072,485	4,473,988	6,072,485
-	-	-	-	207,316
-	-	-	-	58,666
-	-	-	-	5,813
<u>8,008,719</u>	<u>11,034,309</u>	<u>6,423,738</u>	<u>4,610,571</u>	<u>6,736,905</u>
<u>(165,194)</u>	<u>(165,194)</u>	<u>(72,322)</u>	<u>92,872</u>	<u>(200,075)</u>
142,194	142,194	142,194	-	142,194
-	-	-	-	(142,194)
-	-	-	-	207,316
23,000	23,000	-	(23,000)	-
<u>165,194</u>	<u>165,194</u>	<u>142,194</u>	<u>(23,000)</u>	<u>207,316</u>
<u>\$ -</u>	<u>\$ -</u>	<u>69,872</u>	<u>\$ 69,872</u>	<u>7,241</u>
		<u>(221,485)</u>		<u>342,649</u>
		<u>\$ (151,613)</u>		<u>\$ 349,890</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	\$ 7,241
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	67,402
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 are not reported as revenues in the governmental funds:	10,693
Net effect of lease liability principal and lease asset amortization	(2,175)
Some expenses reported in the statement of activities do not require the use of current financial resources in governmental funds:	
Compensated absences	(6,076)
Pension expense	(64,184)
Change in net position of governmental activities	<u>\$ 12,901</u>

See Notes to Financial Statements

## **NOTES TO FINANCIAL STATEMENTS**



**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**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. Each member county will appoint the Chair of its county commission or another county commissioner.
  - b. Each member city/town with a population of 16,000 or more, based on the most recent census, will appoint its mayor or another governing body member.
  - c. Each Region P county will appoint a mayor of a municipality within that county, or another elected official serving either a municipality within that county or that county. Appointments will be made by a caucus of the member municipalities in each county of Region P. Caucuses may take place by in-person meeting, telephone, email, or any convenient means.

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**NOTES TO FINANCIAL STATEMENTS**

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

**B. Governance (Continued)**

- d. The county managers of the member counties will, by caucus, appoint one county manager of a member county. If the Council has an advisory committee on which one or more such county managers are serving, the county manager selected shall be from among the members serving on the advisory committee. Caucuses may take place by in-person meeting, telephone, email, or any convenient means.
  - e. Maximum number of Executive Committee is twenty four.
  - f. Officers of the Board are elected from those serving on the Executive Committee.
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 \$155,294 for the year ended June 30, 2022.

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 or fiduciary funds.

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.

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**NOTES TO FINANCIAL STATEMENTS**

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

**C. Basis of Presentation (Continued)**

*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.

**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 eligibility requirements have been satisfied, subject to meeting the availability criterion. Grant receipts that are unearned at year-end are included as liabilities.

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**NOTES TO FINANCIAL STATEMENTS**

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

**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.

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, 2022. 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.

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**NOTES TO FINANCIAL STATEMENTS**

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

**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.

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, 2022, the Council's deposits had a carrying amount of \$206,508 and a bank balance of \$475,383. Of the bank balance, \$302,537 is covered under Federal Deposit Insurance Corporation (FDIC) insurance and \$172,846 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, 2022, the Council had \$52,567 invested in a certificate of deposit that is covered under Federal Deposit Insurance Corporation (FDIC) insurance and matures June 22, 2023.

At June 30, 2022, the Council had \$1,559 invested in the NCCMT. The NCCMT Government Portfolio, which consists of a SEC-registered mutual fund (the Government Portfolio), is authorized by G.S. 159-30(c)(8). The Government Portfolio, which invests in treasuries and government agencies, is a money market mutual fund (2a7) and maintains an AAAM rating from S&P and AAAMf by Moody's Investor Service. It is reported at fair value. Because the NCCMT Government portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity date of less than 6 months.

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**NOTES TO FINANCIAL STATEMENTS**

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

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

2. 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 one year. 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.

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:

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

3. Right to Use Assets

The Council has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight line basis over the life of the related lease.

4. Compensated Absences

Employees may accumulate up to 240 hours earned vacation leave with such leave being fully vested when earned. Accumulated earned vacation leave at June 30, 2022, was \$55,556. The Council’s liability for accumulated earned vacation leave as of June 30, 2022, 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 vacation 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 vacation leave or sick leave is used or upon termination of an employee.

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**NOTES TO FINANCIAL STATEMENTS**

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

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

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 2022 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. Net investment in capital assets reflects amounts expended for capital assets, less accumulated depreciation, net of related debt. 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.

*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.

**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.

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**NOTES TO FINANCIAL STATEMENTS**

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

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

6. Net Position/Fund Balances (Continued)

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, 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, 2022, accounts and awards receivable totaling \$1,224,584 consists of the following amounts due, principally from grantor agencies in the Special Revenue Fund:

General Fund	<u>\$ 13,087</u>
Special Revenue Fund	
Transportation	79,260
Economic and Physical Development	24,682
Human Services	<u>1,107,555</u>
	<u>1,211,497</u>
	<u><u>\$ 1,224,584</u></u>

2. Capital Assets

The capital assets activity for the year ended June 30, 2022, is as follows:

	Beginning Balances	Additions	Deletions	Ending Balances
Capital assets being depreciated:				
Council equipment	\$ 66,646	\$ -	\$ -	\$ 66,646
Less accumulated depreciation for:				
Council equipment	<u>66,646</u>	-	-	<u>66,646</u>
Governmental activity capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to governmental functions as follows:

General Government	<u>\$ -</u>
	<u><u>\$ -</u></u>

**B. Right to Use Leased Capital Assets**

The Council has recorded two right to use leased assets. The assets are right to use assets for a leased building and equipment. The related leases are discussed in the Leases subsection of the Liabilities and Deferred Inflows of Resources section of this note. The right to use lease assets are amortized on a straight-line basis over the term of the related leases.

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**NOTES TO FINANCIAL STATEMENTS**

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

**B. Right to Use Leased Capital Assets (Continued)**

Right to use asset activity for the Government Funds for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Right to use capital assets				
Leased equipment	\$ -	\$ 198,457	\$ -	\$ 198,457
Leased buildings	-	8,859	-	8,859
Total right to use assets	-	207,316	-	207,316
Less accumulated amortization for:				
Leased equipment	-	50,670	-	50,670
Leased buildings	-	5,315	-	5,315
Total accumulated amortization	-	55,985	-	55,985
Right to use assets, net	\$ -	\$ 151,331	\$ -	\$ 151,331

**C. Deferred Outflows of Resources**

Deferred outflows of resources as of June 30, 2022 is comprised of the following:

Governmental Activities	
Contributions to pension plan in current fiscal year	\$ 67,402
Other pension deferrals	168,169
	<u>\$ 235,571</u>

**D. Liabilities**

1. Long-Term Obligation Activity

The following is a summary of long-term obligation changes for the fiscal year ended June 30, 2022:

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental activities					
Lease Liabilities	\$ -	\$ 207,316	\$ (53,810)	153,506	\$ 53,286
Net pension liability (LGERS)	324,467	-	(166,047)	158,420	-
Compensated absences	49,480	6,076	-	55,556	-
Total	\$ 373,947	\$ 213,392	\$ (219,857)	\$ 367,482	\$ 53,286

**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)**

**D. Liabilities (Continued)**

2. Leases

The Council has entered into agreements to lease a building and certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as the date of their inception.

The Council has entered into an agreement to lease certain building space. The lease has an expiration date of May 2025 and extension options through May 2030. Fixed monthly payments under this agreement are \$4,512. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 3.5%, which is the incremental borrowing rate. The Council has recorded a right to use asset with a net book value of \$147,787 at June 30, 2022. The asset is discussed in more detail in the right to use asset section of this note.

The Council has entered into an agreement to lease certain equipment. The lease has an expiration date of February 2023 and no extension options. Fixed monthly payments under this agreement are \$457. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4.0%, which is the incremental borrowing rate. The Council has recorded a right to use asset with a net book value of \$3,544 at June 30, 2022. The asset is discussed in more detail in the right to use asset section of this note.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Year(s) Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 53,286	\$ 4,801	\$ 58,087
2024	51,450	2,830	54,280
2025	48,770	858	49,628
	<u>\$ 153,506</u>	<u>\$ 8,489</u>	<u>\$ 161,995</u>

3. 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.

**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)**

**D. Liabilities (Continued)**

3. Pension Plan Obligations (Continued)

LGERS is included in the Annual Comprehensive Financial Report (ACFR) of the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

**Benefits Provided.** LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age 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, 2022, was 11.37% 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 \$67,402 for the year ended June 30, 2022.

**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)**

**D. Liabilities (Continued)**

3. Pension Plan Obligations (Continued)

*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, 2022, the Council reported a liability of \$158,420 for its proportionate share of LGERS’s net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions. The Council’s proportion of the net pension liability was based on a projection of the Council’s long-term share of future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022, the Council’s proportion was .01033%, which was an increase of .00125% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the Council recognized pension expense of \$64,184. At June 30, 2022, 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	\$ 50,399	\$ -
Changes of assumptions	99,529	-
Net difference between projected and actual earnings on pension plan investments	-	226,335
Changes in proportion and differences between Council contributions and proportionate share of contributions	18,241	8,952
Council contributions subsequent to the measurement date	67,402	-
Total	<u>\$ 235,571</u>	<u>\$ 235,287</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)**

**D. Liabilities (Continued)**

3. Pension Plan Obligations (Continued)

\$67,402 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, 2023 (Council year ending June 30, 2023). Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year(s) ending June 30:	Amount
2023	\$ 15,599
2024	(2,065)
2025	(11,394)
2026	(69,260)
Thereafter	-
	\$ (67,120)

Actuarial Assumptions. The total pension liability in the December 31, 2019 valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 to 8.25 percent
Investment rate of return	6.50 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, 2020 valuation were based on the results of an actuarial experience study prepared as of December 31, 2019.

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**

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

**D. Liabilities (Continued)**

3. 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, 2022 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	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 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 2.5%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. 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.

**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)**

**D. Liabilities (Continued)**

3. Pension Plan Obligations (Continued)

Sensitivity of the Council’s proportionate share of the net pension asset to changes in the discount rate. The following presents the Council’s proportionate share of the net pension asset calculated using the discount rate of 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Council's proportionate share of the net pension liability (asset)	\$ 614,975	\$ 158,420	\$ (217,297)

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) 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 ACFR of the State of North Carolina. The State’s ACFR 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) 707-0500.

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, 2022, was \$24,563.



**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)**

**D. Liabilities (Continued)**

4. 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, 2021, the Council did not make any contributions to the State of North Carolina death benefits plan as none were required.

**E. Deferred Inflows of Resources**

Deferred Inflows of resources as of June 30, 2022 is comprised of the following:

Governmental Activities	
Other pension plan deferrals	<u>\$ 235,287</u>
Special Revenue Fund	
Unavailable revenue - receivables not collected within 90 days	<u>\$ 27,890</u>

**G. 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	\$ 501,503
Less:	
Prepaid costs	4,512
Stabilized by state statute	333,300
Remaining fund balance	<u>\$ 163,691</u>
Unassigned fund balance	<u>\$ 163,691</u>

**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**

**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 \$831,171, equipment insurance coverage of \$122,370 and general liability coverage of \$5 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.

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 Council purchased public officials bonds for the Finance Director, Deputy Finance Director and Executive Director in the amount of \$50,000. In addition, all employees are bonded under a blanket employee dishonesty bond for \$250,000.

**B. 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.

**C. Interfund Balances and Transfer Activity**

Transfers and due to/from other funds at June 30, 2022, consist of the following:

Transfer from the General Fund to the Special Revenue Fund to cover various expenditures in each of the program departments.	\$142,194
Borrowings from the General Fund to the Special Revenue Fund to fund restricted activities until awards receivable are collected	\$320,120

**Note 4. Related Party Transactions**

During the year ended June 30, 2022, the Council received and recorded dues revenues of \$155,294 from member governments, including Carteret, Craven, Duplin, Greene, Jones, Lenoir, Onslow, Pamlico and Wayne Counties and the municipalities within their boundaries. Amounts due to member counties at June 30, 2022, 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 4. Related Party Transactions (Continued)**

Also, during the year ended June 30, 2022, the Council expended the following amounts to member governments, in the form of pass-through monies:

Carteret County	\$ 463,003
Craven County	702,836
Duplin County	428,251
Greene County	268,725
Jones County	199,564
Lenoir County	531,958
Onslow County	1,104,976
Pamlico County	225,692
Wayne County	981,039
	<u>\$ 4,906,044</u>

**Note 5. Pending GASB Statements**

Pronouncements Implemented in the Current Year:

The Council implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, effective for fiscal years that end June 30, 2022. The statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As part of implementing the statement, the Council performed a comprehensive review of its leases relationships and applied the criteria within the guidance. As a result, beginning net position was not affected.

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

**Statement No. 91, *Conduit Debt Obligations*.** The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement is effective for reporting periods beginning after December 31, 2022.

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Pending GASB Statements (Continued)**

**Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.** The primary objective of this Statement is to improve financial reporting by addressing issues related to the public-private and public-public partnership arrangements (PPPs). This Statement is effective for reporting periods beginning after June 15, 2022.

**Statement No. 96, *Subscription-Based Information Technology Arrangements*.** This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This Statement is effective for reporting periods beginning after June 15, 2022.

**Statement No. 99, *Omnibus 2022*.** The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

**Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*.** The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in the absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 5. Pending GASB Statements (Continued)**

**Statement No. 101, *Compensated Absences*.** The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

**Statement No. 102, *Certain Risk Disclosures*.**

The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

**Note 6. 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.

**Note 7. Subsequent Events**

The Council has evaluated its subsequent events (events occurring after June 30, 2022) through March 13, 2024 which represents the date the financial statements were available to be issued. Based upon this evaluation, management determined that there were no events requiring disclosure in the financial statements.

**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 Liability (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**

**SCHEDULE OF PROPORATIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
FOR LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM  
Last Nine Fiscal Years**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<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) (%)	0.01033%	0.00908%	0.01010%	0.00928%	0.00957%	0.00768%	0.01032%	0.00956%	0.01130%
The Council's proportion of the net pension liability (asset) (\$)	\$ 158,420	\$ 324,467	\$ 275,823	\$ 220,153	\$ 146,203	\$ 162,995	\$ 46,316	\$ (56,380)	\$ 136,208
The Council's covered employee payroll*	\$ 693,414	\$ 678,332	\$ 584,912	\$ 506,123	\$ 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	22.85%	47.83%	47.16%	43.50%	26.14%	32.74%	9.08%	-11.55%	23.00%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	92.00%	94.18%	91.47%	98.09%	98.79%	102.64%	94.35%	98.22%

\* 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**

**SCHEDULE OF CONTRIBUTIONS TO LOCAL GOVERNMENTAL  
EMPLOYEES' RETIREMENT SYSTEM  
Last Nine Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 67,402	\$ 62,793	\$ 59,157	\$ 44,480	\$ 38,559	\$ 41,146	\$ 33,507	\$ 36,051	\$ 34,500
Contributions in relation to the contractually required contribution	<u>67,402</u>	<u>62,793</u>	<u>59,157</u>	<u>44,480</u>	<u>38,559</u>	<u>41,146</u>	<u>33,507</u>	<u>36,051</u>	<u>34,500</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Council's covered-employee payroll	\$ 586,045	\$ 693,414	\$ 678,332	\$ 584,912	\$ 506,123	\$ 559,301	\$ 497,875	\$ 509,914	\$ 487,979
Contributions as a percentage of covered-employee payroll	11.50%	9.06%	8.72%	7.60%	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  
Year Ended June 30, 2022**

<b>Revenues</b>	
Local dues	\$ 155,294
Miscellaneous	<u>30,120</u>
<b>Total revenues</b>	<u>185,414</u>
<b>Expenditures</b>	
Compensation and benefits	195,044
Board and advisory expenses	16,057
Travel	9,187
Rent	53,112
Utilities and maintenance	18,055
Training	1,316
Dues and subscriptions	19,014
Supplies	7,640
Professional services	125,279
Systems administration	8,288
Miscellaneous	<u>13,009</u>
	466,001
Indirect costs allocated	<u>(360,150)</u>
<b>Total expenditures</b>	<u>105,851</u>
<b>Revenues over expenditures</b>	79,563
Operational Matching Transfers Out	<u>(142,194)</u>
<b>Revenues and transfers out over expenditures</b>	<u><u>\$ (62,631)</u></u>

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM  
SPECIAL REVENUE FUND  
Year Ended June 30, 2022**

	Transportation	Environmental Protection	Economic and Physical Development	Human Services	Total Special Revenue Fund
<b>Revenues</b>					
Federal	\$ 187,528	\$ 17,197	\$ 51,147	\$ 3,482,939	\$ 3,738,811
State	-	-	-	2,556,247	2,556,247
Local	52,015	-	-	-	52,015
Contract revenues	-	-	-	4,343	4,343
<b>Total revenues</b>	<b>239,543</b>	<b>17,197</b>	<b>51,147</b>	<b>6,043,529</b>	<b>6,351,416</b>
<b>Expenditures</b>					
Direct support to counties, others	-	-	-	5,066,507	5,066,507
Compensation and benefits	165,690	-	35,239	506,496	707,425
Board and advisory expenses	-	-	-	523	523
Travel	5,281	-	261	15,805	21,347
Rent	440	-	220	660	1,320
Maintenance	3,649	-	1,220	9,842	14,711
Advertising	40	-	-	291	331
Training	620	-	-	1,695	2,315
Dues and publications	3,480	-	-	10,477	13,957
Supplies	65	-	-	1,984	2,049
Professional services	690	-	14,402	189,141	204,233
Systems administration	8,778	-	8,885	11,208	28,871
Indirect costs	84,353	-	17,940	257,856	360,149
<b>Total expenditures</b>	<b>273,086</b>	<b>-</b>	<b>78,167</b>	<b>6,072,485</b>	<b>6,423,738</b>
<b>Revenues over (under) expenditures</b>	<b>(33,543)</b>	<b>17,197</b>	<b>(27,020)</b>	<b>(28,956)</b>	<b>(72,322)</b>
Operational Matching Transfers In	-	-	40,000	102,194	142,194
<b>Revenues and transfers in over (under) expenditures</b>	<b>\$ (33,543)</b>	<b>\$ 17,197</b>	<b>\$ 12,980</b>	<b>\$ 73,238</b>	<b>\$ 69,872</b>

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**SCHEDULE OF MEMBER DUES AND ADMINISTRATIVE FEES REVENUE  
Year Ended June 30, 2022**

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<u>County</u>	
Carteret	\$ 24,968
Craven	23,488
Duplin	21,278
Greene	7,627
Jones	3,890
Lenoir	13,924
Onslow	19,136
Pamlico	8,462
Wayne	<u>32,521</u>
	<u>\$ 155,294</u>

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**SCHEDULE OF INDIRECT COSTS  
Year Ended June 30, 2022**

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	Fiscal Year 2022 Budgeted Cost
Total Indirect Annual Salaries	\$ 124,863
Total Indirect Fringe Benefits	39,779
Other Indirect Expenses	169,542
<b>Total Indirect Expenditures</b>	<b><u>\$ 334,184</u></b>
Total Personnel Costs	\$ 902,669
Less: Total Indirect Salaries	(124,863)
Less: Total Indirect Fringe Benefits	(39,779)
<b>Total Direct Salaries and Direct Fringe Benefits</b>	<b><u>\$ 738,027</u></b>

**Indirect Rate Calculation**

<u>Total Indirect Expenditures</u>	=	\$ 334,184	
Total Direct Personnel Costs		<u>\$ 738,027</u>	45.28%
Total Indirect Expenditures		\$ 334,184	
Less: Total Indirect Received		(360,149)	
		<u>\$ (25,965)</u>	3.52%
<b>Total Indirect Rate for Fiscal Year 2022</b>			<b>48.80%</b>





## **COMPLIANCE SECTION**



**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***

**INDEPENDENT AUDITOR'S REPORT**

Executive Committee

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

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 and each major fund, and the budgetary comparison of the General and Special Revenue Funds of Neuse River Council of Governments d/b/a Eastern Carolina Council (the "Council"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated March 13, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 were not identified. We identified certain deficiencies in internal control that we consider to be material weaknesses, identified as Findings 2022-001, 2022-002, and 2022-003 in the accompanying Schedule of Findings and Questioned Costs.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 and 2022-003.

## **Council's Response to Findings**

Governmental Auditing Standards requires the auditor to perform limited procedures on the Council's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questions Costs and Corrective Action Plan. The Council's response was not subject 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.

*PBMares, LLP*

Morehead City, North Carolina  
March 13, 2024



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on Compliance for The Major Federal Program**

**Opinion on The Major 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 the Council's major federal program for the year ended June 30, 2022. The Council's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2022.

**Basis for Opinion on The Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the State Single Audit Implementation Act (Act). Our responsibilities under those standards and the audit guide are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Council's compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with laws, statutes, regulations, rules, and the provisions of contracts or grant agreements applicable to the Council's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Council's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, Uniform Guidance, and the Audit Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Council's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the audit guide, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on 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 that we consider to be for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above 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 identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-004, that we consider to be a material weakness.

The Council's response to the internal control over the compliance finding 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 auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*PBMares, LLP*

Morehead City, North Carolina  
March 13, 2024



**REPORT ON COMPLIANCE FOR EACH  
MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND  
STATE SINGLE AUDIT IMPLEMENTATION ACT**

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on Compliance for The 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 *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 the Council's major State program for the year ended June 30, 2022. The Council's major State program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2022.

**Basis for opinion on The Major State Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (GAS); 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. Our responsibilities under those standards and the audit guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Council's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance he requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Council's State programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit

## **Report on 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. We did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-005, that we consider to be a material weakness.

The Council's response to the internal control over the compliance finding 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 auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*PBMares, LLP*

Morehead City, North Carolina  
March 13, 2024

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2022**

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

Financial Statements

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

	Unmodified	
Internal control over financial reporting:		
Material weakness(as) identified?	<u>  ✓  </u> Yes	<u>      </u> No
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  ✓  </u> None Reported
Noncompliance material to financial statements noted?	<u>  ✓  </u> Yes	<u>      </u> No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u>  ✓  </u> Yes	<u>      </u> No
Significant deficiency(ies) identified?	<u>      </u> Yes	<u>  ✓  </u> None Reported

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

	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>  ✓  </u> Yes	<u>      </u> No

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
Aging Cluster:	
93.044	Special Programs for the Aging - Title III B - Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging - Title III C - Nutrition Services
93.053	Nutrition Services Incentive Program (NSIP)

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, 2022**

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**Section II - Financial Statement Findings**

**Identifying Number: 2022-001**

**Material Noncompliance and Material Weakness in Internal Control - Late Filing of Audit to North Carolina Local Government Commission (NC LGC)**

Criteria: Per the North Carolina Local Government Commission's LGC-205 Contract, all audits are to be performed and the report of audit submitted to LGC Staff within four months of fiscal year end.

Condition and Context: During the course of the audit the Council did not provide all of the information required for the audit in a timely manner in order to complete the audit. The Council also experienced staff turnover that effected timeliness of the audit.

Effect: Late filing of audit to NC LGC.

Cause: Delays mainly caused by the Council not having information required for the audit complete and available by the agreed-upon time as well as staff turnover.

Recommendation: We recommend the Council place an emphasis on deadlines for overall audit preparedness and communicate the status clearly within the Council and to the auditor.

Management's Response: See corrective action plan.

**Identifying Number: 2022-002**

**Material Weakness in Internal Control - Lack of Individual with appropriate skills, knowledge and experience**

Criteria: The Council should have employees with the skills, knowledge, and experience in place during the course of the year under audit to ensure appropriate accounting policies and procedures are followed.

Condition and Context: During the course of our audit, we identified multiple areas of the audit where significant adjustments needed to be made, supporting documentation was minimal and/or not present, and appropriate review controls were not being performed timely.

Effect: Cash and accounts payable were understated by \$7,806 due to the backdating of checks  
Cash was understated by \$4,398 due to improper recording of journal entries within the accounts.

Supporting documentation for manual journal entries lacked evidence of review  
The lack of clearly defined responsibilities allowed for the occurrence of mistakes, administrative oversight, contention and uncertainty amongst several Council employees  
Check requests were created and approved by the same individual  
Invoices were dated prior to purchase order request dates  
Invoices were paid without proper documented approval for payment  
Bank reconciliations were not performed or reviewed timely  
Grant revenues and accounts receivable were understated by \$113,221  
Accounts payable and expenses were understated by \$5,413  
Grant revenue of \$27,890 was not appropriately deferred  
Modified-accrual to full accrual entries were not prepared appropriately  
Grant funds were not timely disbursed to subrecipients

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
Year Ended June 30, 2022**

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**Section II - Financial Statement Findings (Continued)**

**Identifying Number: 2022-002**

**Material Weakness in Internal Control - Lack of Individual with appropriate skills, knowledge and experience (Continued)**

Cause: Lack of individuals in place during the course of the fiscal year with the appropriate skills, knowledge and experience in governmental accounting to perform the functions in an appropriate and timely manner.

Recommendation: We understand the Council has hired a new Finance Director and recommend they continue implementing corrective actions identified in previous audits as well as identify needs for additional resources in departments to prevent material errors from occurring.

Management's Response: See corrective action plan.

**Identifying Number: 2022-003**

**Material Noncompliance and Material Weakness in Internal Control over Compliance - Pre-Audit Certification**

Criteria: North Carolina G.S. 159-28 (a1) states: Preaudit Requirement. – If an obligation is reduced to a written contract or written agreement requiring the payment of money, or is evidenced by a written purchase order for supplies and materials, the written contract, agreement, or purchase order shall include on its face a certificate stating that the instrument has been preaudited to assure compliance with subsection (a) of this section. The certificate, which shall be signed by the finance officer, or any deputy finance officer approved for this purpose by the governing board, shall take substantially the following form:

"This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.

Condition and Context: 17 of 97 General Fund expenditures tested did not have a pre-audit certification or evidence the pre-audit certification process had been performed.

Effect: See Finding 2022-002. Additionally Council is in violation of N.C. G.S. 159-28(a1)

Cause: See Finding 2022-002

Recommendation: See Finding 2022-002

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
Year Ended June 30, 2022**

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

**Identifying Number: 2022-004**

**Material Weakness in Internal Control Over Compliance - Lack of Individual with appropriate skills, knowledge and experience**

U.S. Department of Health and Human Services

Passed thru the North Carolina Department of Health and Human Services

Program Name:

Aging Cluster:

Special Programs for the Aging - Title III-B Grants for supportive services and senior centers

Special Programs for the Aging - Title III-C Nutrition Services

Nutrition Services Incentive Program

Assistance Listing #: 93.044, 93.045, 93.053

Award Year: 2022

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Ma

Refer to Section II. Financial Statement Findings, Finding 2022-002

Questioned Costs: None

Management's Response: See Corrective Action Plan

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

**Identifying Number: 2022-005**

**Material Weakness in Internal Control Over Compliance - Lack of Individual with appropriate skills, knowledge and experience**

North Carolina Department of Health and Human Services

Program Name:

Aging Cluster:

Special Programs for the Aging - Title III-B Grants for supportive services and senior centers

Special Programs for the Aging - Title III-C Nutrition Services

Nutrition Services Incentive Program

Award Year: 2022

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Ma

Refer to Section II. Financial Statement Findings, Finding 2022-002

Questioned Costs: None



# Eastern Carolina Council

## Corrective Action Plan For Fiscal Year Ended June 30, 2022

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### Section II. Financial Statement Findings

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**2022-001      Material Noncompliance and Material Weakness in Internal Control – Late Filing of Audit to North Carolina Local Government Commission (NC LGC)**

Corrective Action: The Council will make all efforts to be fully staffed as needed. A new Finance Director has been hired to fill the vacant position. This will allow the appropriate positions adequate time to prepare as needed for the audit and ensure all records are available in a timely manner.

Completion Date: August 20, 2022

Contact Person: David Bone, Executive Director

**2022-002      Material Weakness in Internal Control - Lack of Individual with appropriate skills, knowledge, and experience**

Corrective Action: The Council agrees with this finding. The Council has hired a new Finance Director with the appropriate skills, knowledge, and experience to oversee the Finance Department. The Finance Director has identified and corrected internal control issues.

Completion Date: July 1, 2023

Contact Person: David Bone, Executive Director

**2022-003      Material Noncompliance and Material Weakness in Internal Control over Compliance – Pre-Audit Certification**

Corrective Action: The Council agrees with this finding. The Council has hired a new Finance Director with the appropriate skills, knowledge, and experience to oversee the Finance Department. The Finance Director has identified and corrected internal control issues.

Completion Date: July 1, 2023

Contact Person: David Bone, Executive Director

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

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**2022-004      Material Weakness in Internal Control Over Compliance - Lack of Individual with appropriate skills, knowledge, and experience**

Corrective Action: The Council agrees with this finding. The Council has hired a new Finance Director with the appropriate skills, knowledge, and experience to oversee the Finance Department. The Finance Director has identified and corrected internal control issues.

Completion Date: July 1, 2023

Contact Person: David Bone, Executive Director

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**Section IV. Federal Award Findings and Questioned Costs**

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**2022-005      Material Weakness in Internal Control Over Compliance - Lack of Individual with appropriate skills, knowledge, and experience**

Corrective Action: The Council agrees with this finding. The Council has hired a new Finance Director with the appropriate skills, knowledge, and experience to oversee the Finance Department. The Finance Director has identified and corrected internal control issues.

Completion Date: July 1, 2023

Contact Person: David Bone, Executive Director



Edward Riggs  
President



William Taylor  
Treasurer



David Bone  
Executive Director



Melinda McGuire  
Assistance Executive Director / 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, 2022

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## Section II - Financial Statement Findings

<b>Finding: 2021-001:</b>	Material Noncompliance and Material Weakness in Internal Control - Late Filing of Audit to North Carolina Local Government Commission (NC LGC)
<b>Status:</b>	See finding 2022-001
<b>Finding: 2021-002:</b>	Significant Deficiency in Internal Control - Cash Cutoff
<b>Status:</b>	See finding 2022-002
<b>Finding: 2021-003:</b>	Material Weakness in Internal Control - Payroll
<b>Status:</b>	Corrected
<b>Finding: 2021-004:</b>	Material Weakness in Internal Control - Revenue and Accounts Receivable
<b>Status:</b>	See finding 2022-002
<b>Finding: 2021-005:</b>	Material Weakness in Internal Control - Purchase Orders
<b>Status:</b>	See finding 2022-002
<b>Finding: 2021-006:</b>	Material Weakness in Internal Control - Delegation of Authority
<b>Status:</b>	See finding 2022-002

## Section III - Federal Award Findings and Questioned Costs

<b>Finding: 2021-007:</b>	Material Weakness in Internal Control Over Compliance - Purchase Orders
<b>Status:</b>	Corrected
<b>Finding: 2021-008:</b>	Material Weakness in Internal Control Over Compliance - Reporting
<b>Status:</b>	Corrected
<b>Finding: 2021-009:</b>	Material Weakness in Internal Control Over Compliance - Procurement
<b>Status:</b>	Corrected

## Section IV - State Award Findings and Questioned Costs

No findings reported.

**NEUSE RIVER COUNCIL OF GOVERNMENTS  
D/B/A EASTERN CAROLINA COUNCIL**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2022**

Federal Grantor / State Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	State/ Pass-Through Grantor Number	Federal Expenditures	State Expenditures	Passed -through to Subrecipients
<b>Federal Programs</b>					
<b>US Department of Health &amp; Human Services</b>					
Passed through NC Dept of Health and Human Services					
Division of Aging & Adult Services					
Aging Cluster:					
Special Programs for the Aging - Title III B					
Grants for Supportive Services and Senior Centers:					
	93.044	NC-15			
Ombudsman			\$ 146,591	\$ 8,623	\$ -
Legal Services			18,720	1,101	19,821
COVID-19: Legal Services			1,285	-	1,285
Access			465,061	27,357	492,418
In Home/Support Services			603,946	35,526	639,473
COVID Vaccine			70,000	-	-
COVID-19: In Home/Support Services			152,900	-	152,900
Special Programs for the Aging - Title III C					
Nutrition Services:					
	93.045	NC-15			
Planning and Administration			270,657	14,832	-
COVID-19: Planning and Administration					
Congregate Meals			402,720	23,258	425,978
Consolidated Appropriations Act			62,460	-	-
COVID-19: Congregate Meals			149,348	-	149,348
Home Delivered Meals			188,532	11,090	199,622
Families First Home Delivered Meals			59,373	-	59,373
COVID-19: Home Delivered Meals			155,096	-	155,096
Nutrition Services Incentive Program (NSIP)	93.053	NC-15	195,818	-	195,818
<b>Total Aging Cluster</b>			<b>2,942,507</b>	<b>121,787</b>	<b>2,491,132</b>
Special Programs for the Aging - Title III D					
	93.043	NC-15			
Disease Prevention and Health Promotion Services:					
Preventive Health			39,670	2,334	25,400
Social Services Block Grant In-home					
	93.667	NC-15	144,756	4,136	-
Special Programs for the Aging - Title VII, Chapter 3					
	93.041	NC-15			
Programs for Prevention of Elder Abuse, Neglect and Exploitation					
			7,380	434	-
Special Programs for the Aging - Title VII, Chapter 2					
	93.042	NC-15			
Long Term Care Ombudsman Services for Older Individuals:					
Ombudsman			15,857	933	-
COVID-19: Ombudsman			17,674	-	-
Money Follows the Person Rebalancing Demonstration:					
LCA	93.791	NC-15			
National Family Caregiver Support, Title III, Part E					
	93.052	NC-15	3,821	-	-
Planning and Administration					
Family Caregiver Services			270,770	18,764	178,264
COVID-19: Family Caregiver Services			29,811	-	29,811
<b>Total US Department of Health and Human Services</b>			<b>3,472,246</b>	<b>148,388</b>	<b>2,724,607</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, 2022**

	Federal Assistance Listing Number	State/ Pass-Through Grantor Number	Federal Expenditures	State Expenditures	Pass-through to Subrecipients
<u>US Department of Commerce</u>					
Direct Program					
Economic Development Administration (EDA)					
Economic Development Cluster:					
COVID 19: Economic Adjustment Assistance - CARES	11.307	N/A	\$ 8,916	\$ -	\$ -
Economic Adjustment Assistance - Disaster Recovery	11.307	N/A	1,068	-	-
<b>Total Economic Development Cluster</b>			<u>9,984</u>	<u>-</u>	<u>-</u>
Economic Development Support for Planning Organizations	11.302	N/A	41,163	-	-
<b>Total US Department of Commerce</b>			<u>51,147</u>	<u>-</u>	<u>-</u>
<u>US Department of Transportation</u>					
Passed through the NC Department of Transportation					
Highway Planning and Construction					
East Carolina RPO	20.205-8	N/A	105,267	-	-
Down East RPO	20.205-8	N/A	110,151	-	-
<b>Total US Department of Transportation</b>			<u>215,418</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>			<u>3,738,811</u>	<u>148,388</u>	<u>2,724,607</u>
<b>State Grants</b>					
<u>NC Department of Health and Human Services</u>					
Division of Aging & Adult Services					
Division of Social Services					
Aging Cluster:					
Ombudsman - 90% State Funds		NC-15	-	17,697	-
Access 90% State Funds		NC-15	-	115,547	115,547
In Home/Support Services - 90% State Funds		NC-15	-	1,290,733	1,290,733
Home Congregate Meals - 90% State		NC-15	-	129,644	129,644
Home Delivered Meals - 90% State		NC-15	-	724,222	724,222
Title III P&A / AAA Administration		NC-15	-	48,261	-
Senior Center Development / General Purpose		NC-15	-	76,456	76,456
Operation Fan		NC-15	-	5,298	5,298
<b>Total NC Department of Health and Human Services</b>			<u>-</u>	<u>2,407,859</u>	<u>2,341,901</u>
<b>Total assistance expended</b>			<u>\$ 3,738,811</u>	<u>\$ 2,556,247</u>	<u>\$ 5,066,507</u>

*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  
Year Ended June 30, 2022**

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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, 2022. 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.

**Note 3. Indirect Cost Rate**

Neuse River Council of Governments d/b/a Eastern Carolina Council utilizes an approved indirect cost rate of 48.80% 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  
Year Ended June 30, 2022**

**Note 4. Subrecipients**

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

Subrecipient	Federal Assistance Listing Number/ State Pass-through Number	Federal	State
HCCBG - In Home/Support Services	93.044 / NC-15	\$ 603,946	\$ 1,326,259
COVID-19: HCCBG - In Home/Support Services	93.044	152,900	-
HCCBG - Access	93.044 / NC-15	465,061	142,904
HCCBG - Congregate Meals	93.045 / NC-15	402,720	152,902
COVID-19: HCCBG - Congregate Meals	93.045	149,348	-
HCCBG - Home Delivered Meals	93.045 / NC-15	188,532	735,312
HCCBG - Home Delivered Meals - Families First	93.045	59,373	-
COVID-19: HCCBG - Home Delivered Meals	93.045	155,096	-
Nutrition Services Incentive Program (NSIP)	93.053 / NC-15	195,818	-
Legal Services	93.044 / NC-15	18,720	1,101
COVID-19: Legal Services	93.044	1,285	-
Senior Center Development / General Purpose	NC-15	-	76,456
Special Programs for the Aging - Title III D	93.043 / NC-15	25,400	-
National Family Caregiver Support Program	93.052 / NC-15	178,264	-
COVID - 19: National Family Caregiver Support Program	93.052	29,811	-
Operation Fan	NC-15	-	5,298
		2,626,274	2,440,233
<b>Total Federal and State Awards Passed-Through to Subrecipients For Aging Programs</b>			<b>\$ 5,066,507</b>