

**Neuse River Council of Governments
d/b/a Eastern Carolina Council
New Bern, North Carolina
Financial Statements
For the Year Ended June 30, 2023**

**Neuse River Council of Governments
d/b/a Eastern Carolina Council
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June 30, 2023**

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FINANCIAL SECTION



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Independent Auditor's Report

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

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Carolina Council as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Eastern Carolina Council's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Eastern Carolina Council as of June 30, 2023, and the respective changes in financial position, thereof and the respective budgetary comparison 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. 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 Eastern Carolina 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 Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 raises substantial doubt about the Eastern Carolina Council's ability to continue as a going concern for the 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 of 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 *Governmental Auditing Standards* will always detect 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 *Governmental Auditing Standards*, we:

- exercised professional judgement and maintained 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 Eastern Carolina 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 Eastern Carolina 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, and the Local Government Employees' Retirement System Schedules of the Council's Proportionate Share of Net Pension Liability (Asset) and Council Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied

certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the of Eastern Carolina Council's basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules as well as the accompanying schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, other schedules, and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2025, on our consideration of the Eastern Carolina Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Eastern Carolina 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 Eastern Carolina Council's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

March 18, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Eastern Carolina Council, we offer readers of the Eastern Carolina Council' financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Council's financial statements, which follow this narrative.

Financial Highlights

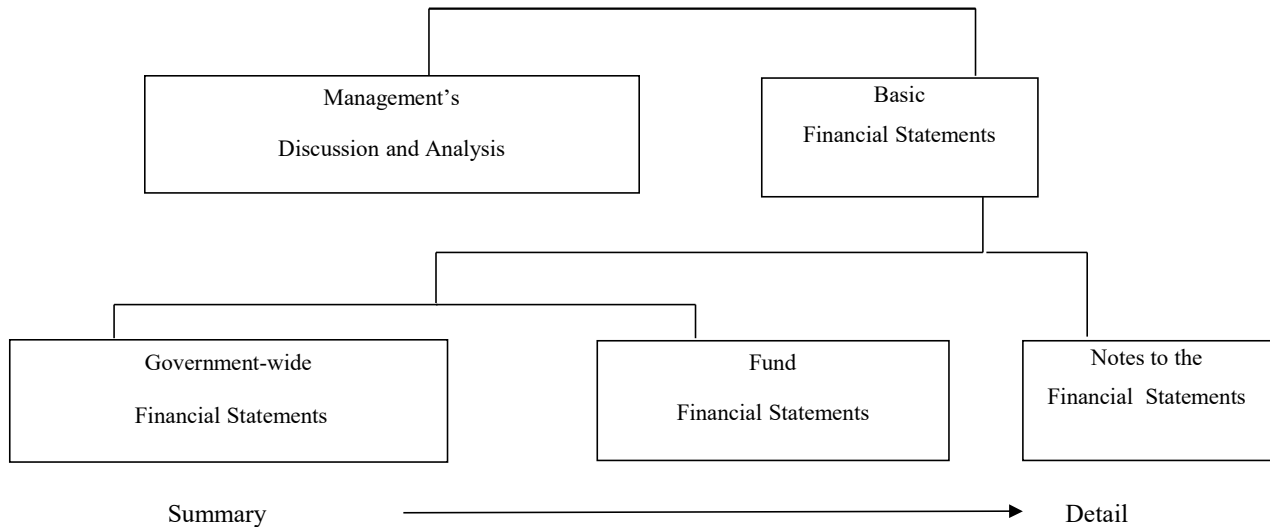
- The assets and deferred outflows of the Council exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$138,483 (*net position*). The Council's total net position decreased by \$23,429 in comparison with the prior year.
- At the close of the current fiscal year, the Council's governmental funds reported a combined ending fund balance of \$368,845, an increase of \$18,956 in comparison with the prior year combined ending fund balance of \$368,845. \$(689,150) is unassigned at the end of the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 6) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Council's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and the 2) the budgetary comparison statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the **required supplemental information (RSI)**. This section contains funding information about the Council pension plans. After the RSI, **supplemental information** is provided to show additional details about the Council's activities. Budgetary information required by the General Statutes can also be found in this part of the statements.

Government-Wide Financial Statements

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

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

Government-wide financial statements present governmental activities only, as the Council has no business-type activities, or discretely presented component unit. 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 Exhibits 1 and 2 of this report.

Fund Financial Statements

The Fund Financial Statements (see Figure 1) 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 Eastern Carolina 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 North Carolina General Statutes or the Council's budget ordinance. All of the funds of the Eastern Carolina Council can be divided into one category: governmental funds.

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 6 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Council's progress in funding its obligation to provide pension benefits to its employees.

Government-Wide Financial Analysis

Eastern Carolina Council' Net Position

Figure 2

	Activities	
	2023	2022
Current and other assets	\$ 1,561,519	\$ 1,489,730
Capital and right to use leased assets	94,280	151,331
Deferred outflows of resources	365,308	235,571
Total assets and deferred outflows of resources	2,021,107	1,876,632
Long-term liabilities outstanding	615,573	314,196
Other liabilities	1,236,268	1,165,237
Deferred inflows of resources	30,783	235,287
Total liabilities and deferred inflows of resources	1,882,624	1,714,720
Net position:		
Net investment in capital assets	-	-
Restricted	1,053,483	1,516,905
Unrestricted	(915,000)	(1,354,993)
Total net position	\$ 138,483	\$ 161,912

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Council exceeded liabilities and deferred inflows by \$138,483 as of June 30, 2023. The Council's total net position decreased by \$23,429 in comparison with the prior year. Of the net position, \$1,053,483 represents resources that are subject to external legal restrictions on how they may be used. Restrictions include Stabilization by State Statute as dictated by North Carolina General Statutes and unspent grants or other revenues with restrictive purposes. The Council's capital assets (office and computer equipment and software) is \$0 as all assets are fully depreciated. The Council uses these capital assets to provide services to constituent local government members; consequently, these assets are not available for future spending.

Eastern Carolina Council'
Changes in Net Position
Figure 3

	Governmental Activities	
	2023	2022
Revenues:		
Program revenues:		
Charges for Services	\$ -	\$ -
Operating grants and contributions	6,805,925	6,362,109
General revenues:		
Local government	259,927	155,294
Miscellaneous	194,046	30,120
Total revenues	7,259,898	6,547,523
Expenses:		
General government	238,294	111,927
Transportation	280,767	273,086
Economic & physical development	236,117	78,167
Human services	6,525,489	6,071,442
Interest	2,660	-
Total expenses	7,283,327	6,534,622
 Increase (decrease) in net position	 (23,429)	 12,901
 Net position beginning	 161,912	 149,011
Net position, ending	<u>\$ 138,483</u>	<u>\$ 161,912</u>

Governmental activities: Governmental activities increased the Council's net position by \$138,483.

The Council's revenues were \$7,259,898. Ninety-four percent of the Council's revenues come from federal and State revenues.

The Council's expenditures were \$7,283,327. Ninety percent of the Council's expenditures were related to Human Services program.

Financial Analysis of the Council's Funds

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

Governmental Funds - The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Council's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund is the operating fund of the Council. At the end of the fiscal year, the General Fund unassigned fund balance was \$375,025 while total fund balance was \$518,451. As of June 30, 2023, total fund balance was 222% of total General Fund expenditures for the year.

At June 30, 2023, the combined fund balance of the governmental funds of the council increased by \$1,108,065 over the prior year.

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

Capital Asset and Debt Administration

Capital assets. The Council's capital assets for its governmental activities as of June 30, 2023, totals \$0 (net of accumulated depreciation). These assets include furniture, fixtures, and equipment and are substantially depreciated. This amount is small because the Council does not own the bulk of its facilities, but operates under operating leases which call for payments of rent.

Additional information on the Council's capital assets can be found in the notes of the Basic Financial Statements.

Long-term Debt. The Council's long-term debt consisted of the following for its governmental activities as of June 30, 2023: a Net Pension liability-LGERS of \$545,526, compensated absences of \$42,101, and lease liability of \$99,430 for a total of \$687,057.

Eastern Carolina Council' Outstanding Debt
Figure 5

	Governmental Activities	
	2023	2022
Net pension liability (LGERS)	\$ 545,526	\$ 158,420
Compensated absences	42,101	55,556
Lease liability	99,430	153,506
Total	<u>\$ 687,057</u>	<u>\$ 367,482</u>

Additional information regarding the Eastern Carolina Council' long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

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

The proposed budget for the coming fiscal year calls for funded expenditures of approximately \$8.7 million.

Request 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
P.O. Box 1717
233 Middle Street, 3rd Floor
New Bern, NC 28563-1717
(252) 638-3185, ext 3005
executivedirector@eccog.org

BASIC FINANCIAL STATEMENTS

Neuse River Council of Governments
d/b/a Eastern Carolina Council
Statement of Net Position
June 30, 2023

	Primary Government	
	Governmental Activities	Total
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 532,401	\$ 532,401
Accounts receivable	110,037	110,037
Due from other governments	914,569	914,569
Prepays	4,512	4,512
Total Current Assets	1,561,519	1,561,519
Non-Current Assets:		
Right to use leased assets, net of amortization	94,280	94,280
Total capital assets	94,280	94,280
Total assets	1,655,799	1,655,799
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	365,308	365,308
Total deferred outflows of resources	365,308	365,308
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	228,242	228,242
Due to member counties	936,542	936,542
Lease liability - current	51,484	51,484
Compensated absences - current	20,000	20,000
Total current liabilities	1,236,268	1,236,268
Long-term liabilities:		
Lease liability - noncurrent	47,946	47,946
Compensated absences - noncurrent	22,101	22,101
Net pension liability	545,526	545,526
Total long-term liabilities	615,573	615,573
Total liabilities	1,851,841	1,851,841
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	30,783	30,783
Total deferred inflows of resources	30,783	30,783
NET POSITION		
Restricted	1,053,483	1,053,483
Unrestricted	(915,000)	(915,000)
Total net position	\$ 138,483	\$ 138,483

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

Neuse River Council of Governments
d/b/a Eastern Carolina Council
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Total
Primary government:					
Governmental Activities:					
General government	\$ 238,294	\$ -	\$ -	\$ (238,294)	\$ (238,294)
Transportation	280,767	-	218,270	(62,497)	(62,497)
Economic and physical development	236,117	-	189,426	(46,691)	(46,691)
Human services	6,525,489	-	6,398,229	(127,260)	(127,260)
Interest	2,660	-	-	(2,660)	(2,660)
Total governmental activities	<u>\$ 7,283,327</u>	<u>\$ -</u>	<u>\$ 6,805,925</u>	<u>(477,402)</u>	<u>(477,402)</u>
General revenues:					
Local government				259,927	259,927
Miscellaneous				194,046	194,046
Total general revenues				<u>453,973</u>	<u>453,973</u>
Change in net position				(23,429)	(23,429)
Net position, beginning				161,912	161,912
Net position, ending				<u>\$ 138,483</u>	<u>\$ 138,483</u>

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

Neuse River Council of Governments
d/b/a Eastern Carolina Council
Balance Sheet
Governmental Funds
June 30, 2023

	Major Fund		Total
	General	Special Revenue	Total Governmental Fund
ASSETS			
Cash and cash equivalents	\$ 532,401	\$ -	\$ 532,401
Accounts receivable	110,037	-	110,037
Due from other governments	-	914,569	914,569
Due from other funds	28,877	-	28,877
Prepays	4,512	-	4,512
Total assets	<u>\$ 675,827</u>	<u>\$ 914,569</u>	<u>\$ 1,590,396</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 157,376	\$ 70,866	\$ 228,242
Due to member counties	-	936,542	936,542
Due to other funds	-	28,877	28,877
Total liabilities	<u>157,376</u>	<u>1,036,285</u>	<u>1,193,661</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	27,890	27,890
Total deferred inflows of resources	<u>-</u>	<u>27,890</u>	<u>27,890</u>
FUND BALANCES			
Nonspendable			
Prepaid items	4,512	-	4,512
Restricted			
Stabilization by State Statute	138,914	914,569	1,053,483
Unassigned	<u>375,025</u>	<u>(1,064,175)</u>	<u>(689,150)</u>
Total fund balances	<u>518,451</u>	<u>(149,606)</u>	<u>368,845</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 675,827</u>	<u>\$ 914,569</u>	<u>\$ 1,590,396</u>

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

Total Fund Balance, Governmental Funds	\$ 368,845
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	-
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Right to use assets at historical costs	207,316
Accumulated depreciation	(113,036)
Deferred outflows of resources related to pensions are not reported in the funds.	365,308
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Lease liabilities	(99,430)
Compensated absences	(42,101)
Net pension liability	(545,526)
Deferred inflows of resources related to pensions are not reported in the funds	(30,783)
Revenues are recognized when measurable and available, therefore unavailable revenues are considered deferred inflows of resources in the fund financial statements.	27,890
Total net position of governmental activities	<u>\$ 138,483</u>

Neuse River Council of Governments
d/b/a Eastern Carolina Council
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	Major Fund		
	General	Special Revenue	Total Government Fund
REVENUES			
Federal	\$ -	\$ 6,768,474	\$ 6,768,474
State	-	37,451	37,451
Local	60,168	199,759	259,927
Miscellaneous	190,240	3,806	194,046
Total revenues	250,408	7,009,490	7,259,898
EXPENDITURES			
General government	176,724	-	176,724
Transportation	-	272,837	272,837
Environmental protection	-	-	-
Economic and physical development	-	230,302	230,302
Human services	-	6,504,343	6,504,343
Leases:	-	-	-
Principal	54,076	-	54,076
Interest	2,660	-	2,660
Total expenditures	233,460	7,007,482	7,240,942
Excess (deficiency) of revenues over expenditures	16,948	2,008	18,956
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers (to) other funds	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balance	16,948	2,008	18,956
FUND BALANCES, beginning	501,503	(151,614)	349,889
FUND BALANCES, ending	<u>\$ 518,451</u>	<u>\$ (149,606)</u>	<u>\$ 368,845</u>

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

Neuse River Council of Governments
d/b/a Eastern Carolina Council
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

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

Net changes in fund balances - total governmental funds	\$ 18,956
<p>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. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Right to used leased asset capital outlay expenditures which we capatalized	
Amortization expense for intangible assets	(57,051)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	
LGERS	95,061
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Principal payments on leases	54,076
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Pension expense	(147,926)
Compensated absences	13,455
Total changes in net position of governmental activities	<u>\$ (23,429)</u>

Neuse River Council of Governments
d/b/a Eastern Carolina Council
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

	General Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Local			\$ 60,168	
Miscellaneous			190,240	
Total revenues	<u>\$ 321,824</u>	<u>\$ 344,355</u>	<u>250,408</u>	<u>\$ (93,947)</u>
Expenditures				
General government			176,724	
Leases:				
Principal			54,076	
Interest			2,660	
Total expenditures	<u>321,824</u>	<u>344,355</u>	<u>233,460</u>	<u>110,895</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>16,948</u>	<u>16,948</u>
Other financing sources				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>16,948</u>	<u>\$ 16,948</u>
Fund balances, beginning			<u>501,503</u>	
Fund balances, ending			<u>\$ 518,451</u>	

Neuse River Council of Governments
d/b/a Eastern Carolina Council
Special Revenue Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2023

	Special Revenue Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Federal			\$ 6,768,474	
State			37,451	
Local			199,759	
Miscellaneous			3,806	
Total revenues	<u>\$ 8,627,626</u>	<u>\$ 9,681,557</u>	<u>7,009,490</u>	<u>\$ (2,672,067)</u>
Expenditures				
Transportation			272,837	
Environmental protection			-	
Economic and physical development			230,302	
Human services			6,504,343	
Total expenditures	<u>8,627,626</u>	<u>9,681,557</u>	<u>7,007,482</u>	<u>2,674,075</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>2,008</u>	<u>2,008</u>
Other financing sources				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>2,008</u>	<u>\$ 2,008</u>
Fund balances, beginning			(151,614)	
Fund balances, ending			<u>\$ (149,606)</u>	

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

NOTES TO THE FINANCIAL STATEMENTS

NEUSE RIVER COUNCIL OF GOVERNMENTS
D/B/A EASTERN CAROLINA COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

I. Summary of Significant Accounting Policies

The accounting policies of the Eastern Carolina Council (the "Council") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Council 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 commissioner 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 other 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.
- 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 quarterly and is comprised of the following:
 - a. The Executive Committee - meets six times a year.
 - 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 amounts to \$202,371 for the year ended June 30, 2023.

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 (the Council) 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 display the governmental activities of the Council. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. The Council has only governmental activities.

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

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

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

Special Revenue Funds : 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 on the modified accrual basis of accounting.

Government-Wide and Fiduciary Fund Financial Statements: The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Council gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

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

Under the terms of grant agreements, the Council funds certain programs by a combination of specific cost reimbursement grants, categorical block grants and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net position available to finance a program. It is the Council's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

E. Budgetary Data

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

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

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/Expenditures Information.

Per definition of the Uniform Guidance, the Council is a multi-function entity. The multi-functions include five (5) categories or function: 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 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.

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

1. Deposits and Investments

All deposits of the Eastern Carolina Council are made in Board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Council may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Council may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Council to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Council's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which approximates fair value, and is the NCCMT's share price. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

3. Prepaid Expenses

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

4. Accounts Receivable

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

The Council provides for losses on receivables on the allowance method. The allowance method is based on experience, third-party contracts, and other circumstances, which may affect the ability of debtors to meet their obligations. It is the Council's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

5. Capital Assets

Purchased or constructed capital assets are reported at cost or estimate historical costs. Donated capital assets are recorded at their estimate fair value at the date of donation. Minimum capitalization costs are as follows: land, \$5,000; building and improvements, \$5,000; and furniture and equipment, \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The Council's capital assets also include certain right to use assets. These right to use assets arise in association with agreements where the Council reports a lease (only applies when the Council is the lessor) or agreements where the Council reports an Information Technology (IT) Subscription in accordance with the requirements of GASB 87 and GASB 96, respectively.

The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made at or prior to the start of the lease term, less lease incentives received from the lessor at or prior to the start of the lease term, and plus ancillary charges necessary to place the lease asset into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

Capital assets are depreciated over their estimated useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Copiers	5-7 years
Furniture and equipment	7-10 years
Computers	3-5 years

6. 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, 2023, was \$42,101. The Council's liability for accumulated earned vacation leave as of June 30, 2023, 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 for upon termination of an employee.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow 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. For the 2023 fiscal year the Council has one item that meets this criterion, pension deferrals. In addition to liabilities, the statement of financial position 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 that applies to a future period and so will not be recognized as revenue until then. The Council has two items that meet the criterion for this category, unavailable revenues and pension deferrals under GASB Statement 68.

8. Net Position/Fund Balances

Net Position

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

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

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget*. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted Fund Balance on the face of the balance sheet.

Committed Fund Balance - Portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Council's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

The Council has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Manager will use resources in the following hierarchy: bond proceeds (if applicable), federal funds, State funds, local funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Manager has the authority to deviate from this policy if it is in the best interest of the Council.

Defined Benefit Cost-Sharing Plans

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

9. Other Resources

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

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

G.S. 159-34 - Timeliness of Audit Report Submission.

2. Contractual Violations

None.

B. Deficit in Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

None.

III. Detail Notes on All Funds**A. Assets****1. Deposits**

All of the deposits of the Council and the Corporation are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Council's or Corporation's agents in the units' name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Council and the Corporation, these deposits are considered to be held by the Council's and Corporation's agent in the entities' name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Council, the Corporation, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Council and the Corporation under the Pooling Method, the potential exists for under collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Council has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Council complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Corporation has no formal policy regarding custodial credit risk for deposits.

At June 30, 2023, the Council's deposits had a carrying amount of \$532,401 and a bank balance of \$849,345. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

2. Receivables

The amount due from other governments and other receivables that is owed to the Council at the governmentwide level at June 30, 2023 consists of the following:

	Accounts Receivable	Due from other governments	Total
Funds:			
General	\$ 110,037	\$ -	\$ 110,037
Special revenue	-	914,569	914,569
Total receivables	<u>\$ 110,037</u>	<u>\$ 914,569</u>	<u>\$ 1,024,606</u>

3. Capital Assets

The capital assets activity of the Council for the year ended June 30, 2023 was as follows:

	Beginning Balances July 1, 2022	Increases	Decreases	Ending Balances June 30, 2023
Governmental-type:				
Capital assets being depreciated:				
General equipment	\$ 66,646	\$ -	\$ -	\$ 66,646
Less accumulated depreciation for:				
General equipment	66,646	\$ -	\$ -	66,646
Governmental-type activities capital assets, net	<u>\$ -</u>			<u>\$ -</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	<u>\$ -</u>
Total depreciation expense	<u>\$ -</u>

4. Right to Use Leased Assets

The Council has recorded one right assets to use leased assets. The asset is a right to use asset for leased building. The related lease is discussed in the Leases subsection of the Liabilities section of this note. The right to use lease asset is amortized on a straight-line basis over the terms of the related lease.

Right to use asset activity for Primary Government for the year ended June 30, 2023, was as follows:

	Beginning Balances July 1, 2022	Increases	Decreases	Ending Balances June 30, 2023
Right to use assets:				
Leased equipment	\$ 8,859	\$ -	\$ -	\$ 8,859
Leased building	198,457	-	-	198,457
Total right to use assets	207,316	-	-	207,316
Less accumulated depreciation for:				
Leased equipment	5,315	3,544	-	8,859
Leased building	50,670	53,507	-	104,177
Total accumulated amortization	55,985	\$ 57,051	\$ -	113,036
Governmental-type activities capital assets, net	<u>\$ 151,331</u>			<u>\$ 94,280</u>

B. Liabilities

1. Payables

Accounts payable at the government-wide level at June 30, 2023, were as follows:

Governmental activities:	
General	\$ 157,376
Special revenue fund	70,866
Total accounts payable	<u>\$ 228,242</u>

2. Pension Plan

a. Local Governmental Employees' Retirement System

Plan Description. The Council is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Council employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Council's contractually required contribution rate for the year ended June 30, 2023, was 12.12% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Council were \$95,065 for the year ended June 30, 2023.

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, 2023 the Council reported liability of \$545,526 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2023, the Council's proportion was .00967%, which was a decrease of .00066% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the Council recognized pension expense of \$147,924. At June 30, 2023, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,506	\$ 2,305
Changes of assumptions	54,431	-
Net difference between projected and actual earnings on pension plan investments	180,302	-
Changes in proportion and differences between Council's contributions and proportionate share of contributions	12,008	28,478
Council's contributions subsequent to the measurement date	95,061	-
Total	<u>\$ 365,308</u>	<u>\$ 30,783</u>

\$95,061 reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2024	\$ 75,058
2025	66,523
2026	11,984
2027	85,899
Thereafter	-
	<u>\$ 239,464</u>

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 percent, net of position 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, 2022 valuation were based on the results of an actuarial experience study for the period January 1, 2011 through December 31, 2015.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
protection	6.0%	2.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2022 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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)	\$984,604	\$545,526	\$183,700

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

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 Trustee. 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, 2023 was \$23,531.

3. Other Employment Benefits

The Council has elected to provide death benefit to employees through the Death Benefit Plan for Members of the Local Governmental Employee's 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 month's 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 contribution. 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, 2023, the Council did not make any contributions to the State of North Carolina death benefits plan as none were required.

4. Leases

The Council has entered into an agreement to lease a building. The lease agreement qualifies as other than short-term leases under GASB 87 and, therefore, has 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 \$94,280 at June 30, 2023. The asset is discussed in more detail in the right to use asset section of this note.

The future principal and interest lease payment as of June 30, 2023, were as follows:

Ending June 30	Principal	Interest	Total
2024	\$ 51,484	\$ 2,660	\$ 54,144
2025	47,946	831	48,777
Total	\$ 99,430	\$ 3,491	\$ 102,921

5. Long-Term Obligations

A. Summary of changes in long-term obligations for the year ended June 30, 2023

	Beginning Balance 7/1/2022	Increases	Decreases	Ending Balance 6/30/2023	Current Portion of Balance
Governmental Activities:					
Net Pension Liability (LGERS)	\$ 158,420	\$ 387,106	\$ -	\$ 545,526	\$ -
Lease liability	153,506	-	54,076	99,430	51,484
Compensated absences	55,556	-	13,455	42,101	20,000
Total governmental activities	\$ 367,482	\$ 387,106	\$ 67,531	\$ 687,057	\$ 71,484

6. Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council participates in two self-funded risk financing pools administered by the North Carolina Association of County Commissioners, transferring risk to the pool. Through this pool, the Council obtains property insurance coverage of \$914,288, equipment insurance coverage of \$122,370 and general liability 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 last 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 Officer, Deputy Finance Director, and Executive Director in the amount of \$50,000.

7. Related Party Transactions

During the year ended June 30, 2023, 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, 2023, are presented separately on the statement of net position and the balance sheet.

Also, during the year ended June 30, 2023, the Council expended the following amounts to member governments, in the form of pass-through monies:

Carteret County	\$ 489,505
Craven County	650,664
Duplin County	404,044
Greene County	229,429
Jones County	161,542
Lenoir County	515,592
Onslow County	787,434
Pamlico County	210,201
Wayne County	926,117
	<u>\$ 4,374,528</u>

8. 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.

9. Claims, Judgements and Contingent Liabilities

At June 30, 2024, the Council was a defendant to an ongoing lawsuit. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matter will not have a material adverse effect on the Town's financial position.

IV. Summary Disclosure of Significant Contingencies

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 funding sources, changes in State and federal budgets could have a significant effect on the Council's future operations.

V. Significant Effects of Subsequent Events

There are no subsequent events that would have a material affect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

REQUIRED
SUPPLEMENTAL FINANCIAL DATA

This section contains additional information required by generally
accounting principals.

- Schedule of the Proportionate Share of the Net Pension
Liability – Local Government Employees' Retirement System
- Schedule of Contributions – Local Government Employees'
Retirement System

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

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Council's proportion of the net pension liability (asset) (%)	0.00967%	0.01033%	0.00908%	0.01010%	0.00928%	0.00957%	0.00768%	0.01032%	0.00956%	0.01130%
Council's proportion of the net pension liability (asset) (\$)	\$ 545,526	\$ 158,420	\$ 324,467	\$ 275,823	\$ 220,153	\$ 146,203	\$ 162,995	\$ 46,316	\$ (56,380)	\$ 136,208
Council's covered-employee payroll	\$ 586,045	\$ 693,414	\$ 678,332	\$ 584,912	\$ 506,123	\$ 559,301	\$ 497,875	\$ 509,914	\$ 487,979	\$ 592,330
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	93.09%	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**	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

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

Local Government Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 95,065	\$ 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	95,065	67,402	62,793	59,157	44,480	38,559	41,146	33,507	36,051	34,500
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Council's covered-employee payroll	\$ 784,369	\$ 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	12.12%	11.50%	9.06%	8.72%	7.60%	7.62%	7.36%	6.73%	7.07%	7.07%

GENERAL FUND

The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

Neuse River Council of Governments
d/b/a Eastern Carolina Council
General Fund
Schedule of Revenues and Expenditures - General Fund
For the Fiscal Year Ended June 30, 2023

	2023
Revenues:	
Local dues	\$ 60,168
Miscellaneous	190,240
Total revenues	<u>250,408</u>
Expenditures:	
Compensation and benefits	387,341
Board and advisory expenses	7,449
Travel	10,456
Rent	73,952
Utilities and maintenance	19,128
Training	4,037
Dues and subscriptions	12,717
Supplies	6,908
Professional services	9,010
Systems administration	42,711
Miscellaneous	50,021
Indirect costs allocated	<u>(390,270)</u>
Total expenditures	<u>233,460</u>
Revenues over expenditures	16,948
Transfers in (out)	-
Revenues and transfers over expenditures	<u><u>\$ 16,948</u></u>

Neuse River Council of Governments
d/b/a Eastern Carolina Council
Combining Schedule of Revenues and Expenditures by Program - Special Revenue Fund
For the Fiscal Year Ended June 30, 2023

	Transportation	Environmental Protection	Economic and Physical Development	Human Services	Total Special Revenue Fund
Revenues:					
Federal	\$ 218,270	\$ -	\$ 189,426	\$ 6,360,778	\$ 6,768,474
State	-	-	-	37,451	37,451
Local	54,567	-	40,877	104,315	199,759
Miscellaneous	-	-	-	3,806	3,806
Total revenues	<u>272,837</u>	<u>-</u>	<u>230,303</u>	<u>6,506,350</u>	<u>7,009,490</u>
Expenditures:					
Direct support to counties, others	-	-	-	5,519,993	5,519,993
Compensation and benefits	168,118	-	123,710	475,619	767,447
Board and advisory expenses	-	-	672	1,771	2,443
Travel	4,675	-	7,543	26,808	39,026
Rent	20	-	100	137	257
Maintenance	-	-	-	3,651	3,651
Advertising	-	-	-	1,776	1,776
Training	650	-	350	4,383	5,383
Dues and publications	408	-	12,707	8,157	21,272
Supplies	359	-	6,347	131,337	138,043
Professional services	1,328	-	2,573	18,674	22,575
Systems administration	11,691	-	13,252	70,403	95,346
Indirect costs	85,588	-	63,048	241,634	390,270
Total expenditures	<u>272,837</u>	<u>-</u>	<u>230,302</u>	<u>6,504,343</u>	<u>7,007,482</u>
Revenues over expenditures	-	-	1	2,007	2,008
Transfers in (out)	-	-	-	-	-
Revenues and transfers over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 2,007</u>	<u>\$ 2,008</u>

Neuse River Council of Governments
d/b/a Eastern Carolina Council
Schedule of Member Dues and Administrative Fees Revenue
For the Fiscal Year Ended June 30, 2023

	2023
County:	
Carteret	\$ 37,602
Craven	33,792
Duplin	23,692
Greene	14,090
Jones	5,072
Lenoir	21,550
Onslow	22,127
Pamlico	8,312
Wayne	36,134
Total revenues	<u>\$ 202,371</u>

Neuse River Council of Governments
d/b/a Eastern Carolina Council
Schedule of Indirect Costs
For the Fiscal Year Ended June 30, 2023

			Fiscal Year 2023 Budgeted Cost
Total indirect annual salaries		\$	239,915
Total indirect fringe benefits			77,864
Other indirect expenses			188,745
Total indirect expenditures		\$	<u>506,524</u>
Total personanel costs		\$	782,932
Less: total indirect salaries			(239,915)
Less: total indirect fringe benefits			(77,864)
Total direct salaries and direct fringe benefits		\$	<u>465,153</u>
Indirect rate calculation			
<u>Total indirect expenditures</u>	=	\$	506,524
Total direct personnel costs		\$	465,153
			109%
Total indirect expenditures	=	\$	506,524
Less: total indirect received			(377,263)
		\$	<u>129,261</u>
			28%
Total indirect rate for fiscal year 2023.			137%

COMPLIANCE SECTION



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**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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eastern Carolina Council, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprises Eastern Carolina Council's basic financial statements, and have issued our report thereon dated March 18, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eastern Carolina 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 Eastern Carolina Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Eastern Carolina 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023 – 001 and 2023 - 002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Eastern Carolina Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2023 – 001.

Eastern Carolina Council's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Eastern Carolina Council's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Thompson, Price, Scott, Adams & Co., PA
Wilmington, North Carolina
March 18, 2025



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**Report On Compliance With Requirements Applicable To Each Major Federal Program;
Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State
Single Audit Implementation Act
Independent Auditor's Report**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Eastern Carolina Council, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Eastern Carolina Council's major federal programs for the year ended June 30, 2023. The Eastern Carolina Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Eastern Carolina 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, 2023.

Basis for Opinion on Each 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Eastern Carolina Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Eastern Carolina 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 the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Eastern Carolina 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 Eastern Carolina 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*, 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 Eastern Carolina 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 Eastern Carolina 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 Eastern Carolina 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Eastern Carolina 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 was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

March 18, 2025



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Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; With OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Eastern Carolina Council, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Eastern Carolina Council's major State programs for the year ended June 30, 2023. The Eastern Carolina Council's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Eastern Carolina 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, 2023.

Basis for Opinion on Each Major State 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. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Eastern Carolina Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the Eastern Carolina 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 the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Eastern Carolina 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 Eastern Carolina 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*, 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 Eastern Carolina Council'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 Eastern Carolina 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 Eastern Carolina 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Eastern Carolina 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 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

March 18, 2025

Neuse River Council of Governments
d/b/a Eastern Carolina Council
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

Section I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant Deficiency(s) X yes no

Noncompliance material to financial
statements noted? X yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant Deficiency(s) identified? yes X none reported

Type of report the auditor issued on compliance for major Federal programs: Unmodified.

Any audit findings disclosed that are required
to be reported in accordance with the 2 CFR 200.516(a)? yes X no

Identification of major Federal programs:

<u>Assistance Listing No.</u>	<u>Names of Federal Program or Cluster</u>
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
93.052	Family Caregiver Support
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 X no

Neuse River Council of Governments
d/b/a Eastern Carolina Council
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

Section I.	Summary of Auditor's Results
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State Awards

Internal control over major State programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant Deficiency(s) identified? ☐ yes ☒ none reported

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

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

☐ yes ☒ no

Identification of major State programs:

Program name

Aging Cluster:

In Home Services

Dollar threshold used to determine a
State major program

\$ 500,000

Auditee qualified as State low-risk auditee?

☐ yes ☒ no

Neuse River Council of Governments
d/b/a Eastern Carolina Council
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

Finding: 2023 - 001 Timeliness of Audit Report Submission

Criteria: June 30, 2023, audit was submitted passed the required due date. This is a violation of G.S. 159-34.

Condition: The Council did not provide necessary data to the audit firm in a timely manner.

Context: The Council was late completing necessary reconciliations which led to the audit being delayed past the required due date.

Effect: The reports are a requirement of General Statutes; lateness created the statute violation.

Cause: Untimely reconciliations of accounts to the ledgers.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit.

Recommendation: The Council will ensure reconciliations are performed timely.

Views of responsible officials and planned corrective actions: The Council agrees with this finding and has already taken action.

SIGNIFICANT DEFICIENCY

Finding: 2023 - 002 Failure to Perform Reconciliations of Significant Accounts Timely

Criteria: Cash accounts were not reconciled to the general ledger accounts in a timely or accurate manner.

Condition: There is a lack of ability to reconcile these subsidiary ledgers to the general ledger.

Effect: Information obtained from the general ledger could be incorrect.

Cause: Significant staff turnover in Finance Department.

Identification of a repeat finding: This is not a repeat finding.

Recommendation: The Council should obtain additional training with the software vendor and evaluate the usefulness of the system.

Views of responsible officials and planned corrective actions: The Council agrees with this finding and will adhere to the corrective action plan to follow.

Section III – Federal Awards Findings

None.



**CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

Finding: 2023 – 001 Timeliness of Audit Report Submission

Name of contact person: David Bone, Executive Director

Corrective Action: Management will ensure timeliness of required filings.

Proposed Completion Date: Immediately.

Finding: 2023 – 002 Failure to Perform Reconciliations of Significant Accounts Timely

Name of Contact Person: David Bone, Executive Director

Corrective Action: Management will install measures to ensure all reconciliations are performed timely.

Proposed Completion Date: Immediately.

Neuse River Council of Governments
d/b/a Eastern Carolina Council
Summary of Prior Audit Findings
For the Fiscal Year Ended June 30, 2023

Section IV – Financial Statement Findings

Finding 2022-001: Late Filing of Audit to North Carolina Government Commission (NC LGC)
Status: Uncorrected – See finding 2023-001.

Finding 2022-002: Lack of Individual with appropriate skills, knowledge and experience
Status: Corrected

Finding 2022-003: Pre-Audit Certification
Status: Corrected

Finding 2022-004: Lack of Individual with appropriate skills, knowledge and experience
Status: Corrected

Finding 2022-005: Lack of Individual with appropriate skills, knowledge and experience
Status: Corrected

Neuse River Council of Governments
d/b/a Eastern Carolina Council
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2023

Grantor/Pass- Through Grantor/ Program Title	Federal Assistance Listing Number	Federal Direct and Pass Through Expenditures	State Expenditures	Passed-through to Subrecipients
FEDERAL AWARDS				
<u>U.S. Department of Health and Human Services</u>				
Passed through State Department of Health and Human Services				
Aging Cluster:				
Special Programs for the Aging - Title III B				
Ombudsman Program	93.044	\$ 181,459	\$ 10,674	\$ -
Legal Services	93.044	18,510	1,181	19,691
In-Home & Access	93.044	910,194	53,541	963,735
		1,110,163	65,396	983,426
Special Programs for the Aging - Title III C				
Congregate Nutrition	93.045	564,611	33,212	597,823
Home Delivered Meals	93.045	763,400	44,906	808,306
Planning and Administration	93.045	281,434	15,423	-
		1,609,445	93,541	1,406,129
Special Programs for the Aging - ARPA				
Nutrition Services-HD	93.045	468,097	82,605	-
Access, In Home, Supp Serv	93.044	32,081	5,661	-
Family Caregiver	93.052	7,001	2,334	-
Planning and Administration	93.045	51,333	17,111	-
		558,512	107,711	-
Special Programs for the Aging - Consolidate Appropriations Act				
Home Delivered Meals	93.045	223,615	-	-
Planning and Administration	93.045	23,839	7,946	-
		247,454	7,946	-
Access to COVID 19 Vaccines	93.044			
Nutrition Service Incentive Program	93.053	210,841	-	-
Total Aging Cluster		3,736,415	274,594	2,389,555
Special Programs for the Aging				
Title VII - B – Elder Abuse	93.041	7,783	458	-
Special Programs for the Aging - ARPA				
Title VII - E – Ombudsman Program	93.042	4,667	-	-
Social Services Block Grant	93.667	417,369	11,925	-
Family Caregiver Support	93.052	283,943	18,930	-
Preventive Health	93.043	46,904	2,759	-
Total U. S. Health and Human Services		4,497,081	308,666	2,389,555
<u>U.S. Department of Commerce</u>				
Direct award from the Economic Development Administration				
Economic Development Support for Planning Organizations	11.302	130,593	-	-
Economic Development Technical Assistance	11.303	58,833	-	-
Total U.S. Department of Commerce		189,426	-	-
<u>U.S. Department of Transportation</u>				
Passed through NC Department of Transportation				
Highway Planning, Research & Construction Cluster				
Rural Transportation Planning	20.205-8	218,270	-	-
Total Highway Planning, Research & Construction Cluster		218,270	-	-
Total U.S. Department of Transportation		218,270	-	-
Total Federal Awards		4,904,777	308,666	2,389,555

Neuse River Council of Governments
d/b/a Eastern Carolina Council
Schedule of Expenditures of Federal and State Awards
For The Fiscal Year Ended June 30, 2023

Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Federal Direct and Pass Through Expenditures	State Expenditures	Passed-through to Subrecipients
STATE AWARDS				
<u>Department of Health and Human Services</u>				
Division of Aging				
Division of Social Services				
State Appropriation/Project Care	N/A	-	48,262	-
90% State funds - Access	N/A	-	94,244	-
90% State funds - Home delivered meals	N/A	-	55,313	-
90% State funds - In-Home Services	N/A	-	1,224,056	-
90% State funds - Ombudsman	N/A	-	17,525	-
75% State funds - Senior Center Development	N/A	-	82,393	-
Total Department of Health and Human Services		-	1,521,793	-
Total State Awards		-	1,521,793	-
Total Federal and State Awards		\$ 4,904,777	\$ 1,830,459	\$ 2,389,555

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Eastern Carolina Council under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of Eastern Carolina Council, it is not intended to and does not present the financial position, changes in net assets or cash flows of Eastern Carolina Council.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments or cost principles contained in Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 3: Indirect Cost Rate

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