

**CAPE FEAR COUNCIL OF GOVERNMENTS
WILMINGTON, NORTH CAROLINA**

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2023



ASSURANCE, TAX & ADVISORY SERVICES

CAPE FEAR COUNCIL OF GOVERNMENTS

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Brenda Bozeman
Vice Chair

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CAPE FEAR COUNCIL OF GOVERNMENTS

TABLE OF CONTENTS

FINANCIAL SECTION	
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis (Unaudited)	4 - 10
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Aging Programs Fund	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Workforce Development Programs Fund	17
Notes to Financial Statements	18 - 34
Required Supplementary Information	
Schedule of the Proportionate Share of Net Pension Liability (Asset) – Local Government Employees' Retirement System	35
Schedule of Contributions – Local Government Employees' Retirement System	36
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	38
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Continuum of Care Fund	39
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Nonmajor Local Government Services Fund	40
Aging Programs Fund:	
Combining Balance Sheet by Program - Aging Programs Fund	41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances by Program - Aging Programs Fund	42
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
Aging Administration Title III B & C Programs	43
Ombudsman Program	44
Family Caregiver Support	45
Other Aging Programs	46
Workforce Development Programs Fund:	
Schedule of Drawdowns and Expenditures – Workforce Development Programs	47 - 48

CAPE FEAR COUNCIL OF GOVERNMENTS

TABLE OF CONTENTS

FINANCIAL SECTION (Continued)	
Schedule of Indirect Costs	49
Schedule of Fringe Benefits	50

COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	51 - 52
Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	53 - 55
Independent Auditor's Report on Compliance for the Major State Program and Report on Internal Control over Compliance Required by the State Single Audit Implementation Act	56 - 58
Schedule of Findings and Questioned Costs	59 - 61
Summary Schedule of Prior Audit Findings	62
Schedule of Expenditures of Federal and State Awards	63 - 65
Notes to the Schedule of Expenditures of Federal and State Awards	66 - 67

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Executive Committee
Cape Fear Council of Governments

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cape Fear Council of Governments as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparisons of the major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-10 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions on pages 35-36 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The major fund schedules, combining and individual fund 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 were derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit, the procedures performed as described above, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2023 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

PBMares, LLP

Morehead City, North Carolina
November 10, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

CAPE FEAR COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of Cape Fear Council of Governments (Council), we offer readers of the Council's 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.

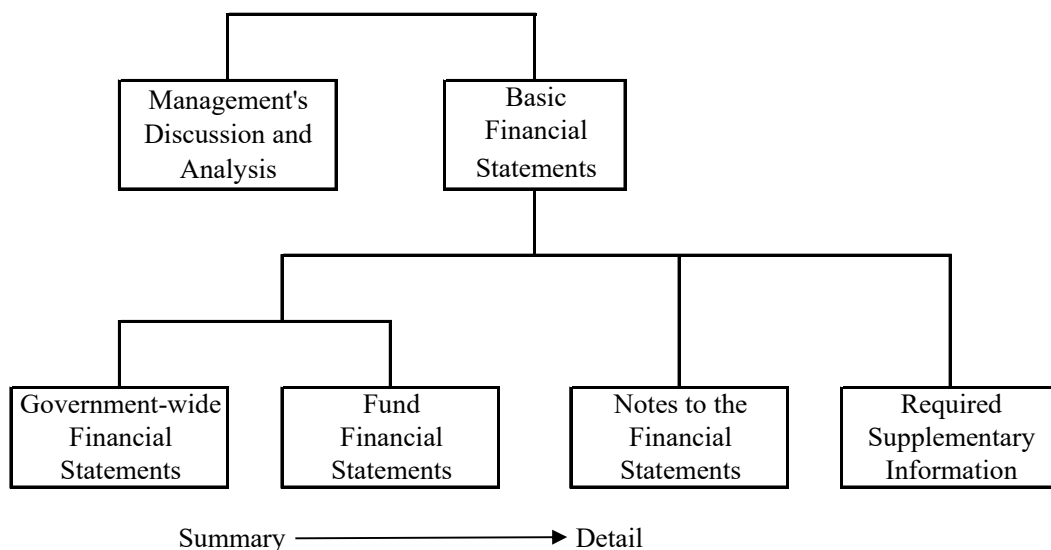
Financial Highlights

- The assets and deferred outflows of the Council *exceeded* its liabilities and deferred inflows at the close of the fiscal year by \$710,153 (net position).
- The Council's total net position *increased* by \$69,617 from June 30, 2022 to June 30, 2023, primarily due to an increase in investment earnings and fee for service revenue.
- As of the close of the current fiscal year, the Council's general fund reported ending fund balance of \$902,722, an *increase* of \$167,637 from June 30, 2022. Approximately 87% of this total amount, or \$783,757 which is the general fund's unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$783,757, or approximately 21% of total expenditures for all funds (excluding pass through expenditures) for 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. The Council's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Council through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Council.

Figure 1



CAPE FEAR COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Basic Financial Statements

The first two statements (pages 11 and 12) in the basic financial statements are the **Government-Wide Financial Statements**. They provide both short- and long-term information about the Council's financial status.

The next statements (pages 13 through 17) 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. Budgetary information required by the General Statutes can be found in this part of the statements.

The next section of the basic financial statements is the **Notes to Financial Statements**. The notes to financial statements explain in detail some of the data contained in those statements. After the notes, **required supplementary information** and **supplementary information** is provided to show details about the Council's individual funds. More budgetary information required by the General Statutes can be found in this part of the statements.

Government-Wide Financial Statements

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

The two government-wide financial 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 and total liabilities and deferred inflows. Measuring net position is one way to gauge the Council's financial condition.

The government-wide financial statements present governmental activities which are divided into four categories: (1) General; (2) Aging; (3) Workforce Development; and (4) Non-major funds. The governmental activities include the Council's basic services. State and federal grant funds finance most of these activities.

The government-wide financial statements are on pages 11 and 12 of this report.

Fund Financial Statements

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

CAPE FEAR COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

The Council adopts an annual budget for all funds as required by North Carolina General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Council's member local governments, the management of the Council and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Council to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Council complied with the budget ordinance and whether or not the Council succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting (the modified accrual basis) and is presented using the same format, language and classifications as the legal budget document. The statement shows four columns: (1) the original budget as adopted by the board; (2) the final budget as amended by the board; (3) the actual resources, charges to appropriations and ending balances in the General Fund; and (4) the difference or variance between the final budget and the actual resources and charges.

Notes to Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 18 through 34 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain other supplementary information. That information can be found beginning on page 35 of this report.

CAPE FEAR COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Government-Wide Financial
Analysis

	Governmental Activities	
	2023	2022
Current and other assets	\$ 2,319,590	\$ 3,417,974
Capital assets	1,157	2,314
Total net assets	2,320,747	3,420,288
Deferred outflows of resources	648,975	392,208
Other liabilities	954,229	2,095,581
Net pension liability	946,632	240,468
Long-term liabilities	354,709	492,355
Total liabilities	2,255,570	2,828,404
Deferred inflows of resources	3,999	343,556
Net position:		
Restricted:		
Stabilization by state statute	1,112,452	2,042,895
Unrestricted (deficit)	(402,299)	(1,402,359)
Total net position	\$ 710,153	\$ 640,536

CAPE FEAR COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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 \$710,153 as of June 30, 2023. The Council's net position *increased* by \$69,617 from June 30, 2022 to June 30, 2023. Additionally, \$1,112,452 of the net position is restricted and the remaining balance (deficit) of (\$402,299) is unrestricted.

	Governmental Activities	
	2023	2022
Revenues:		
Program revenues:		
Charges for services	\$ 613,262	\$ 493,185
Operating grants and contributions	9,601,644	10,283,240
General revenues:		
Local dues	217,326	229,256
Investment earnings, unrestricted	26,283	961
Total revenues	10,458,515	11,006,642
Expenses:		
General government	662,270	18,214
Aging programs	5,687,210	5,919,518
Continuum of care	573,368	399,882
Local government services	592,385	589,781
Workforce development	2,873,665	3,978,722
Total expenses	10,388,898	10,906,117
Change in net position	69,617	100,525
Net position, July 1	640,536	540,011
Net position, June 30	\$ 710,153	\$ 640,536

Governmental Activities. Governmental activities increased the Council's net position by \$69,617. The key element of this increase is as follows:

- Increase in investment earnings and fee for service revenue.

CAPE FEAR COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Analysis of the Council's Funds

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

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

The General Fund is the chief operating fund of the Council. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$783,757, while total fund balance of the General Fund was \$902,722. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. General Fund unassigned fund balance represents approximately 21% of total expenditures for all funds (excluding pass through expenditures).

The Aging Programs Fund is a Special Revenue Fund that facilitates the receipt of federal and state grants and the disbursement of the grant money to local governments and nonprofit agencies who meet the related grant requirements. At the end of the current fiscal year, unassigned fund balance (deficit) of the Aging Programs Fund was (\$369,665), while total fund balance of the Aging Programs Fund was \$24,498.

The Workforce Development Programs Fund is a Special Revenue Fund that facilitates the receipt of federal and state grants and the disbursement of the grant money to state and nonprofit agencies and local governments who meet the related grant requirements. At the end of the current fiscal year, unassigned fund balance (deficit) of the Workforce Development Programs Fund was (\$328,846), while total fund balance of the Workforce Development Programs Fund was \$51,194.

At June 30, 2023, the governmental funds of the Council reported a combined fund balance of \$1,094,911 an approximate 22% increase from last year.

Budgetary Highlights. During the fiscal year, the Council revised the budget on several occasions. Generally, budget amendments fall into one of four 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; (3) increases in locally generated funds for planning service contracts and providing training workshops; and (4) decreases of federal and/or State grants due to reversion of under-utilized funds. Total amendments increased the Council's budgeted revenues by \$605,473. The increase is the result of higher than budgeted carry forward amounts from the Council's multiyear funding, like the American Rescue Plan Act (ARPA) which was awarded to the Council's Aging, Workforce and Development and Local Government Services departments. The Aging and Local Government Services departments received APRA funds. These awards will carry forward into next year.

Approximately 62% of the Council's final budget is for contracted services or pass-through funds to other agencies. Should these agencies not provide the level of services for which they have been contracted, they do not receive reimbursement.

CAPE FEAR COUNCIL OF GOVERNMENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Asset and Debt Administration

Capital Assets. Information on the Council's capital assets can be found in Note 1.F.5. and Note 2.A.1. of the Basic Financial Statements.

The Council does not have any long-term obligations other than accrued compensated absences, leases and its pro-rata share of the net pension liability of the NC Local Government Employees Retirement System.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the stability and prosperity of the Council.

- The Council anticipates that the net position and fund balance will remain consistent during the next fiscal year. The Council's members have indicated they will continue to support next year's budget with dues and matching funds at the same rate as previous years.
- In reaction to the pandemic, the federal government passed the American Rescue Plan Act (ARPA). Three of the Council's programs have received funding from ARPA and those funds will carry forward into the next fiscal year.
- Since the Council's funding depends on federal and state grants, the Council's management team will continue to monitor industry update concerning federal and state appropriations and will adjust expenditure and budget projections to reflect any changes to current estimates.

Requests for Information

This report is designed to provide an overview of the Council's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Dawn Tucker, Finance Officer, Cape Fear Council of Governments, 1480 Harbour Drive, Wilmington, NC 28401, dtucker@capefearcog.org, (910) 395-4553.

BASIC FINANCIAL STATEMENTS

CAPE FEAR COUNCIL OF GOVERNMENTS

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities
Assets	
Cash and investments	\$ 832,534
Receivables:	
Accounts	1,640
Due from other governmental agencies	971,472
Prepaid items	33,990
Total current assets	1,839,636
Capital assets:	
Right to use lease assets, net of amortization	479,954
Capital assets, net of depreciation	1,157
Total assets	2,320,747
Deferred Outflows of Resources	
Pension deferrals	473,795
Contributions to pension plan in current fiscal year	175,180
Total deferred outflows of resources	648,975
Liabilities	
Accounts payable and accrued liabilities	637,619
Current portion of long-term liabilities	209,504
Unearned revenue	107,106
Total current liabilities	954,229
Net pension liability	946,632
Long-term liabilities	354,709
Total liabilities	2,255,570
Deferred Inflows of Resources	
Pension deferrals	3,999
Total deferred inflows of resources	3,999
Net Position	
Restricted:	
Stabilization by state statute	1,112,452
Unrestricted (deficit)	(402,299)
Total net position	\$ 710,153

CAPE FEAR COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
				Governmental Activities
Governmental activities:				
General government	\$ 662,270	\$ -	\$ -	\$ (662,270)
Aging programs	5,687,210	-	5,743,754	56,544
Workforce development	2,873,665	-	3,109,895	236,230
Continuum of care	573,368	136,516	466,008	29,156
Local government services	592,385	476,746	281,987	166,348
Total governmental activities	\$ 10,388,898	\$ 613,262	\$ 9,601,644	(173,992)
General revenues:				
Local dues				217,326
Investment earnings				26,283
Total general revenues				243,609
Change in net position				69,617
Net position, beginning				640,536
Net position, ending				\$ 710,153

CAPE FEAR COUNCIL OF GOVERNMENTS

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2023

	General	Aging Programs	Workforce Development Programs	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 832,534	\$ -	\$ -	\$ -	\$ 832,534
Receivables:					
Accounts	1,640	-	-	-	1,640
Due from other governmental agencies	6,364	346,627	365,207	253,274	971,472
Due from other funds	96,600	42,740	-	-	139,340
Prepaid items	14,361	4,796	14,833	-	33,990
Total assets	\$ 951,499	\$ 394,163	\$ 380,040	\$ 253,274	\$ 1,978,976
Liabilities and Fund Balances					
Accounts payable and accrued liabilities	\$ 3,915	\$ 343,866	\$ 239,709	\$ 50,129	\$ 637,619
Due to other funds	42,740	-	18,601	77,999	139,340
Unearned revenue	2,122	25,799	70,536	8,649	107,106
Total liabilities	48,777	369,665	328,846	136,777	884,065
Fund Balances					
Nonspendable:					
Prepaid items	14,361	4,796	14,833	-	33,990
Restricted:					
Stabilization by state statute	104,604	389,367	365,207	253,274	1,112,452
Unassigned (deficit)	783,757	(369,665)	(328,846)	(136,777)	(51,531)
Total fund balances	902,722	24,498	51,194	116,497	1,094,911
Total liabilities and fund balances	\$ 951,499	\$ 394,163	\$ 380,040	\$ 253,274	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds					1,157
Net pension liability					(946,632)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the statement of net position					175,180
Right to use lease assets used in governmental activities are not financial resources and therefore are not reported in the funds.					479,954
Long-term liabilities are not due and payable in the the current period and, therefore, are not reported in the fund statements					(488,763)
Accrued compensated absences are not expenditures and therefore are not reported in the funds					(75,450)
Pension related deferrals, net					469,796
Net position of governmental activities					\$ 710,153

CAPE FEAR COUNCIL OF GOVERNMENTS

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2023**

	General	Aging Programs	Workforce Development Programs	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Federal	\$ -	\$ 3,877,338	\$ 3,109,895	\$ 698,978	\$ 7,686,211
State	-	1,866,416	-	49,017	1,915,433
Local	136,233	81,093	-	613,262	830,588
Interest	26,283	-	-	-	26,283
Total revenues	162,516	5,824,847	3,109,895	1,361,257	10,458,515
Expenditures					
Current:					
General government	421,740	-	-	-	421,740
Aging programs	-	5,660,619	-	-	5,660,619
Workforce development	-	-	2,805,501	-	2,805,501
Continuum of care	-	-	-	554,019	554,019
Local government services	-	-	-	577,888	577,888
Leases:					
Principal	232,102	-	-	-	232,102
Interest and other charges	5,699	-	-	-	5,699
Total expenditures	659,541	5,660,619	2,805,501	1,131,907	10,257,568
Revenues over (under) expenditures	(497,025)	164,228	304,394	229,350	200,947
Other financing sources (uses)					
Transfers in / (out)	664,662	(164,228)	(304,394)	(196,040)	-
Total other financing sources (uses)	664,662	(164,228)	(304,394)	(196,040)	-
Net change in fund balance	167,637	-	-	33,310	200,947
Fund balance, beginning of year	735,085	24,498	51,194	83,187	893,964
Fund balance, end of year	\$ 902,722	\$ 24,498	\$ 51,194	\$ 116,497	\$ 1,094,911

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

Net change in fund balances, total governmental funds (above)	\$ 200,947
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 of depreciation and amortization expense in the current period	(1,157)
Governmental funds recognize revenues when measurable and available. Available is defined as cash to be received within 90 days. This is the amount by which the amount not recognized in revenue changed during the year	(9,781)
Net effect of lease liability principle and lease asset ammortization	(1,722)
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 and changes in deferrals	(109,840)
Compensated absences	(8,830)
Change in net position of governmental activities	<u>\$ 69,617</u>

CAPE FEAR COUNCIL OF GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Local			\$ 136,233	
Interest			26,283	
Total revenues	\$ 42,000	\$ 42,000	\$ 162,516	\$ 120,516
Expenditures				
Current:				
Salaries			241,196	
Fringe			88,010	
Rent			49,845	
Professional services			11,248	
Telephone			2,340	
Supplies			13,713	
Postage			499	
Travel/training			6,414	
Insurance			1,091	
Data processing			16,970	
Meeting costs			10,363	
Maintenance			5,916	
Leased equipment			3,912	
Dues and subscriptions			9,035	
Advertising			171	
Audit			1,057	
	506,895	507,042	461,780	45,262
Overhead allocation	(464,895)	(465,042)	(449,237)	(15,805)
Total expenditures	42,000	42,000	12,543	29,457
Revenues over expenditures	-	-	149,973	149,973
Other financing uses				
Operating transfers in	-	-	17,664	17,664
Revenues over expenditures and other financing uses	\$ -	\$ -	167,637	\$ 167,637
Fund balance, beginning of year			735,085	
Fund balance, end of year			\$ 902,722	
Adjustments to Modified Accrual GAAP				
Transfers In			237,801	
Lease principle			(232,102)	
Lease interest			(5,699)	
Fund Balance			\$ 902,722	

CAPE FEAR COUNCIL OF GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – AGING PROGRAMS FUND
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Federal			\$ 3,877,338	
State			1,866,416	
Local			81,093	
Total revenues	\$ 7,712,096	\$ 7,463,464	\$ 5,824,847	\$ (1,638,617)
Expenditures				
Current:				
Pass-through			4,888,917	
Salaries			412,735	
Fringe			179,939	
Rent			15,020	
Professional services			200	
Telephone			5,586	
Supplies			27,144	
Postage			469	
Travel/training			38,261	
Insurance			1,595	
Data processing			7,580	
Meeting costs			4,625	
Maintenance			1,825	
Leased equipment			1,529	
Dues and subscriptions			44,250	
Audit			14,366	
Advertising			28,904	
Overhead allocation			151,902	
Total expenditures	7,712,096	7,463,464	5,824,847	1,638,617
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning of year			<u>24,498</u>	
Fund balance, end of year			<u>\$ 24,498</u>	
Adjustments to Modified Accrual GAAP				
Lease payments			12,326	
Transfers out			<u>(12,326)</u>	
Fund Balance			<u>\$ 24,498</u>	

CAPE FEAR COUNCIL OF GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL –
WORKFORCE DEVELOPMENT PROGRAMS FUND
Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Federal			\$ 3,109,895	
Total revenues	<u>\$ 5,371,546</u>	<u>\$ 5,244,151</u>	<u>\$ 3,109,895</u>	<u>\$ (2,134,256)</u>
Expenditures				
Current:				
Pass-through			2,098,507	
Salaries			373,077	
Fringe			138,712	
Rent			223,756	
Professional services			1,150	
Telephone			4,260	
Supplies			9,619	
Postage			160	
Travel/training			22,573	
Insurance			1,595	
Meeting costs			2,016	
Maintenance			26,016	
Utilities			20,397	
Leased equipment			6,279	
Data processing			34,491	
Dues and subscriptions			3,688	
Advertising			846	
Audit			9,699	
Overhead allocation			133,054	
Total expenditures	<u>5,371,546</u>	<u>5,244,151</u>	<u>3,109,895</u>	<u>2,134,256</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>51,194</u>	
Fund balance, end of year			<u>\$ 51,194</u>	
Adjustments to Modified Accrual GAAP				
Lease payments			171,340	
Transfers Out			<u>(171,340)</u>	
Fund Balance			<u>\$ 51,194</u>	

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The accounting policies of Cape Fear Council of Governments (the Council) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Council was established in 1972 to perform and carry out such powers, duties and responsibilities as authorized by North Carolina legislation. The Council is one of the 16 regional planning and management agencies serving local governments in North Carolina. The Council serves Region O, which includes Brunswick, Columbus, New Hanover and Pender Counties and the municipalities within their boundaries as a jointly governed organization. Working under the direction of locally elected officials representing member governments, the Council plans and administers a variety of federal, state and local programs.

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.

The financial statements do not include any component units, legally separate entities for which the Council is considered to be financially accountable, because no such component units exist. Additionally, the Council is not considered to be a component unit of any other government.

B. Basis of Presentation and Measurement Focus Basis of Accounting

Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Council's funds. The Council currently only maintains governmental funds. The emphasis of governmental fund financial statements is on major governmental funds, each displayed in a separate column, along with a column for aggregate non-major funds.

The Council reports the following major governmental funds:

General Fund – The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Aging Programs Special Revenue Fund – The Aging Programs Fund facilitates the receipt of federal and state grants and the disbursement of the grant money to local governments and nonprofit agencies who fulfill the grant requirements by providing services to the state’s elderly (60+) population, enabling those individuals to remain in their homes for as long as possible while at the same time providing care and a safe environment in their later years.

Workforce Development Programs Special Revenue Fund – The Workforce Development Programs Fund facilitates the receipt of federal and state grants and the disbursement of the grant money to state agencies, local governments and nonprofit agencies who fulfill the grant requirements by providing services designed to help Americans access the tools they need to manage their careers through information and high-quality services, and to help U.S. companies find skilled workers.

The Council reports the following non-major governmental funds:

Continuum of Care Fund – The Continuum of Care Fund accounts for activities designed to promote communitywide commitment to the goal of ending homelessness; provide funding for efforts by nonprofit providers, and state and local governments to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families and communities by homelessness; promote access to and effect utilization of mainstream programs by homeless individuals and families; and optimize self-sufficiency among individuals and families experiencing homelessness.

Local Government Services Fund – The Local Government Services Fund accounts for activities designed to assist local area governments in developing growth plans and any other activity that may assist local governments in planning for the future of their communities.

Measurement Focus/Basis of Accounting

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

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available (available is defined as: cash to be received within 90 days after fiscal year-end). Expenditures are recorded when the related fund liability is incurred, except for claims and judgements, compensated absences, and pension expenses, which are recognized as expenditures to the extent they are due and have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

Grant proceeds received but unearned at year-end are recorded as unearned revenues. 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 is both restricted and unrestricted net position and fund balance available to finance the 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.

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Budgetary Data

The Council's budgets are adopted as required by the North Carolina General Statutes. 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 budgetary basis of accounting. Expenditures may not legally exceed appropriations at the fund level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund by more than \$5,000. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reporting amounts in the financial statements and related note disclosures during the period. Actual results could differ from those estimates.

E. Indirect Costs

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

As a local government entity, and a public authority, the Council complies with the indirect cost methodology regulated 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 North Carolina State Treasurer Policies, Section 55, User Fees – Utilizing Expense/Expenditure Information.

Per definition of the Uniform Grant Guidance, the Council is a multi-function entity. The multi-functions include five categories or functions: General Government, Aging Programs, Workforce Development, Local Government Services and Continuum of Care. To comply with the requirements of CFR §200.56, 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 – direct salaries and wages. Each month a percentage relationship is determined between salaries of a particular award or activity and its relation to the total salaries for the Council as a whole. The determined 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.

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

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

At June 30, 2023, the carrying amount of the Council's deposits was \$162,197 and the bank balance was \$867,045.

All of the Council's deposits are either insured or collateralized under the Pooling Method, a system of state-wide single financial institution collateral pools, whereby all uninsured deposits are collateralized with securities held by the state treasurer's agent in the name of the state treasurer. Since the state treasurer is acting in a fiduciary capacity for the Council, these deposits are considered to be held by the Council's agent in the Council's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the state treasurer the adequacy of their pooled collateral covering uninsured deposits. The state treasurer does not confirm this information with the Council or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Council under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each Pooling Method depository. Of the bank balance, \$250,000 was covered by federal depository insurance and \$617,045 was covered by collateral held under the Pooling Method. The Board has no formal policy regarding custodial credit risk for deposits, but informally complies with North Carolina General Statute 159-31.

North Carolina General Statute 159-30(c) authorizes the Council to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Council's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The Council's investments in the NCCMT Government Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. Because the NCCMT Government portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with less than 6 months maturity. At June 30, 2023, the Council's investments consisted of \$670,337 and were limited to the NCCMT Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's and AAAM-mf by Moody's Investor Service. The Council has no formal policy regarding credit risk.

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

1. Deposits and Investments (Continued)

The Council's investments are categorized based on the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. All of the Council's investments are categorized as Level I securities, which are valued using directly observable quotes and prices in active markets for identical assets.

2. Cash and Cash Equivalents

The Council pools substantially all of its funds in its General Fund to facilitate disbursement and investment and to maximize investment income. Deposits and investments with a maturity date of three months or less are considered cash or cash equivalents.

3. Allowances for Doubtful Accounts

The Council does not maintain an allowance for doubtful accounts. Losses arising from uncollected accounts receivable are estimated to be insignificant.

4. Prepaid Items

Prepaid items consist of various prepaid operational expenses.

5. Capital Assets

Purchased capital assets are reported at cost in the government-wide financial statements. Minimum capitalization costs are as follows: furniture and equipment and all other capital assets, \$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.

Capital assets of the Council are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Office and computer equipment	3-7

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 lessee) in accordance with the requirements of GASB 87.

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.

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position/balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The Council has several items that meet the criterion for this category in the government-wide financial statements: contributions made to the pension plan in the 2023 fiscal year and other pension related deferrals. In addition to liabilities, the statement of net position/balance sheet 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 one item that meets the criterion for this at the government-wide level, pension deferrals.

7. Compensated Absences

The vacation policies of the Council provide for the accumulation of up to 225 hours earned vacation leave with such leave being fully vested when earned. Upon termination of employment, the entire accumulated vacation leave balance is paid out based on the compensation rate in effect at the date of termination. For the Council's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. At June 30, 2023, the Council had accrued \$75,450 for earned vacation leave. This amount is included in long-term liabilities on the accompanying statement of net position.

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

8. Net Position/Fund Balances

Net Position

Net position in 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 three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund balance 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.

Prepays – Portion of fund balance that is not an available resource because it represents the year-end balances of ending prepaids, which are not spendable resources.

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

F. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

8. Net Position/Fund Balances (Continued)

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 – Portion of fund balance, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables, which are not offset by unearned revenues.

Restricted for aging programs – Portion of fund balance that is restricted by revenue source for use with aging programs.

Restricted for workforce programs – Portion of fund balance that is restricted by revenue source for use with workforce programs.

Restricted for local government services – Portion of fund balance that is restricted by revenue source for use with local government service programs.

Restricted for continuum of care– Portion of fund balance that is restricted by revenue source for use with continuum of care programs.

Committed Fund Balance – The 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 – The portion of fund balance that the Council intends to use for specific purposes.

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

9. Pensions

The Council participates in a cost-sharing multiple-employer, defined benefit plan that is administered by the state of North Carolina.

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

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 2. Detail Notes on All Funds

A. Assets

1. Capital Assets

Capital asset activity for the year ended June 30, 2023, is as follows:

	Beginning Balances	Additions	Deletions	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Equipment	\$ 31,026	\$ -	\$ -	\$ 31,026
Less accumulated depreciation for equipment	28,712	1,157	-	29,869
Total capital assets being depreciated, net	2,314	(1,157)	-	1,157
Capital assets being amortized:				
Intangible right to use assets:				
Lease equipment	45,596	-	-	45,596
Lease buildings	996,537	-	862	995,675
Total capital assets being amortized	1,042,133	-	862	1,041,271
Less accumulated amortization for:				
Lease equipment	14,969	14,970	-	29,939
Lease buildings	312,876	219,364	862	531,378
Total accumulated amortization	327,845	234,334	862	561,317
Total capital assets being amortized, net	714,288	(234,334)	-	479,954
Governmental activities capital assets, net	<u>\$ 716,602</u>	<u>\$ (235,491)</u>	<u>\$ -</u>	<u>\$ 481,111</u>

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

Local Government Services	<u>\$ 1,157</u>
	<u>\$ 1,157</u>

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 2. Detail Notes on All Funds (Continued)

B. Liabilities and Deferred Inflows of Resources

1. Pension Plan Obligations

North Carolina Local Governmental Employees' Retirement System

Plan Description – The Council is a participating employer in the statewide LGERS, a cost-sharing, multiple-employer, defined benefit pension plan 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. LGERS is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, 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 (age 55 for firefighters). 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. The Council's 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 12.10% of compensation, 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 \$175,180 for the year ended June 30, 2023.

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 2. Detail Notes on All Funds (Continued)

1. Pension Plan Obligations (Continued)

Refund of Contributions – Council employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual’s right to 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 a liability of \$946,632 for its proportionate share of the LGERS 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, 2022 measurement date, the Council’s proportion was 0.01678%, which was an increase of approximately 0.0011% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Council recognized pension expense of \$285,020. 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	\$ 40,789	\$ 3,999
Changes in assumptions	94,453	-
Net difference between projected and actual earnings on pension plan investments	312,872	-
Changes in proportion and differences between Council contributions and proportionate share of contributions	25,681	-
Contributions subsequent to the measurement date	175,180	-
	<u>\$ 648,975</u>	<u>\$ 3,999</u>

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 2. Detail Notes on All Funds (Continued)

1. Pension Plan Obligations (Continued)

The \$175,180 reported as deferred outflows of resources related to pensions resulting from Council's contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	Amount
2024	\$ 152,674
2025	127,481
2026	40,583
2027	149,058
	<u>\$ 469,796</u>

Actuarial Assumptions – The total pension liability in the December 31, 2021 actuarial valuation, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.25 to 8.25%, including inflation and productivity factor
Investment rate of return	6.50%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2021 valuation, were based on the results of an actuarial experience study prepared as of December 31, 2020.

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

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 2. Detail Notes on All Funds (Continued)

1. Pension Plan Obligations (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	9.0%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. 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.

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 2. Detail Notes on All Funds (Continued)

1. Pension Plan Obligations (Continued)

Sensitivity of the Council's proportionate share of the net pension liability to changes in the discount rate – The following presents the Council's proportionate share of the net pension liability calculated using the discount rate of 6.50%, 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%) or one percentage point higher (7.50%) 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	\$ 1,708,548	\$ 946,632	\$ 318,768

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

2. Unearned Revenue

The balance in unearned revenue at June 30, 2023, which generally consists of money received from the various funding sources in advance, is comprised of the following:

Aging Programs Fund	
Aging administration	\$ 25,799
General Fund	
Charges for services	2,122
Workforce Investment Fund	
Advance drawdowns	70,536
Nonmajor Fund	
Local government services	8,649
	<u>\$ 107,106</u>

3. Long-Term Liabilities

a. Leases:

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

The Council has multiple equipment leases including copiers and phones. The leases have varying expiration dates, the latest of which expires in February 2025. The agreements require various monthly payments from \$176 to \$909. There are no variable payment components of the leases. The lease liability is measured at a discount rate of .89%, which is the incremental borrowing rate. The liability balance as of June 30, 2023 is \$15,784.

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 2. Detail Notes on All Funds (Continued)

3. Long-Term Liabilities (Continued)

a. Leases (Continued):

The Council has entered into three agreements to lease certain building space. The leases have varying expiration dates and extension options through July 2028. Fixed monthly payments under the agreements range from \$1,050 to \$15,167. There are no variable payment components of the leases. The lease liability is measured at a discount rate of .89%, which is the incremental borrowing rate. The liability balance as of June 30, 2023 is \$472,979.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Years ending June 30:	Principal	Interest	Total
2024	\$ 209,504	\$ 3,468	\$ 212,972
2025	194,247	1,693	195,940
2026	57,984	368	58,352
2027	12,900	188	13,088
2028	13,036	73	13,109
Thereafter	1,092	1	1,093
	<u>\$ 488,763</u>	<u>\$ 5,791</u>	<u>\$ 494,554</u>

b. Changes in Long-Term Liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion of Balance
Governmental activities:					
Lease liabilities	\$ 720,865	\$ -	\$ 232,102	\$ 488,763	\$ 209,504
Compensated absences	66,620	8,830	-	75,450	-
Net pension liability (LRS)	240,468	706,164	-	946,632	-
	<u>\$ 1,027,953</u>	<u>\$ 714,994</u>	<u>\$ 232,102</u>	<u>\$ 1,510,845</u>	<u>\$ 209,504</u>

c. Interfund Balances and Transfer Activity

All cash accounts are recorded in the general fund and, as a result, interfund receivables and payables exist. Net short-term interfund receivables and payables at June 30, 2023, were as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ 664,662	\$ -
Aging Programs Fund	-	164,228
Workforce Development Programs Fund	-	304,394
Local Government Services Fund	-	196,040
	<u>\$ 664,662</u>	<u>\$ 664,662</u>

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 2. Detail Notes on All Funds (Continued)

c. Interfund Balances and Transfer Activity (Continued)

Transfers to/from other funds at June 30, 2023 consist of the following:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 96,600	\$ 42,740
Aging Programs Fund	42,740	-
Workforce Development Fund	-	18,601
Local Government Services Fund	-	44,109
Continuum of Care Fund	-	33,890
	<u>\$ 139,340</u>	<u>\$ 139,340</u>

The General Fund provides the basis of local resources for the special revenue funds. These transactions are recorded as “Transfers out” or “Transfer of local matching funds” in the General Fund and “Transfers in” or “Transfer of local matching funds” in the receiving fund. The modified accrual statements show additional transfers to reclassify the special revenue fund share of the lease liabilities serviced by the general fund.

d. Fund Balance

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

Total fund balance - General Fund	\$ 902,722
Less:	
Nonspendable fund balance	14,361
Stabilized by state statute	104,604
Remaining fund balance	<u>\$ 783,757</u>

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 3. Summary Disclosure of Other Significant Commitments and Contingencies

A. Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Council has general liability and auto liability coverage of \$1,000,000 per occurrence and workers' compensation coverage in accordance with statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$1,000,000 up to statutory limits for workers' compensation. The Council carries commercial insurance for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded commercial insurance coverage in any of the past five fiscal years.

In accordance with G.S. 159-29, the Council's employees that have access to \$100 or more at any given time of the Council's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$1,000,000. In addition, all employees are bonded under a blanket employee dishonesty bond for \$100,000.

B. Federal and State Assisted Programs

The Council has received significant amounts of proceeds from federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies.

Note 4. Related Party Transactions

During the year ended June 30, 2023, the Council received and recorded dues revenues of approximately \$180,815 from member governments, including Brunswick, Columbus, New Hanover and Pender Counties and the municipalities within their boundaries.

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

Columbus County	\$ 845,433
New Hanover County	1,772,436
Pender County, directed to Pender Adult Services	583,817
Brunswick County, directed to Brunswick Senior Resources, Inc.	1,634,473
Lower Cape Fear	52,758
	<u>\$ 4,888,917</u>

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

Note 5. Pronouncements

Pronouncements Issued, Not Yet Effective:

The GASB has issued several pronouncements prior to June 30, 2023, that have effective dates that may affect future financial presentation.

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

CAPE FEAR COUNCIL OF GOVERNMENTS

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
 LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
 LAST NINE FISCAL YEARS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Council's proportion of the net pension liability (asset) (%)	0.01678%	0.01568%	0.01543%	0.01474%	0.01391%	0.01236%	0.01273%	0.01163%	(0.00926%)
Council's proportion of the net pension liability (asset) (\$)	\$ 946,632	\$ 240,468	\$ 551,380	\$ 402,538	\$ 329,993	\$ 188,827	\$ 270,174	\$ 52,195	\$ (54,611)
Council's covered-employee payroll	\$ 1,264,784	\$ 1,173,901	\$ 1,046,771	\$ 1,073,213	\$ 1,003,627	\$ 939,503	\$ 965,255	\$ 930,506	\$ 728,226
Council's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	74.85%	20.48%	52.67%	37.51%	32.88%	20.10%	27.99%	5.61%	-7.50%
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%

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

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

This schedule is intended to compile information for 10 years. Additional years will be presented as they are available.

CAPE FEAR COUNCIL OF GOVERNMENTS

**SCHEDULE OF CONTRIBUTIONS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
LAST NINE FISCAL YEARS**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 175,180	\$ 143,553	\$ 119,151	\$ 93,686	\$ 83,174	\$ 75,272	\$ 68,114	\$ 64,383	\$ 65,786
Contributions in relation to the contractually required contribution	\$ 175,180	\$ 143,553	119,151	93,686	83,174	75,272	68,114	64,383	65,786
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Council's covered-employee payroll	\$ 1,543,436	\$ 1,264,784	\$ 1,173,901	\$ 1,046,771	\$ 1,073,213	\$ 1,003,627	\$ 939,503	\$ 965,255	\$ 930,506
Contributions as a percentage of covered-employee payroll	11.35%	11.35%	10.15%	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%

This schedule is intended to compile information for 10 years. Additional years will be presented as they are available.

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SUPPLEMENTARY INFORMATION

CAPE FEAR COUNCIL OF GOVERNMENTS

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

June 30, 2023

	Continuum of Care Fund	Local Government Services	Total Nonmajor Governmental Funds
Assets			
Receivables:			
Due from other governmental agencies	\$ 110,624	\$ 142,650	\$ 253,274
Total assets	\$ 110,624	\$ 142,650	\$ 253,274
Liabilities and Fund Balances			
Accounts payable and accrued liabilities	\$ 41,107	\$ 9,022	\$ 50,129
Due to other funds	33,890	44,109	77,999
Unearned revenue	8,649	-	8,649
Total liabilities	83,646	53,131	136,777
Fund Balances			
Restricted:			
Stabilization by state statute	110,624	142,650	253,274
Unassigned (deficit)	(83,646)	(53,131)	(136,777)
Total fund balances	26,978	89,519	116,497
Total liabilities and fund balances	\$ 110,624	\$ 142,650	\$ 253,274

CAPE FEAR COUNCIL OF GOVERNMENTS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2023

	Continuum of Care Fund	Local Government Services	Total Nonmajor Governmental Funds
Revenues			
Federal	\$ 466,008	\$ 232,970	\$ 698,978
State	-	49,017	49,017
Local	136,516	476,746	613,262
Total revenues	<u>602,524</u>	<u>758,733</u>	<u>1,361,257</u>
Expenditures			
Current:			
Continuum of care	602,524	-	602,524
Local government services	-	707,759	707,759
Total expenditures	<u>602,524</u>	<u>707,759</u>	<u>1,310,283</u>
Revenue over expenditures	<u>-</u>	<u>50,974</u>	<u>50,974</u>
Other financing sources			
Transfers out	(7,883)	(9,781)	(17,664)
Total other financing sources	<u>(7,883)</u>	<u>(9,781)</u>	<u>(17,664)</u>
Net change in fund balance	(7,883)	41,193	33,310
Fund balance, beginning of year	34,861	48,326	83,187
Fund balance, end of year	<u>\$ 26,978</u>	<u>\$ 89,519</u>	116,497
Adjustments to Modified Accrual GAAP			
			178,376
			<u>(178,376)</u>
Fund Balance			<u>\$ 116,497</u>

CAPE FEAR COUNCIL OF GOVERNMENTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – NONMAJOR CONTINUUM OF CARE FUND
 Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Federal:				
Department of Housing and Urban Development Emergency Solutions Grant			\$ 466,008	
Local:				
Other			136,516	
Total revenues	<u>\$ 660,870</u>	<u>\$ 812,508</u>	<u>\$ 602,524</u>	<u>\$ (209,984)</u>
Expenditures				
Current:				
Salaries			127,749	
Fringe			51,480	
Rent			3,646	
Professional services			2,292	
Telephone			3,692	
Supplies			5,174	
Postage			63	
Travel/training			2,253	
Insurance			558	
Data processing			2,852	
Temporary services			18,118	
Meeting costs			895	
Maintenance			379	
Leased equipment			2,604	
Dues and subscriptions			35	
Audit			987	
Contracts and sub grants			335,897	
Overhead allocation			43,850	
Total expenditures	<u>660,870</u>	<u>812,508</u>	<u>602,524</u>	<u>209,984</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Other financing sources				
Operating transfers out	-	-	(7,883)	(7,883)
Revenues over expenditures and other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>(7,883)</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>34,861</u>	
Fund balance, end of year			<u>\$ 26,978</u>	

CAPE FEAR COUNCIL OF GOVERNMENTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – NONMAJOR LOCAL GOVERNMENT SERVICES FUND
Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Federal:				
Highway Planning and Construction			\$ 171,374	
Department of the Treasury				
ARPA			53,034	
MOTSU			8,562	
State:				
Department of Commerce				
EDA Disaster Recovery Grant			49,017	
Local:				
Contract revenue			359,917	
Special Projects			116,829	
Total revenues	\$ 1,001,023	\$ 1,810,738	\$ 758,733	\$ (1,052,005)
Expenditures				
Current:				
Salaries			360,099	
Fringe			104,271	
Rent			8,984	
Professional services			66,322	
Telephone			4,602	
Supplies			3,259	
Postage			195	
Travel/training			17,018	
Insurance			1,526	
Data processing			11,384	
Meeting costs			140	
Maintenance			1,164	
Leased equipment			3,689	
Dues and subscriptions			2,548	
Audit			1,452	
Advertising			675	
Overhead allocation			120,431	
Total expenditures	1,001,023	1,810,738	707,759	1,102,979
Revenues over expenditures	-	-	50,974	50,974
Other financing sources				
Operating transfers out	-	-	(9,781)	(9,781)
Revenues under expenditures and other financing sources	\$ -	\$ -	41,193	\$ 41,193
Fund balance, beginning of year			48,326	
Fund balance, end of year			\$ 89,519	

CAPE FEAR COUNCIL OF GOVERNMENTS

COMBINING BALANCE SHEET BY PROGRAM – AGING PROGRAMS FUND
June 30, 2023

	Aging Administration Title III B & C	Ombudsman Program	Family Caregiver Support	Other Aging Programs	Total
Assets					
Receivables:					
Due from other governmental agencies	\$ 285,024	\$ 1,552	\$ 44,109	\$ 15,942	\$ 346,627
Due from other funds	16,363	-	26,377	-	42,740
Prepaid items	4,796	-	-	-	4,796
Total assets	\$ 306,183	\$ 1,552	\$ 70,486	\$ 15,942	\$ 394,163
Liabilities and Fund Balances					
Liabilities					
Accounts payable and accrued liabilities	\$ 255,886	\$ 1,552	\$ 70,486	\$ 15,942	\$ 343,866
Unearned revenue	25,799	-	-	-	25,799
Total liabilities	281,685	1,552	70,486	15,942	369,665
Fund Balances					
Nonspendable:					
Prepaid items	4,796	-	-	-	4,796
Spendable:					
Restricted:					
For aging programs	301,387	1,552	70,486	15,942	389,367
Unassigned	(281,685)	(1,552)	(70,486)	(15,942)	(369,665)
Total fund balances	24,498	-	-	-	24,498
Total liabilities and fund balances	\$ 306,183	\$ 1,552	\$ 70,486	\$ 15,942	\$ 394,163

CAPE FEAR COUNCIL OF GOVERNMENTS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES BY PROGRAM – AGING PROGRAMS FUND
Year Ended June 30, 2023

	Aging Administration Title III B & C	Ombudsman Program	Family Caregiver Support	Other Aging Programs	Total
Revenues					
Federal	\$ 3,353,374	\$ 152,215	\$ 287,056	\$ 84,693	\$ 3,877,338
State	1,689,917	41,187	19,137	116,175	1,866,416
Local	81,093	-	-	-	81,093
Total revenues	5,124,384	193,402	306,193	200,868	5,824,847
Expenditures					
Current:					
Pass-through	4,547,502	-	283,954	57,461	4,888,917
Administration:					
Title III	446,064	-	-	-	446,064
Ombudsman	-	214,896	-	-	214,896
Family Caregiver Support	-	-	122,206	-	122,206
Other Aging Programs	-	-	-	152,764	152,764
Total expenditures	4,993,566	214,896	406,160	210,225	5,824,847
Revenues over (under) expenditures	130,818	(21,494)	(99,967)	(9,357)	-
Other financing sources (uses)					
Operating transfers in (out)	(130,818)	21,494	99,967	9,357	-
Net change in fund balances	-	-	-	-	-
Fund balance, beginning of year	24,498	-	-	-	24,498
Fund balance, end of year	\$ 24,498	\$ -	\$ -	\$ -	\$ 24,498

CAPE FEAR COUNCIL OF GOVERNMENTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – AGING ADMINISTRATION TITLE III B & C PROGRAMS
Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Federal			\$ 3,353,374	
State			1,689,917	
Local			81,093	
Total revenues	<u>\$ 6,633,310</u>	<u>\$ 6,345,092</u>	<u>\$ 5,124,384</u>	<u>\$ (1,220,708)</u>
Expenditures				
Current:				
Pass-through			4,547,502	
Salaries			187,368	
Fringe			80,963	
Rent			10,246	
Professional services			200	
Telephone			2,098	
Supplies			9,362	
Postage			358	
Travel/training			14,205	
Insurance			997	
Data processing			2,714	
Meeting costs			1,000	
Maintenance			1,305	
Leased equipment			1,113	
Dues and subscriptions			44,070	
Audit			13,300	
Advertising			2,400	
Overhead allocation			74,365	
Total expenditures	<u>6,633,310</u>	<u>6,345,092</u>	<u>4,993,566</u>	<u>1,351,526</u>
Revenues over expenditures	-	-	130,818	130,818
Other financing uses				
Operating transfers out	-	-	(130,818)	(130,818)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>24,498</u>	
Fund balance, end of year			<u>\$ 24,498</u>	

CAPE FEAR COUNCIL OF GOVERNMENTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – OMBUDSMAN PROGRAM
Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Federal			\$ 152,215	
State			41,187	
Total revenues	\$ 226,513	\$ 228,608	\$ 193,402	\$ (35,206)
Expenditures				
Current:				
Salaries			102,341	
Fringe			46,578	
Rent			2,482	
Telephone			2,325	
Supplies			3,858	
Postage			1	
Travel/training			14,816	
Insurance			399	
Data processing			2,668	
Maintenance			281	
Leased equipment			124	
Dues and subscriptions			30	
Audit			516	
Overhead allocation			38,477	
Total expenditures	226,513	228,608	214,896	13,712
Revenues under expenditures	-	-	(21,494)	(21,494)
Other financing sources				
Operating transfers in	-	-	21,494	21,494
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning of year			-	
Fund balance, end of year			\$ -	

CAPE FEAR COUNCIL OF GOVERNMENTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – FAMILY CAREGIVER SUPPORT
Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Federal			\$ 287,056	
State			19,137	
Total revenues	<u>\$ 586,536</u>	<u>\$ 582,612</u>	<u>\$ 306,193</u>	<u>\$ (276,419)</u>
Expenditures				
Current:				
Pass-through			283,954	
Salaries			60,086	
Fringe			24,865	
Rent			2,292	
Telephone			468	
Supplies			3,932	
Postage			87	
Travel/training			4,565	
Insurance			199	
Data processing			1,849	
Meeting costs			3,010	
Maintenance			239	
Leased equipment			223	
Dues and subscriptions			150	
Audit			286	
Overhead allocation			19,955	
Total expenditures	<u>586,536</u>	<u>582,612</u>	<u>406,160</u>	<u>176,452</u>
Revenues under expenditures	-	-	(99,967)	(99,967)
Other financing sources				
Operating transfers in	-	-	99,967	99,967
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning of year			-	
Fund balance, end of year			<u>\$ -</u>	

CAPE FEAR COUNCIL OF GOVERNMENTS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – OTHER AGING PROGRAMS
Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Federal			\$ 84,693	
State			116,175	
Total revenues	\$ 265,737	\$ 307,152	\$ 200,868	\$ (106,284)
Expenditures				
Current:				
Pass-through:				
Operation Fan			57,461	
Salaries			62,940	
Fringe			27,533	
Telephone			695	
Supplies			9,992	
Postage			23	
Travel/training			4,675	
Data processing			349	
Meeting costs			615	
Leased equipment			69	
Audit			264	
Advertising			26,504	
Overhead allocation			19,105	
Total expenditures	265,737	307,152	210,225	96,927
Revenues under expenditures	-	-	(9,357)	(9,357)
Other financing sources				
Operating transfers in	-	-	9,357	9,357
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance, beginning of year			-	
Fund balance, end of year			\$ -	

CAPE FEAR COUNCIL OF GOVERNMENTS

SCHEDULE OF DRAWDOWN AND EXPENDITURES – WORKFORCE DEVELOPMENT PROGRAMS

Year Ended June 30, 2023

Funding Source	Funding Level	Drawdowns		Available June 30, 2023
		Prior to July 1, 2022	Fiscal Year June 30, 2023	
21-2010	\$ 288,291	\$ (25,686)	\$ (262,605)	\$ -
22-2010	266,737	-	(106,941)	159,796
	555,028	(25,686)	(369,546)	159,796
21-2020-33	959,075	(336,082)	(622,993)	-
22-2020-33	887,755	-	(391,450)	496,305
	1,846,830	(336,082)	(1,014,443)	496,305
21-2030-33	657,495	(259,339)	(398,156)	-
22-2030-33	588,817	-	(239,234)	349,583
	1,246,312	(259,339)	(637,390)	349,583
21.FLG.BCC	8,711	(6,562)	(2,149)	-
21.FLG.CFCC	1,361	(1,361)	-	-
21.FLG.SCC	6,929	(6,794)	(135)	-
22.BSR	20,000	-	(15,300)	4,700
	37,001	(14,717)	(17,584)	4,700
21-2040-I	244,513	(37,144)	(207,369)	-
21-2040-O	733,538	(111,432)	(622,106)	-
22-2040-I	231,013	-	(79,677)	151,336
22-2040-O	693,039	-	(214,930)	478,109
	1,902,103	(148,576)	(1,124,082)	629,445
22-3110 ARPA	11,250	-	(35)	11,215
22-3110 ARPA	213,750	-	(1,977)	211,773
	225,000	-	(2,012)	222,988
Statewide	10,502	-	(10,502)	-
	10,502	-	(10,502)	-
Total	\$ 5,822,776	\$ (784,400)	\$ (3,175,559)	\$ 1,862,817

Expenditures					
Prior to July 1, 2022	Fiscal Year June 30, 2023	Draws (Over)/Under Expenditures	Due From Grantor June 30, 2023	Unearned Revenue June 30, 2023	
\$ 25,686	\$ 262,605	\$ -	\$ -	\$ -	
-	100,709	(6,232)	-	(6,232)	
25,686	363,314	(6,232)	-	(6,232)	
336,082	622,993	-	-	-	
-	379,842	(11,608)	-	(11,608)	
336,082	1,002,835	(11,608)	-	(11,608)	
259,339	398,156	-	-	-	
-	224,836	(14,398)	-	(14,398)	
259,339	622,992	(14,398)	-	(14,398)	
6,562	2,149	-	-	-	
1,361	-	-	-	-	
6,794	135	-	-	-	
-	15,300	-	-	-	
14,717	17,584	-	-	-	
35,926	208,587	-	-	-	
107,778	625,760	-	-	-	
-	63,852	(15,825)	-	(15,825)	
-	192,457	(22,473)	-	(22,473)	
143,704	1,090,656	(38,298)	-	(38,298)	
-	35	-	-	-	
-	1,977	-	-	-	
-	2,012	-	-	-	
-	10,502	-	-	-	
-	10,502	-	-	-	
\$ 779,528	\$ 3,109,895	\$ (70,536)	\$ -	\$ (70,536)	

CAPE FEAR COUNCIL OF GOVERNMENTS

SCHEDULE OF INDERECT COSTS

Year Ended June 30, 2023

		FY 2023 Actual Cost
Total Indirect Annual Salaries		\$ 241,196
Total Indirect Fringe Benefits		88,010
Travel		6,414
Occupancy Costs		49,845
Operating Expense		63,772
Total indirect expenditures		<u><u>\$ 449,237</u></u>
Total Personnel Costs	\$ 2,077,268	
Less Total Indirect Salaries	(241,196)	
Less Total Indirect Fringe Benefits	(88,010)	
Total direct personnel costs		<u><u>\$ 1,748,062</u></u>

Indirect Rate Calculation

<u>Total Indirect Expenditures</u>	=	<u>\$ 449,237</u>	25.70%
Total Direct Personnel Costs		\$ 1,748,062	

CAPE FEAR COUNCIL OF GOVERNMENTS

SCHEDULE OF FRINGE BENEFITS

Year Ended June 30, 2023

	FY 2023 Actual Cost		
Total Annual Salaries	<u>\$ 1,514,856</u>		
FICA	\$ 114,025		
LGERS Retirement	175,180		
Supplemental Retirement	12,581		
Group Insurance	256,126		
Workers' Comp	3,115		
Unemployment Insurance	<u>1,385</u>		
Total Fringe Benefits	<u>\$ 562,412</u>		
 Fringe Benefit Rate Calculation			
<u>Total Fringe Benefits</u>	=	<u>\$ 562,412</u>	37.13%
Total Annual Salaries		\$ 1,514,856	
 Total Annual Salaries		 \$ 1,514,856	
Total Fringe Benefits		<u>562,412</u>	
Total Personnel Cost		<u>\$ 2,077,268</u>	

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COMPLIANCE SECTION

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Executive Committee
Cape Fear Council of Governments

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 Cape Fear Council of Governments (the Council) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Council’s basic financial statements, and have issued our report thereon dated November 10, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PBMares, LLP

Morehead City, North Carolina
November 10, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Executive Committee
Cape Fear Council of Governments

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited the Cape Fear Council of Governments' (the Council) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors* issued by the North Carolina Local Government Commission, that could have a direct and material effect on the Council's major federal program for the year ended June 30, 2023. The Council's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance 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.

PBMares, LLP

Morehead City, North Carolina
November 10, 2023



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR THE MAJOR STATE
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

Executive Committee
Cape Fear Council of Governments

Report on Compliance for Each Major State Program

Opinion on the Major State Program

We have audited the Cape Fear Council of Governments’ (the Council) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors* issued by the North Carolina Local Government Commission, that could have a direct and material effect on the Council’s major State program for the year ended June 30, 2023. The Council’s major State program is identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs. In our opinion, Cape Fear Council of Governments complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program for the year ended June 30, 2023.

Basis for opinion on the Major State Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance 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 the Council’s State program.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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, as defined above. However, material weaknesses or significant deficiencies in internal control 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 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

PBMares, LLP

Morehead City, North Carolina
November 10, 2023

CAPE FEAR COUNCIL OF GOVERNMENTS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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(ies) identified?

_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None Reported

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

Unmodified

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

_____ Yes X No

Identification of major federal programs:

Federal Assistance Listing Number	Program Name
Aging Cluster: 93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers – Including COVID-19 Funds
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services – Including COVID-19 Funds
93.053	Nutrition Services Incentive Program

CAPE FEAR COUNCIL OF GOVERNMENTS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2023**

Section I – Summary of Auditor’s Results (Continued)

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

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes No

State Awards

Internal control over major state programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X 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 X No

Identification of major state program:

Federal Assistance Listing Number / Grant Number	Program Name
--	--------------

Aging Cluster

N/A

N/A

N/A

N/A

Ombudsman

Access

In-home/Support Services

Home-delivered meals

CAPE FEAR COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2023

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

Section IV – State Award Findings and Questioned Costs

None noted.

CAPE FEAR COUNCIL OF GOVERNMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2023

There were no findings reported during the year ended June 30, 2022

CAPE FEAR COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS Year Ended June 30, 2023

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing (AL) Number	Pass- Through Grantor's Number	Federal Expenditures	State Expenditures	Pass-Through to Subrecipient
Federal Awards					
<u>U.S. Department of Health and Human Services</u>					
Passed-through the N.C. Department of					
Health and Human Services – Division of Aging					
Aging Cluster:					
(93.044, 93.045 & 93.053):					
Special Programs for the Aging – Title III B	93.044	NC-15			
Planning and administration			\$ 62,813	\$ -	\$ -
Ombudsman			136,992	8,059	-
Legal			19,117	1,125	20,242
Access			340,534	20,031	360,565
In-home/Support Services			576,032	33,884	608,371
COVID-19 - Expanding access to COVID vaccines			2,431	-	-
ARPA - Support services			174,359	30,737	205,096
Special Programs for the Aging – Title III C	93.045	NC-15			
Planning and administration			108,767	-	-
Congregate meals			472,143	27,773	499,916
Home-delivered meals			761,048	44,782	805,830
ARPA - Planning and administration			76,733	25,578	-
Nutrition - Consolidated Appropriation Act			14,151	-	14,151
ARPA - Congregate meals			145,787	25,727	171,514
ARPA - Home delivered meals			118,839	20,972	139,811
Nutrition Services Incentive Program (NSIP)	93.053		325,942	-	325,942
Total Aging Cluster			3,335,688	238,668	3,151,438
Special Programs for the Aging – Title III D and F					
Preventive health	93.043	NC-15	40,177	2,351	42,528
ARPA - Preventive health	93.043		11,952	-	11,952
Social Services Block Grant					
In-home/Support Services	93.667	NC-15	20,207	577	20,784
Elder Abuse Prevention					
Title III Elder Abuse	93.041	NC-15	6,632	390	-
Special Programs for the Aging – Title VII E					
Ombudsman	93.042	NC-15	15,223	894	-
National Family Caregiver Support Program	93.052	NC-15			
Planning and administration			40,912	-	-
Family caregiver services			287,056	19,137	183,985
ARPA - Family caregiver services			74,977	24,992	99,969
Passed-through the N.C. Department of Insurance					
Senior's Health Insurance Information Program	93.048	NC-15	10,000	-	-
MIPPA - Medicare Improvement for					
Patients and Providers Act	93.071	NC-15	34,514	-	-
Total U.S. Department of					
Health and Human Services			3,877,338	287,009	3,510,656

CAPE FEAR COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued) Year Ended June 30, 2023

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing (AL) Number	Pass- Through Grantor's Number	Federal Expenditures	State Expenditures	Pass-Through to Subrecipient
<u>U.S. Department of Labor</u>					
Passed-through the N.C. Department of Commerce – Division of Employment and Training					
ARPA - Small business WBL grant	21.027	NC-34	\$ 2,012	\$ -	\$ -
Workforce Innovation and Opportunity Act Cluster: (17.258, 17.259, 17.278)					
WIOA Adult Program	17.258	NC-33	1,002,836	-	808,405
WIOA Adult Program (2010 Administration)	17.258	NC-33	134,426	-	-
WIOA Youth Activities	17.259	NC-33	1,090,655	-	858,387
WIOA Youth Activities (2010 Administration)	17.259	NC-33	141,692	-	-
WIOA Dislocated Workers	17.278	NC-33	622,992	-	429,429
WIOA Dislocated Workers (2010 Administration)	17.278	NC-33	87,195	-	-
WIOA State Wide Activities - Employer Services	17.258	NC-33	15,300	-	-
WIOA State Wide Activities - Infrastructure	17.278	NC-33	10,503	-	-
WIOA Dislocated Workers Finish Line Grant	17.278	NC-33	2,284	-	2,284
Total Workforce Innovation and Opportunity Act Cluster			3,107,883	-	2,098,505
Total U.S. Department of Labor			3,109,895	-	2,098,505
<u>U.S. Department of Housing and Urban Development</u>					
Direct funding:					
Continuum of Care Planning Grant	14.267		29,751	-	-
Continuum of Care Permanent Supportive Housing	14.267		134,567	-	-
Continuum of Care Homeless Information Management Systems	14.267		14,157	-	1,160
Passed-through the N.C. Department of Health and Human Services					
Emergency Solutions Grant	14.231	NC-15	257,017	-	167,182
COVID-19 Emergency Solutions Grant	14.231	NC-15	30,516	-	1,472
Total U.S. Department of Housing and Urban Development			466,008	-	169,814
<u>U.S. Department of Defense</u>					
Direct funding:					
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610		8,562	-	-
<u>U.S. Department of Transportation</u>					
Passed-through the N.C. Department of Transportation					
Highway Planning and Construction Cluster Highway Planning and Construction	20.205	NC-15	171,374	-	-
<u>U.S. Department of Treasury</u>					
Passed-through State of North Carolina, Office of State Budget and Management/NCPRO Subawarded North Carolina ARPA - Association of Regional Councils of Government COVID-19 Coronavirus State and Local Fiscal Recovery Funds					
	21.027		43,253	-	-

CAPE FEAR COUNCIL OF GOVERNMENTS

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
Year Ended June 30, 2023**

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing (AL) Number	Pass- Through Grantor's Number	Federal Expenditures	State Expenditures	Pass-Through to Subrecipient
State Awards					
<u>N.C. Department of Health and Human Services</u>					
Direct funding:					
Division of Aging					
Aging Cluster:					
Ombudsman 90% State funds	-	NC-15	\$ -	\$ 32,234	\$ -
Access – 90% State funds	-	NC-15	-	74,868	74,868
In-home/Support Services – 90% State funds	-	NC-15	-	991,329	991,329
Home-delivered meals – 90% State funds	-	NC-15	-	194,305	194,305
Title III P&A/AAA Administration	-	NC-15	-	59,908	-
Project CARE	-	NC-15	-	109,000	-
Senior Center Development	-	NC-15	-	112,939	112,935
Operation Fan	-	NC-15	-	4,824	4,824
Total N.C. Department of Health and Human Services			-	1,579,407	1,378,261
<u>N.C. Office of State Budget & Management</u>					
Passed through State of North Carolina, OSBM Subawarded					
North Carolina Association of Regional Councils of Government					
Disaster Recovery State Appropriations	-	NC-15	-	49,017	-
Total expenditures of federal and state awards			\$ 7,676,430	\$ 1,915,433	\$ 7,157,236

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS Year Ended June 30, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Cape Fear Council of Governments and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Implementation Act*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The Council has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Cluster of programs - Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the Council: Aging Cluster, Workforce Innovation and Opportunity Act Cluster, Highway Planning and Construction Cluster

Note 2. Subrecipients

Federal and State awards have been passed-through to subrecipients as follows for the year ended June 30, 2023:

Subrecipient	Program Name	Federal AL/ State		Total	
		Pass-Through Number	Federal Amount	State Amount	Federal and State Amount
Brunswick Senior Resources, Inc.	ARPA - Access, HCCBG-In Home/Supp Svc, Non-HCCBG legal	93.044	\$ 64,611	\$ 11,402	\$ 76,013
Columbus County Dept. of Aging	ARPA - Access, HCCBG-In Home/Supp Svc, Non-HCCBG legal	93.044	17,886	3,156	21,042
Legal Services of the Lower Cape Fear	ARPA - Access, HCCBG-In Home/Supp Svc, Non-HCCBG legal	93.044	27,642	4,878	32,520
New Hanover County Dept. of Aging	ARPA - Access, HCCBG-In Home/Supp Svc, Non-HCCBG legal	93.044	64,205	11,316	75,521
Brunswick Senior Resources, Inc.	ARPA - FAMILY CAREGIVER	93.052	4,826	1,069	5,895
Columbus County Dept. of Aging	ARPA - FAMILY CAREGIVER	93.052	31,243	10,414	41,657
New Hanover County Dept. of Aging	ARPA - FAMILY CAREGIVER	93.052	35,812	11,937	47,749
Pender Adult Services	ARPA - FAMILY CAREGIVER	93.052	3,636	1,032	4,668
Brunswick Senior Resources, Inc.	ARPA - NUTRITION SERVICES	93.045	58,078	10,249	68,327
Columbus County Dept. of Aging	ARPA - NUTRITION SERVICES	93.045	109,604	19,342	128,946
New Hanover County Dept. of Aging	ARPA - NUTRITION SERVICES	93.045	84,778	14,961	99,739
Pender Adult Services	ARPA - NUTRITION SERVICES	93.045	12,168	2,145	14,313
Brunswick Senior Resources, Inc.	ARPA - Preventive Health	93.043	7,158	-	7,158
Columbus County Dept. of Aging	ARPA - Preventive Health	93.043	3,312	-	3,312
Pender Adult Services	ARPA - Preventive Health	93.043	1,482	-	1,482
Brunswick Senior Resources, Inc.	Family Caregiver Services	93.052	42,462	3,537	45,999
Columbus County Dept. of Aging	Family Caregiver Services	93.052	42,458	3,537	45,995
New Hanover County Dept. of Aging	Family Caregiver Services	93.052	42,457	3,537	45,994
Pender Adult Services	Family Caregiver Services	93.052	42,460	3,537	45,997
Brunswick Senior Resources, Inc.	FANS	NC-15	-	400	400
Columbus County Dept. of Aging	FANS	NC-15	-	1,090	1,090
New Hanover County Dept. of Aging	FANS	NC-15	-	2,244	2,244
Pender Adult Services	FANS	NC-15	-	1,090	1,090
Columbus County Dept. of Aging	HDC-5	93.045	2,620	-	2,620
New Hanover County Dept. of Aging	HDC-5	93.045	11,531	-	11,531
Brunswick Senior Resources, Inc.	In-home/Support Services - 90% State funds	93.044	134,013	521,525	655,538
Columbus County Dept. of Aging	In-home/Support Services - 90% State funds	93.044	53,342	207,586	260,928
New Hanover County Dept. of Aging	In-home/Support Services - 90% State funds	93.044	100,499	391,102	491,601
Pender Adult Services	In-home/Support Services - 90% State funds	93.044	63,922	148,495	212,417
Brunswick Senior Resources, Inc.	Nutrition Services Incentive Program	93.053	111,045	-	111,045
Columbus County Dept. of Aging	Nutrition Services Incentive Program	93.053	39,953	-	39,953
New Hanover County Dept. of Aging	Nutrition Services Incentive Program	93.053	154,269	-	154,269
Pender Adult Services	Nutrition Services Incentive Program	93.053	20,675	-	20,675
Brunswick Senior Resources, Inc.	Senior Center Outreach and General Purpose	NC-15	-	54,506	54,506
Columbus County Dept. of Aging	Senior Center Outreach and General Purpose	NC-15	-	25,729	25,729
New Hanover County Dept. of Aging	Senior Center Outreach and General Purpose	NC-15	-	10,899	10,899
Pender Adult Services	Senior Center Outreach and General Purpose	NC-15	-	21,801	21,801
Brunswick Senior Resources, Inc.	Special Programs for the Aging - Title III D & F- Preventative Health	93.043	13,535	797	14,332
Columbus County Dept. of Aging	Special Programs for the Aging - Title III D & F- Preventative Health	93.043	5,656	333	5,989
New Hanover County Dept. of Aging	Special Programs for the Aging - Title III D & F- Preventative Health	93.043	14,152	833	14,985
Pender Adult Services	Special Programs for the Aging - Title III D & F- Preventative Health	93.043	6,925	297	7,222

CAPE FEAR COUNCIL OF GOVERNMENTS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS Year Ended June 30, 2023

Note 2. Subrecipients (Continued)

Subrecipient	Program Name	Federal AL/ State Pass-Through Number	Federal Amount	State Amount	Total Federal and State Amount
Brunswick Senior Resources, Inc.	Special Programs for the Aging-Title III B	93.044	\$ 59,585	\$ 15,677	\$ 75,262
Columbus County Dept. of Aging	Special Programs for the Aging-Title III B	93.044	12,279	3,231	15,510
Legal Services of the Lower Cape Fear	Special Programs for the Aging-Title III B	93.044	19,024	1,214	20,238
New Hanover County Dept. of Aging	Special Programs for the Aging-Title III B	93.044	218,280	56,378	274,658
Pender Adult Services	Special Programs for the Aging-Title III B	93.044	54,593	15,414	70,007
Brunswick Senior Resources, Inc.	Special Programs for the Aging-Title III C	93.045	505,438	14,560	519,998
Columbus County Dept. of Aging	Special Programs for the Aging-Title III C	93.045	245,587	7,075	252,662
New Hanover County Dept. of Aging	Special Programs for the Aging-Title III C	93.045	528,035	15,211	543,246
Pender Adult Services	Special Programs for the Aging-Title III C	93.045	178,982	5,163	184,145
Aging Programs Pass-Through			3,250,218	1,638,699	4,888,917
Brunswick Community College	WIOA-Adult Program -2020	17.258	289,086	-	289,086
Eckerd Connect, Inc.	WIOA-Adult Program -2020	17.258	60,048	-	60,048
Two-Hawk Workforce Services	WIOA-Adult Program -2020	17.258	265,081	-	265,081
Southeastern Community College	WIOA-Adult Program -2020	17.258	194,190	-	194,190
Brunswick Community College	WIOA-Dislocated Worker Program -2030	17.278	134,769	-	134,769
Eckerd Connect, Inc.	WIOA-Dislocated Worker Program -2030	17.278	60,048	-	60,048
Two-Hawk Workforce Services	WIOA-Dislocated Worker Program -2030	17.278	92,015	-	92,015
Southeastern Community College	WIOA-Dislocated Worker Program -2030	17.278	142,597	-	142,597
Brunswick Community College	WIOA-Statewide Activities -4050	17.259	2,149	-	2,149
Southeastern Community College	WIOA-Statewide Activities -4050	17.278	135	-	135
Eckerd Connect, Inc.	WIOA-Youth Program -2040	17.259	60,048	-	60,048
Two-Hawk Workforce Services	WIOA-Youth Program -2040	17.259	152,914	-	152,914
Southeastern Community College	WIOA-Youth Program -2040	17.259	224,498	-	224,498
Education Data Systems	WIOA-Youth Program -2040	17.259	420,927	-	420,927
Workforce Innovation and Opportunity Act Programs Pass-Through			2,098,505	-	2,098,505
Good Shepherd Center	Emergency Solutions Grant	14.231	107,867	-	107,867
MI Coalition Against Homelessness	Emergency Solutions Grant	14.231	15,010	-	15,010
Coastal Horizons	Emergency Solutions Grant	14.231	30,262	-	30,262
Brunswick Partnership for Housing	Emergency Solutions Grant	14.231	14,043	-	14,043
MI Coalition Against Homelessness	Continuum of Care Homeless Information Management Systems	14.267	1,160	-	1,160
MI Coalition Against Homelessness	COVID-19 Emergency Solutions Grant	14.231	1,472	-	1,472
Continuum of Care Programs Pass-Through			169,814	-	169,814
Total Federal and State Awards Passed-Through to Subrecipients			\$ 5,518,537	\$ 1,638,699	\$ 7,157,236