

TRIANGLE J COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS AND COMPLIANCE REPORT

As of and for the Year Ended June 30, 2022

And Reports of Independent Auditor

TRIANGLE J COUNCIL OF GOVERNMENTS
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Report of Independent Auditor

To the Board of Delegates
Triangle J Council of Governments
Research Triangle Park, North Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the general fund, and the fiduciary fund of the Triangle J Council of Governments (the "Council"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the fiduciary fund of the Council as of June 30, 2022, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards *Governmental Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 and the required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Council. The accompanying supplementary information, as listed in the table of contents, as well as the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 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.

Cherry Bekaert LLP

Raleigh, North Carolina
January 25, 2023

TRIANGLE J COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

The Triangle J Council of Governments (the "Council") is a voluntary organization of municipal and county governments in North Carolina's Region J. This regional council is one of 16 regional councils established in 1972 by the General Assembly to aid, assist, and improve the capabilities of local governments in administration, planning, fiscal management, and development. The legislature designated that Region J be comprised of Durham, Orange, Wake, Chatham, Johnston, Lee and Moore counties. These seven counties and the 39 municipalities therein were eligible for membership in the Council. The Council has since established itself as a leader in intergovernmental cooperation and planning, bringing together elected officials and local government staff to address issues on a regional basis. Upon the dissolution of Region H in the summer of 2001, the Council gained Moore County as a seventh member county of Region J. The Council serves as administrator for programs related to Public Safety, Transportation, Economic and Physical Development, Environmental Protection, and Human Services.

This section of the Council's financial report represents our discussion and analysis of the financial performance of the Council for the year ended June 30, 2022. This information should be read in conjunction with the audited financial statements included in this report.

Financial Highlights

- The liabilities and deferred inflows of resources of the Council exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$279,364 (*net position*).
- The Council's total net position increased by \$490,705 as a result of increases in Federal and State funding exceeding the increase in expenditures of the same funding during the year. During the year ended June 30, 2022, the Council received \$8.2 million in special project funding from a local County, of which approximately \$6.9 million was not yet expended at the close of the year.
- As of the close of the current fiscal year, the Council's general fund reported an ending fund balance of \$2,370,147. Of this amount \$3,393,934 is restricted by state statute.

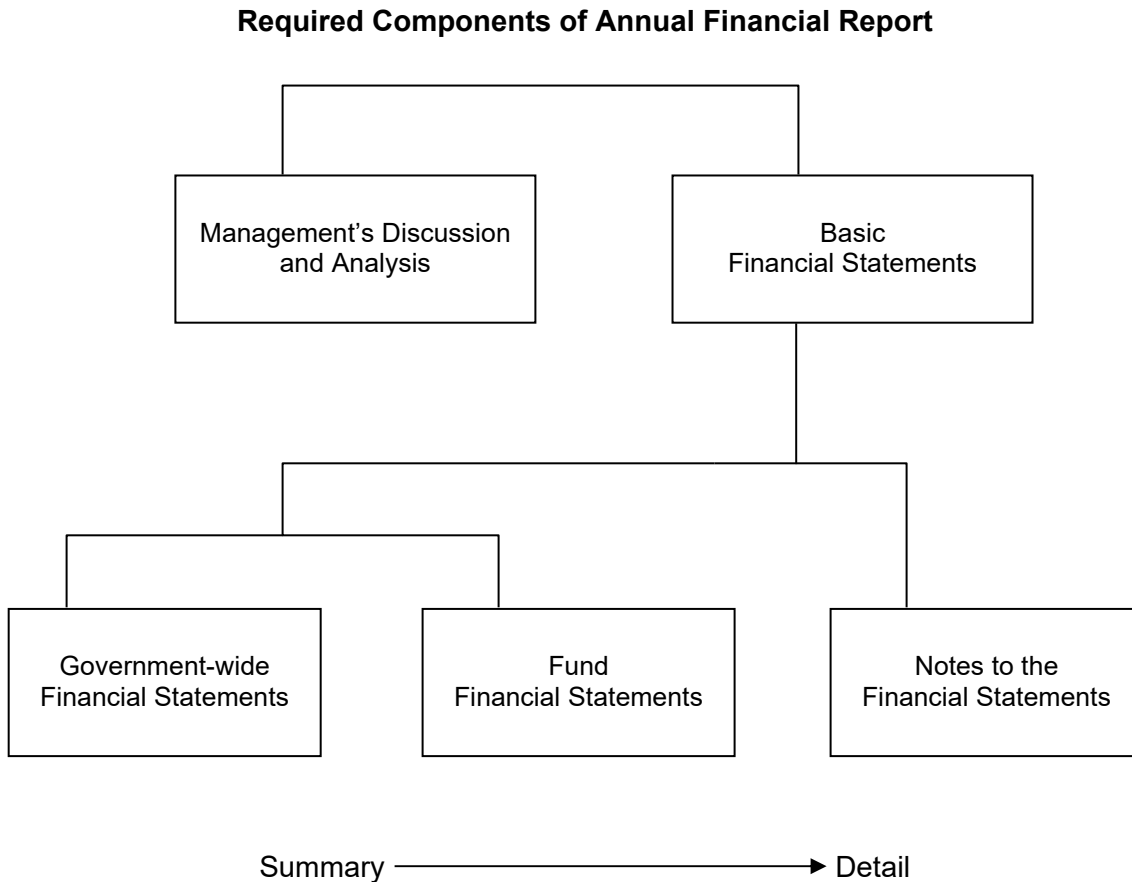
Overview of the Financial Statements

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

**TRIANGLE J COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2022

Figure 1



Basic Financial Statements

The first two statements (pages 10 and 11) in the basic financial statements are the *government-wide statements*. They provide both short and long-term information about the Council's financial status. The next statements (pages 12 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. There are three parts to the fund financial statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the other postemployment benefit trust fund statements.

The next section of the basic financial statements is the *notes*. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplementary information is provided to show details about the Council's indirect costs. Budgetary information required by the General Statutes also can be found in this part of the statements.

TRIANGLE J COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

Government-Wide Financial Statements

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

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

Government-wide financial statements may be divided into as many as three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include all of the Council's basic services such as general administration, economic and community development, human services, environmental protection, and transportation planning services. State and federal grants and contributions from regional non-profits, supporting entities, and local governments comprising the service area of the Council finance most of these activities.

Fund Financial Statements

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

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

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

The statement shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges to appropriations, and ending balances in the General Fund, and 4) the difference or variance between the final budget and the actual resources and charges.

Fiduciary Fund – Fiduciary funds are used to account for resources held for the benefit of parties outside of the Council. The Council's fiduciary fund is for their Other Postemployment Benefit ("OPEB") trust fund.

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

**TRIANGLE J COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2022

Government-Wide Financial Analysis

**Table 1
Condensed Statement of Net Position
June 30,**

	Governmental Activities	
	2022	2021
Assets:		
Current assets	\$ 13,415,075	\$ 5,860,071
Capital assets	12,729	13,334
Right-to-use leased assets	268,667	-
	<u>13,696,471</u>	<u>5,873,405</u>
Deferred Outflows of Resources	<u>1,028,955</u>	<u>1,036,860</u>
Liabilities:		
Current liabilities	11,255,152	4,096,252
Noncurrent liabilities	2,775,880	3,400,514
	<u>14,031,032</u>	<u>7,496,766</u>
Deferred Inflows of Resources	<u>973,758</u>	<u>183,868</u>
Net Position:		
Net investment in capital assets	6,725	13,334
Restricted by stabilization of State Statute	3,393,934	4,073,447
Unrestricted	(3,680,023)	(4,856,850)
	<u>\$ (279,364)</u>	<u>\$ (770,069)</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The liabilities and deferred inflows of the Council exceeded assets and deferred outflows by \$279,364 of June 30, 2022. The Council's net position increased by \$490,705 for the fiscal year ended June 30, 2022. Of the net position, \$6,725 reflects the Council's net investment in capital assets (office and computer equipment, software, and vehicles). The Council uses these capital assets to provide services to constituent local government members; consequently, these assets are not available for future spending. The Council's net position also increased as a result of implementing GASB 87, *Leases*, during the year ended June 30, 2022. This implementation resulted in recording a right-to-use asset and lease liability for the year ended June 30, 2022, which is further discussed in Notes 1, 4, and 8.

**TRIANGLE J COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2022

**Table 2
Condensed Statement of Activities
June 30,**

	Governmental Activities	
	2022	2021
Revenues:		
Program Revenues:		
Charges for services	\$ 1,737,662	\$ 1,556,445
Intergovernmental revenues	17,975,884	15,988,809
General Revenues:		
Local government dues	1,125,927	1,125,915
Unrestricted investment earnings	3,063	346
Total Revenues	<u>20,842,536</u>	<u>18,671,515</u>
Expenses:		
Governmental Activities:		
General government	1,697,390	988,907
Transportation	250,599	120,762
Environmental protection	2,820,064	3,053,610
Economic and physical development	2,191,025	1,573,203
Human services	13,392,753	13,229,980
Total Expenses	<u>20,351,831</u>	<u>18,966,462</u>
Change in net position	490,705	(294,947)
Net position, July 1	<u>(770,069)</u>	<u>(475,122)</u>
Net position, June 30	<u>\$ (279,364)</u>	<u>\$ (770,069)</u>

Governmental Activities. Governmental activities increased the Council's net position by \$490,705.

The Council's revenues were \$20.84 million. 86% of the Council's revenues come from federal and state revenues.

The Council's expenditures were \$20.35 million. 66% of the Council's expenditures were related to Human Services programs and 14% of expenses were environmental protection program related.

Financial Analysis of the Council's Funds

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

TRIANGLE J COUNCIL OF GOVERNMENTS MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

Governmental Funds. The focus of the Council's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund is the operating fund of the Council. At the end of the fiscal year, the General Fund unassigned fund balance reflects a deficit of \$1,877,965 while total fund balance was \$2,370,147, a consequence of State Statute requirements that program receivables are restricted. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The purpose of the comparison is to understand what resources are available for the coming year operations. At June 30, 2022, the fund balance of the governmental funds of the Council increased by \$712,049 over the prior year.

Governmental Funds Budgetary Highlights. During the fiscal year, the Council revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services. The Council's total revenues were \$10.9 million less than budgeted and the Council's total expenses were \$11.6 million less than budgeted.

Capital Asset, Leased Assets, and Debt Administration

Capital Assets. The Council's investment in capital assets for its governmental activities as of June 30, 2022 totals \$281,396 (net of accumulated depreciation and amortization). Capital assets include the GIS software system, vehicles, furniture, fixtures, and equipment, and are substantially depreciated. Right-to-use leased assets include building and copier leases, and are amortized under GASB 87, *Leases*. As of June 30, 2022, the Council had total right-to-use assets of \$525,351 less accumulated amortization of \$256,684 for right-to-use asset, net of \$268,667.

Additional information on the Council's capital assets and leased assets can be found in Notes 4 and 5 of the basic financial statements.

Long-Term Debt. The Council's long-term debt consisted of the following for its governmental activities as of June 30, 2022: a net OPEB obligation of \$2,150,711, compensated absences accrued of \$190,779, lease liability of \$274,671 and net pension liability of \$399,195, totaling \$3,015,356.

Additional information on the Council's debt can be found in Note 6 of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

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

The adopted budget for the coming fiscal year calls for funded expenditures of approximately \$34 million. The change in the adopted budget over the current year is attributable to an increase in grant funding and project income.

Requests for Information

This report is intended to provide a summary of the financial condition of the Council. Questions or requests for additional information should be addressed to:

Hope Tally, Chief Financial Officer
4307 Emperor Blvd., Ste. 110
Durham, NC 27703

TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash investments	\$ 9,990,845
Accounts receivable	3,423,186
Prepaid items	1,044
Total Current Assets	<u>13,415,075</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	12,729
Right-to-use leased assets, net of accumulated amortization	268,667
Total Noncurrent Assets	<u>281,396</u>
Total Assets	<u>13,696,471</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	661,122
OPEB deferrals	367,833
Total Deferred Outflows of Resources	<u>1,028,955</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	4,100,846
Unearned grant revenue	6,914,830
Lease liability - current portion	239,476
Total Current Liabilities	<u>11,255,152</u>
Noncurrent Liabilities:	
Compensated absences accrued	190,779
Lease liability - long term	35,195
Net pension liability	399,195
Net OPEB obligation	2,150,711
Total Noncurrent Liabilities	<u>2,775,880</u>
Total Liabilities	<u>14,031,032</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	570,945
OPEB deferrals	402,813
Total Deferred Inflows of Resources	<u>973,758</u>
NET POSITION	
Net investment in capital assets	6,725
Restricted:	
Stabilization by State Statute	3,393,934
Unrestricted	<u>(3,680,023)</u>
Total Net Position	<u>\$ (279,364)</u>

The accompanying notes to the financial statements are an integral part of these statements.

TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
				<u>Primary</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental Activities:				
General government	\$ 1,697,390	\$ 180,118	\$ 1,782,500	\$ 265,228
Transportation	250,599	38,227	136,549	(75,823)
Environmental protection	2,820,064	946,905	1,288,770	(584,389)
Economic and physical development	2,191,025	557,347	1,435,542	(198,136)
Human services	13,392,753	15,065	13,332,523	(45,165)
Total Governmental Activities	<u>\$ 20,351,831</u>	<u>\$ 1,737,662</u>	<u>\$ 17,975,884</u>	<u>(638,285)</u>
General Revenues:				
Local revenues				1,125,927
Unrestricted investment earnings				3,063
Total General Revenues				<u>1,128,990</u>
Change in net position				<u>490,705</u>
Net position, beginning of year				<u>(770,069)</u>
Net position, end of year				<u>\$ (279,364)</u>

The accompanying notes to the financial statements are an integral part of these statements.

TRIANGLE J COUNCIL OF GOVERNMENTS
BALANCE SHEET – GENERAL FUND

JUNE 30, 2022

ASSETS

Cash and investments	\$ 9,990,845
Accounts receivable	3,423,186
Prepaid items	1,044
Total Assets	\$ 13,415,075

LIABILITIES

Program accounts payable and accrued expenses	\$ 4,100,846
Unearned grant revenue	6,914,830
Total Liabilities	11,015,676

DEFERRED INFLOWS OF RESOURCES

Unavailable revenues	29,252
Total Deferred Inflows of Resources	29,252

FUND BALANCES

Nonspendable for prepaid items	1,044
Restricted:	
Stabilization by State Statute	3,393,934
Committed:	
Unemployment insurance	39,478
Assigned:	
Triangle Area Water Supply Monitoring Project	81,847
Clean Water Education Partnership	58,336
Triangle Water Supply Partnership	441,781
Development & Infrastructure Planning	85,035
CORE	119,597
ESFR 2018 Lee County	11,082
ESFR 2019 Durham County	2,779
ESFR 2019 Harnett County	12,312
URP 2019 Lee County	887
Unassigned	(1,877,965)
Total Fund Balances	2,370,147
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,415,075

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

Ending fund balances - governmental funds.	\$ 2,370,147
Capital assets, including capital lease obligations, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,725
Some liabilities, including accrued vacation, are not due and payable in the current period and, therefore, are not reported in the funds.	(190,779)
Changes in accounts receivable due from other governments not collected within 90 days after year-end is deferred in the fund.	29,252
OPEB activity (including long-term liability, deferred outflows, and deferred inflows).	(2,185,691)
Pension activity (including long-term liability, deferred outflows, and deferred inflows) is not reported in the funds.	(309,018)
Net position of governmental activities	\$ (279,364)

The accompanying notes to the financial statements are an integral part of these statements.

TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GENERAL FUND

YEAR ENDED JUNE 30, 2022

Revenues:	
Federal government grants	\$ 3,005,729
State government grants	282,155
Federal and state pass through	12,345,092
Member assessments	680,394
Special assessments	869,015
Local aging share	256,898
Program income/fees	1,746,634
Other income	1,455,354
Interest income	<u>3,063</u>
Total Revenues	<u>20,644,334</u>
Expenditures:	
General government	1,552,515
Transportation	250,599
Environmental protection	2,820,064
Economic and physical development	2,191,025
Human services	<u>13,392,753</u>
Total Expenditures	<u>20,206,956</u>
Other Financing Sources (Uses):	
Lease liability issued	274,671
Net change in fund balances	712,049
Fund balances, beginning of year	<u>1,658,098</u>
Fund balances, end of year	<u>\$ 2,370,147</u>

The accompanying notes to the financial statements are an integral part of these statements.

TRIANGLE J COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GENERAL FUND TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

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

Net change in fund balances - total governmental funds	\$	712,049
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period:		
Depreciation and amortization expense for governmental assets		(250,316)
Some expenses reported in the statement of activities do not require the use of current financial resources in governmental funds and, therefore, are not reported as expenditures in the governmental funds:		
Principal payments made on capital leases		227,897
Pension related changes		(160,198)
OPEB related changes		45,408
Current year accrued absences	\$	(190,779)
Prior year accrued absences		183,113
Additions to compensated absences		(7,666)
Certain revenues are not recognized in the governmental funds since they do not provide current financial resources are recognized in the statement of activities		
		(76,469)
Change in net position of governmental activities	\$	<u>490,705</u>

The accompanying notes to the financial statements are an integral part of these statements.

TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ANNUAL BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Federal government grants	\$ 2,029,504	\$ 7,613,717	\$ 3,005,729	\$ (4,607,988)
State government grants	614,353	649,345	282,155	(367,190)
Federal and state pass through	12,482,486	18,374,555	12,345,092	(6,029,463)
Member assessments	680,394	687,444	680,394	(7,050)
Special assessments	870,923	862,962	869,015	6,053
Local aging share	256,898	256,898	256,898	-
Program income/fees	1,442,242	2,623,014	1,737,648	(885,366)
Other income	69,445	677,952	1,738,997	1,061,045
Interest income	500	30,500	3,077	(27,423)
Total Revenues	<u>18,446,745</u>	<u>31,776,387</u>	<u>20,919,005</u>	<u>(10,857,382)</u>
Expenditures:				
General government	443,833	8,915,153	1,552,515	7,362,638
Transportation	186,236	275,052	250,599	24,453
Environmental protection	3,241,983	3,474,046	2,820,064	653,982
Economic and physical development	1,721,903	4,498,811	2,191,025	2,307,786
Human services	12,852,790	14,613,325	13,392,753	1,220,572
Total Expenditures	<u>18,446,745</u>	<u>31,776,387</u>	<u>20,206,956</u>	<u>11,569,431</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	712,049	<u>\$ 712,049</u>
Fund balances, beginning of year			<u>1,658,098</u>	
Fund balances, end of year			<u>\$ 2,370,147</u>	

The accompanying notes to the financial statements are an integral part of these statements.

TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF FIDUCIARY NET POSITION – OPEB TRUST FUND

JUNE 30, 2022

ASSETS

Cash and cash equivalents \$ 267,233

NET POSITION

Restricted for OPEB benefits \$ 267,233

The accompanying notes to the financial statements are an integral part of these statements.

TRIANGLE J COUNCIL OF GOVERNMENTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – OPEB TRUST FUND

YEAR ENDED JUNE 30, 2022

Additions:

Employer contributions	\$	44,414
Net appreciation in fair value of investments		<u>2,877</u>
Total Additions		<u>47,291</u>

Deductions:

Benefit payments		<u>44,414</u>
Total Deductions		<u>44,414</u>

Change in net position		2,877
Net position restricted for OPEB benefits, beginning of year		<u>264,356</u>
Net position restricted for OPEB benefits, end of year	\$	<u>267,233</u>

The accompanying notes to the financial statements are an integral part of these statements.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Nature of operations and summary of significant accounting policies

The accounting policies of the Triangle J Council of Governments (the “Council”) conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applicable to governments. The following is a summary of the more significant accounting policies:

Reporting Entity – The Council is one of 16 regional councils of government formed pursuant to the General Statutes of North Carolina, Chapter 160A, Article 20, Part 2. Membership in the Council consists of seven counties (Durham, Orange, Wake, Chatham, Johnston, Lee, and Moore) and 39 municipalities from within those counties. The Board of Delegates is comprised of one delegate from each governmental unit.

Purpose – The Council’s purpose is to provide a forum for consideration of multi-jurisdictional matters affecting health, safety, welfare, education, recreation, economic conditions, regional planning, and development. The amount of local contribution from the members for the year ended June 30, 2022 (based on July 1999 capital) was \$0.39 for the first 150,000 persons, then \$0.20 per person thereafter. County dues exclude the incorporated population of the municipalities.

During the year ended June 30, 2017, the Council created Triangle J Regional Corporation, a 501(c)(3) not-for-profit organization. There was no activity within Triangle J Regional Corporation during the year ended June 30, 2022.

Basis of Presentation

Government-Wide Financial Statements – The Council has implemented Government Accounting Standards Board (“GASB”) 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and related standards. The statement of net position and the statement of activities display information about the Council. These statements include the financial activities of the overall council. Eliminations have been made to minimize the double counting of internal activities. These statements display the governmental activities of the Council. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions.

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

Fund Financial Statements – The fund financial statements provide information about the Council’s funds. The Council maintains one governmental fund and one fiduciary fund which are described as follows:

General Fund – The General Fund is the general operating fund of the Council. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are technical assistance contracts, contracts and fees, and member dues. The primary expenditures are for area agencies on aging, planning assistance and administration, and the regional initiatives group.

Other Postemployment Benefit Trust Fund – The Other Postemployment Benefit (“OPEB”) Trust Fund is used to report resources that are required to be held in trust for the members and beneficiaries of the other postemployment benefit plan. The OPEB Trust Fund accounts for the Council’s contributions for healthcare coverage provided to qualified retirees.

Measurement Focus and Basis of Accounting – In accordance with North Carolina Statutes, all funds of the Council are maintained during the year using the modified accrual basis of accounting.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Nature of operations and summary of significant accounting policies (continued)

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

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. General capital asset acquisitions are reported as expenditures in governmental funds.

Budgetary Data – The Council's budget ordinance is adopted, as required by the North Carolina General Statutes, on or before July 1 for the next fiscal year.

Expenditures may not legally exceed appropriations at the program or project level. The Council's finance officer is authorized to transfer appropriations within a program or project; however, any revisions that alter total expenditure of any program must be approved by the governing board.

The appropriations are formally budgeted and legally controlled on a program or project basis. The annual budget, which is prepared on the modified accrual basis of accounting as required by North Carolina Statute, is amended during the fiscal year by the Board of Delegates, and the budget amounts reflected in the statement of revenues, expenditures, and changes in fund balance represent the budget as amended to June 30, 2022. Unencumbered annual appropriations lapse at each fiscal year-end and must be re-appropriated in the following fiscal year's budget.

Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Fund Equity

Deposits and Investments – All deposits of the Council are made in board-designated official depositories and are either insured by the Federal Deposit Insurance Corporation ("FDIC") or held in investment vehicles authorized by the State Treasurer.

State law [G.S. 159-30 (c)] authorizes the Council to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public council; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT").

The Council's investments are primarily in securities of the NCCMT Government Portfolio. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at amortized cost which approximates fair value, and is the NCCMT's share price. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than six months.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Nature of operations and summary of significant accounting policies (continued)

Cash and Cash Equivalents – The Council combines cash from program awards into one operating account to facilitate disbursements and investments and to maximize investment income. The Council considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

Accounts Receivable – The Council considers all revenues available if they are collected within 90 days subsequent to year-end except for grant receivables. Grant-related receivables are considered to be available regardless of when the amounts are collected. Grant revenues which are unearned at year-end are recorded as unearned revenues.

Those revenues susceptible to accrual are member dues, investment earnings, technical assistance contracts, contracts and fees, and federal and state restricted intergovernmental revenues. Expenditures driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

The Council provides for losses on receivables on the allowance method. The allowance method is based on experience, third party contracts, and other circumstances, which may affect the ability of debtors to meet their obligations. It is the Council's policy to charge-off uncollectible receivables when management determines the receivable will not be collected. Management of the Council believes all receivables will be collected. Therefore, no allowance for uncollectible accounts is considered necessary.

Capital Assets – Capital assets are defined by the Council as assets with an initial, individual cost greater than or equal to \$5,000 and an estimated useful life in excess of two years. Council assets meeting this definition are recorded at original cost at the time of acquisition and depreciated over the useful lives, ranging from 5 to 10 years, on a straight-line basis. When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in the earnings for the period.

Right-to-Use Lease Asset and Lease Liability – The Council has recorded right-to-use lease assets and lease liabilities as a result of implementing GASB 87, *Leases*. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into services. These right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Compensated Absences – Council policy provides the accumulation of earned vacation up to 240 hours. Leave is fully vested when earned. Accumulated earned vacation at June 30, 2022 was \$190,779. Accumulated vacation is accounted for on a LIFO basis, assuming employees are taking leave as it is earned. The current portion of the accumulated vacation pay is not considered to be material and, therefore, no provision has been made in the accompanying financial statements. Employees can accumulate an unlimited amount of sick leave. Accrued sick leave may be used in the determination of length of service for retirement benefit purposes. Since the Council has no further obligation for accumulated sick leave, no accrual for sick leave has been made.

Coverage for other postretirement benefits is provided through common insurance carriers.

Deferred Outflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Council has two items that meet this criterion, its contributions and other deferrals made to the Local Government Employees' Retirement System ("LGERs") and contributions and other deferrals made to the Council's OPEB plan.

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Nature of operations and summary of significant accounting policies (continued)

Deferred Inflows of Resources – In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Council has three items that meet this criterion, deferrals related to future changes of the pension, OPEB liabilities and unavailable revenue received outside the Council's 90-day policy at the general fund.

Net OPEB Obligation – The Council maintains one postemployment benefit plan. The plan's financial statement is prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Contributions are recognized when due, and the Council will provide the contributions to the Plan. Benefits and refunds are recognized when due and payable in accordance with the term of the plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Short-term money market debt instruments, deposits, and repurchase agreements are reported at cost or amortized cost, which approximates fair value. Certain longer term United States government and United States agency securities are valued at the last reported sales price. Administration costs of the plan are financed through investment earnings.

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

Unearned Revenue – Unearned revenue represents grant receipts not yet earned (not expended).

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

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

The governmental fund types classify fund balances as follows:

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

Prepaid Items – Portion of fund balance that is not an available resource because it represents amounts prepaid relating to ensuing year's budget which are not spendable resources.

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

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

American Rescue Plan Act – Portion of fund balance that is restricted for use under American Rescue Plan Act funding.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Nature of operations and summary of significant accounting policies (continued)

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

Unemployment Insurance – Portion of fund balance restricted by the board for use for unemployment insurance.

Assigned – Portion of fund balance that the Council intends to use for specific purposes.

Subsequent Year’s Expenditures for Triangle Area Water Supply Monitoring Project, Clean Water Education Partnership, Triangle Water Supply Partnership, DIP, CORE, ESFR 2018 Lee County, ESFR 2019 Durham County, ESFR 2019 Harnett County, URP 2019 Lee County– Portion of fund balance that is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Finance Director to modify the appropriations by resource or appropriation within funds.

When both restricted and unrestricted resources are available to use, it is the Council’s policy to use restricted resources first then unrestricted resources, as they are needed.

Note 2—Deposits and investments

All of the Council’s deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the Council’s agents in the unit’s name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Council, these deposits are considered to be held by the agent in the entity’s name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Council or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Council under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2022, the Council’s deposits had a carrying amount of \$2,360,869 and a bank balance of \$1,807,989. Of the bank balance, \$250,000 was covered by FDIC. The remaining bank balance is collateralized under the Pooling Method.

At June 30, 2022, the Council had the following investments:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2022</u>	<u>Maturity</u>	<u>Rating</u>
NCCMT - Government Portfolio	Fair Value Level 1	\$7,897,209	Less than 6 months	AAAm

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Deposits and investments (continued)

Level of fair value hierarchy: Level 1 investment securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

The Council's investment in the NCCMT's Government Portfolio carried a credit rating of AAAM by Standard & Poor's and AAA-mf by Moody's Investor Service as of June 30, 2022. The Authority has no formal policy regarding credit risk on its investments.

Note 3—Receivables

The amount due from other governments and other receivables that is owed to the Council at June 30, 2022 consists of the following:

DHHS – Office of the Secretary	\$ 1,723,540
NC Department of Transportation	613,572
City of Raleigh	342,742
Other receivables	743,332
	<u>\$ 3,423,186</u>

Note 4—Capital and right-to-use lease assets

The capital and right-to-use lease assets of the Council at June 30, 2022 consist of office building, administrative and program equipment and vehicles. The following is a schedule of capital assets:

	<u>June 30, 2021</u>			<u>June 30, 2022</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets being depreciated:				
Vehicles	\$ 17,779	\$ -	\$ -	\$ 17,779
Equipment	-	2,444	-	2,444
	<u>17,779</u>	<u>2,444</u>	<u>-</u>	<u>20,223</u>
Less accumulated depreciation for:				
Vehicles	4,445	2,540		6,985
Equipment	-	509		509
	<u>4,445</u>	<u>3,049</u>	<u>-</u>	<u>7,494</u>
Total capital assets being depreciated, net	<u>13,334</u>			<u>12,729</u>
Capital assets being amortized:				
Building	-	480,820	-	480,820
Copier	22,783	21,748	-	44,531
	<u>22,783</u>	<u>502,568</u>	<u>-</u>	<u>525,351</u>
Less accumulated amortization for:				
Building	-	230,794		230,794
Copier	22,783	3,107		25,890
	<u>22,783</u>	<u>\$ 233,901</u>	<u>\$ -</u>	<u>256,684</u>
Total capital assets being amortized, net	<u>-</u>			<u>268,667</u>
Governmental activities capital assets, net	<u>\$ 13,334</u>			<u>\$ 281,396</u>

TRIANGLE J COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 5—Retirement plan

Local Governmental Employees' Retirement System

Plan Description – The Council is a participating employer in the statewide LGERS, a cost-sharing multiple-employer defined benefit pension plan (the “Plan”) administered by the state of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (“LEO”) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the Plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer, and State Superintendent, who serve as ex-officio member. LGERS is included in the 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, or by calling (919) 981-5454.

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

Contributions – Contribution provisions are established by G.S. 128-30 and may be amended only by the North Carolina General Assembly. Employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Council’s contractually required contribution rate for the year ended June 30, 2022 was 11.35% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the Plan from the Council were \$255,166 for the year ended June 30, 2022. The contributions made from the Council equaled the required contributions for the year.

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

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

At June 30, 2022, the Council reported a liability of \$399,195 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, 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, the Council’s proportion was 0.02603%, which was a decrease of 0.00024% from its proportion measured at June 30, 2021.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 5—Retirement plan (continued)

For the fiscal year ended June 30, 2022, the Council recognized pension expense of \$189,619. At June 30, 2022, 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	\$ 126,998	\$ -
Changes of assumptions	250,796	-
Net difference between projected and actual earnings on pension plan investments	-	570,330
Changes in proportion and differences between Council contributions and proportionate share of contributions	28,162	615
Council contributions subsequent to the measurement date	255,166	-
	<u>\$ 661,122</u>	<u>\$ 570,945</u>

Deferred outflows of resources related to pensions resulting from the Council's contributions subsequent to the measurement date of \$255,166 will be recognized as an increase of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Years Ending June 30,

2023	\$ 47,946
2024	(661)
2025	(37,750)
2026	(174,524)
	<u>\$ (164,989)</u>

Actuarial Assumptions – The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
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 rates based on projections from 2010 using generational improvement with Scale Mortality Projections-2019 that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study as of December 31, 2019.

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

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 5—Retirement plan (continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Estate
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Opportunistic fixed income	7.0%	6.0%
Inflation sensitive	6.0%	4.0%
	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 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.

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 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 (asset)	\$ 1,549,642	\$ 399,195	\$ (547,556)

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 5—Retirement plan (continued)

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.

Supplemental Retirement Income Plan

All full-time employees of the Council, who are members of LGERS, can voluntarily elect to participate in the Supplemental Retirement Income Plan of North Carolina. This plan is a defined contribution pension plan governed by the Department of the State Treasurer and a Board of Trustees. Participation begins at the date of employment in a defined contribution plan; benefits depend solely on amounts contributed to the plan plus investment earnings. The Council contributes amounts equal to 5% of each employee’s gross annual salary. Contributions are remitted bi-weekly and such contributions vest immediately. Council contributions to the plan totaled \$91,817 for the year ended June 30, 2022.

Note 6—Other postemployment benefits

Plan Administration – Under the terms of a Council resolution, the Council administers a single-employer defined benefit healthcare plan (the “Retiree Health Plan”). The plan provides postemployment healthcare benefits to retirees of the Council, provided they participate in the North Carolina LGERS and have at least five years of creditable service with the Council. The Council pays a percentage of the premium for the coverage based on the equivalent years of service as follows:

5-10 years	25%
10-15 years	50%
15-20 years	75%
Over 20 years	100%

Membership in the Retiree Health Plan consisted of 12 retirees and 31 active employees for a total of 43 employees included in the calculation as of June 30, 2022.

Also, the Council’s retirees can purchase coverage for their dependents at the Council’s group rates. The Council’s board may amend the benefit provisions. A separate report was not issued for the Retiree Health Plan.

Funding Policy – By Council resolution, the Council pays the full cost of coverage for the healthcare benefits paid to qualified retirees. The Council has chosen to fund the healthcare benefits on a pay-as-you-go basis. In fiscal year ended June 30, 2022, the Council’s total contributions were \$44,414. The OPEB Trust Fund is accounted for as a trust fund.

Benefits Provided – The Council’s plan provides healthcare benefits for retirees. The Council pays a percentage of the cost of coverage for employees’ benefits through private insurers.

The following are the Council’s contributions to the plan based on years of creditable service as of June 30, 2022:

<u>Years of Creditable Service</u>	<u>Date Hired Pre-July 1, 2007</u>	<u>Date Hired on or After July 1, 2007</u>
Less than 10 years	43.75%	0.00%
10 to 20 years	32.00%	0.00%
More than 20 years	24.25%	0.00%

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 6—Other postemployment benefits (continued)

Investment Policy – The Council’s policy in regard to the allocation of invested assets is established and may be amended by the board by a majority vote of its members. It is the policy of the board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Council discourages the use of cash and cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. Investments are valued at fair value.

The following was the board’s adopted asset allocation policy as of June 30, 2022:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and cash equivalents	100%	0.03%

For the year ended June 30, 2022, the annual money weighted rate of return on investments, net of investment expense, was 0.03%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Council – The components of the net OPEB liability of the Council at June 30, 2022 were as follows:

Net OPEB Liability	
Total OPEB liability	\$ 2,417,942
Plan fiduciary net position	<u>267,233</u>
Net OPEB liability	<u>\$ 2,150,709</u>

Plan fiduciary net position as a percentage of the total OPEB liability	11.05%
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Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increases	3.25 - 8.41%
Investment rate of return	0.03%
Municipal bond index rate - prior measurement date	2.16%
Municipal bond index rate - measurement date	3.54%
Single equivalent interest rate - prior measurement date	1.92%
Single equivalent interest rate - measurement date	2.56%
Healthcare cost trend rates - Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.5% by 2030
Healthcare cost trend rates - Medicare	5.25% for 2020 decreasing to an ultimate rate of 4.5% by 2024

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 6—Other postemployment benefits (continued)

The total OPEB liability was rolled forward to June 30, 2022, utilizing update procedures incorporating the actuarial assumptions. The discount rate used to measure the total OPEB liability was based upon the single equivalent interest rate.

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2019.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS.

The remaining actuarial assumptions used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the Council, as well as what the Council’s net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate:

	1% Decrease (1.56%)	Current Discount Rate (2.56%)	1% Increase (3.56%)
Net OPEB liability	\$ 2,656,457	\$ 2,150,711	\$ 1,760,309

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the net OPEB liability of the Council, as well as what the Council’s net OPEB liability would be if it were calculated using healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability	\$ 1,675,087	\$ 2,150,711	\$ 2,796,200

Changes in Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2022, the Council reported a net OPEB liability of \$2,150,709. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 6—Other postemployment benefits (continued)

The components of the net OPEB liability of the Council, measured as of June 30, 2022 were as follows:

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2020	\$ 2,560,170	\$ 264,356	\$ 2,295,814
Changes for the year:			
Service cost at the end of the year	158,078	-	158,078
Interest on TOL and cash flows	48,731	-	48,731
Change in benefit terms	-	-	-
Difference between expected and actual experience	3,334	-	3,334
Changes of assumptions or other inputs	(307,957)	-	(307,957)
Contributions - employer	-	44,414	(44,414)
Contributions - non-employer	-	-	-
Net investment income	-	2,877	(2,877)
Benefit payments	(44,414)	(44,414)	-
Plan administrative expenses	-	-	-
Other	-	-	-
Net changes	(142,228)	2,877	(145,105)
Balance as of June 30, 2021	\$ 2,417,942	\$ 267,233	\$ 2,150,709

Changes of Assumptions – Changes of assumptions and other inputs reflect a change in the discount rate from 1.92% in 2021 to 2.56% in 2022.

For the year ended June 30, 2022, the Council recognized OPEB expense of \$237,302. At June 30, 2022, the Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,628	\$ 53,769
Changes of assumptions or other inputs	340,205	346,845
Net difference between projected and actual earnings on plan investments	-	2,199
	\$ 367,833	\$ 402,813

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 6—Other postemployment benefits (continued)

The reported deferred outflows of resources net of deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period for Fiscal Years Ending June 30:

2023	\$	34,391
2024		40,032
2025		17,780
2026		(41,257)
2027		(61,197)
Thereafter		(24,729)
	<u>\$</u>	<u>(34,980)</u>

The financial statements for the OPEB Trust Fund is shown as a fiduciary fund on pages 16 and 17.

Note 7—Other employment benefits

The Council has elected to provide death benefits to employees through the Death Benefit Plan for members of the LGERS (“Death Benefit Plan”), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the system, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the system at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee’s 12 highest months’ salary in a row during the 24 months prior to the employee’s death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Council, the Council does not determine the number of eligible participants. The Council has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Council considers these contributions to be immaterial.

Note 8—Long-term obligations

Leases –The Council leases certain facilities and equipment under noncancelable leases. The lease agreements qualify as other than short-term lease agreements under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The leases have various terms, with maturity ranging from July 2023 and December 2026. The leases have discount rate of 3.25%. As a lessee, the Council recognized lease assets and lease liabilities on the statement of net position. See Note 5 for further information.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 8—Long-term obligations (continued)

The future minimum lease obligations and the net present value of the operating and finance lease payments as of June 30, 2022 are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 239,476	\$ 5,407	\$ 244,883
2024	24,358	478	24,836
2025	4,211	288	4,499
2026	4,350	149	4,499
2027	2,276	22	2,298
	<u>\$ 274,671</u>	<u>\$ 6,344</u>	<u>\$ 281,015</u>

Change in Long-Term Obligations – A summary of changes in long-term obligations for the year ended June 30, 2022 is as follows:

	<u>June 30, 2021</u>	<u>Net Increase</u>	<u>Net Decrease</u>	<u>June 30, 2022</u>	<u>One Year</u>
Net OPEB liability	\$ 2,295,814	\$ -	\$ (145,103)	\$ 2,150,711	\$ -
Compensated absences	183,113	190,779	(183,113)	190,779	-
Leases	-	502,568	(227,897)	274,671	239,476
Net pension liability	921,587	-	(522,392)	399,195	-
	<u>\$ 3,400,514</u>	<u>\$ 693,347</u>	<u>\$ (1,078,505)</u>	<u>\$ 3,015,356</u>	<u>\$ 239,476</u>

Note 9—Risk management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Council obtains general liability of \$5 million per occurrence, auto liability coverage of \$5 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability, and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Council carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past fiscal years. A Public Officials Bond has been purchased for the Finance Officer in the amount of \$100,000.

Note 10—Contingent liabilities

The Council is the recipient of various state and federal awards for specific purposes that are subject to review and possibly final audit by the grantor agencies. Such audits could lead to requests by the grantor agencies for reimbursement of expenditures disallowed under the compliance terms of the grant. At June 30, 2022, no request for reimbursement by the grantor agencies existed for those grants which have been subjected to grantor audits.

TRIANGLE J COUNCIL OF GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 11—Concentration of risk

A material part of the Council's support is derived from grants from the North Carolina Department of Health and Human Services – Division of Aging. This support represented 90% of the Council's total revenue for the year ended June 30, 2022. The loss of this revenue would have an adverse effect on the Council's ability to continue to provide its aging services.

Note 12—Subsequent events

The Council has evaluated subsequent events through January 25, 2023, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY FINANCIAL DATA

This section contains additional information required by governmental accounting standards board.

- Schedule of Changes in Net OPEB Liability, Related Ratios, and Investment Returns
- Schedule of OPEB Investment Returns
- Schedule of OPEB Employer Contributions
- Schedule of Proportionate Share of Net Pension Liability
- Schedule of Contributions

TRIANGLE J COUNCIL OF GOVERNMENTS
OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS –
SCHEDULE OF CHANGES IN NET OPEB LIABILITY, RELATED RATIOS, AND
INVESTMENT RETURNS

LAST SIX FISCAL YEARS ENDING JUNE 30

	Schedule of Changes in Net OPEB Liability and Related Ratios					
	2022	2021	2020	2019	2018	2017
Total OPEB liability						
Service cost	\$ 158,078	\$ 163,836	\$ 112,344	\$ 62,775	\$ 66,435	\$ 74,614
Interest	48,731	50,542	59,678	59,009	52,713	47,205
Changes of benefit terms	-	40,278	-	-	-	-
Difference between expected and actual experience	3,334	(74,097)	(4,424)	45,705	48,354	-
Changes in assumptions	(307,957)	(105,169)	483,197	215,218	(85,011)	(147,357)
Benefit payments	(44,414)	(34,401)	(28,207)	(21,584)	(71,569)	(46,797)
Net change in total OPEB liability	(142,228)	40,989	622,588	361,123	10,922	\$ (72,335)
Total OPEB liability, beginning	2,560,170	2,519,181	1,896,593	1,535,470	1,524,548	1,596,883
Total OPEB liability, ending	\$ 2,417,942	\$ 2,560,170	\$ 2,519,181	\$ 1,896,593	\$ 1,535,470	1,524,548
Plan fiduciary net position						
Contributions - employer	\$ 44,414	\$ 97,445	\$ 102,861	\$ 91,682	\$ 20,463	\$ 107,575
Contributions - non-employer	-	-	-	-	-	-
Contributions - active member	-	-	-	-	-	-
Net investment income	2,877	21	31	16	23	-
Benefit payments	(44,414)	(34,401)	(28,207)	(21,584)	(71,569)	(46,797)
Administrative expense	-	-	-	-	-	-
Other	-	-	-	-	46,797	-
Net change in plan fiduciary net position	2,877	63,065	74,685	70,114	(4,286)	60,778
Plan fiduciary net position, beginning	264,356	201,291	126,606	56,492	60,778	-
Plan fiduciary net position, ending	\$ 267,233	\$ 264,356	\$ 201,291	\$ 126,606	\$ 56,492	60,778
Net OPEB liability - ending	\$ 2,150,709	\$ 2,295,814	\$ 2,317,890	\$ 1,769,987	\$ 1,478,978	1,463,770
Plan fiduciary net position as a percentage of the total OPEB liability	11.05%	10.33%	7.99%	6.68%	3.68%	3.99%

* This schedule is intended to show information for 10 years. This schedule will not present 10 years of information until fiscal year 2026.

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

LAST SIX FISCAL YEARS ENDING JUNE 30

Schedule of Employer Contributions ⁽¹⁾

	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 405,734	\$ 404,714	\$ 404,714	\$ 276,180	\$ 276,180	\$ 99,870
Contributions in relation to the Actuarially Determined Contribution	44,414	97,445	102,861	91,682	67,260	107,575
Annual contribution deficiency (excess)	<u>\$ 361,320</u>	<u>\$ 307,269</u>	<u>\$ 301,853</u>	<u>\$ 184,498</u>	<u>\$ 208,920</u>	<u>\$ (7,705)</u>
Covered payroll ⁽²⁾	\$ 2,010,476	\$ 2,010,476	\$ 1,685,103	\$ 1,685,103	1,223,575	1,376,448
Actual contributions as a percentage of covered payroll	2.21%	4.85%	6.10%	5.44%	5.50%	7.82%

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

Notes to the Required Schedule

Actuarially Determined Contribution rates, as a percentage of payroll used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated with each biennial actuarial valuation. The following actuarial methods and assumptions (form the June 30, 2020 actuarial valuation) were used to determine contribution rates report in that schedule for the year ending June 30, 2022:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar
Amortization period	30 years, closed
Asset valuation method	Market value of assets

Actuarial Assumptions:

Inflation	2.50%
Real wage growth	0.75%
Wage inflation	3.25%
Salary increases	3.25 - 8.41%
Investment rate of return	0.03%
Municipal bond index rate - prior measurement date	2.16%
Municipal bond index rate - measurement date	3.54%
Single equivalent interest rate - prior measurement date	1.92%
Single equivalent interest rate - measurement date	2.56%
Healthcare cost trend rates - Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030
Healthcare cost trend rates - Medicare	5.38% for 2018

Schedule of Investment Returns

Annual money-weighted rate of return, net of investment expense	<u>2022</u>	<u>2021</u>	<u>2020</u>
	0.03%	0.03%	0.03%
	<u>2019</u>	<u>2018</u>	<u>2017</u>
	0.03%	0.03%	0.03%

TRIANGLE J COUNCIL OF GOVERNMENTS
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM –
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITIES AND SCHEDULE OF CONTRIBUTIONS

*LAST NINE FISCAL YEARS ENDED JUNE 30**

Schedule of Proportionate Share of Net Pension Liability (Asset)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Council's proportion of the net pension liability (asset) (%)	0.026%	0.026%	0.026%	0.025%	0.026%	0.023%	0.024%	0.027%	0.027%
Council's proportion of the net pension liability (asset) (\$)	\$ 399,195	\$ 921,587	\$ 716,321	\$ 600,914	\$ 401,638	\$ 485,166	\$ 108,159	\$ 323,043	\$ 323,043
Council's covered payroll	\$2,065,868	1,985,350	1,859,630	1,729,645	1,635,289	1,376,448	1,472,426	1,237,322	1,237,322
Council's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	19.32%	46.42%	38.52%	34.74%	24.56%	35.25%	7.35%	-10.65%	22.25%
Plan fiduciary net position as a percentage of the total pension liability	95.51%	88.61%	90.86%	91.63%	98.31%	97.97%	98.09%	102.64%	94.35%

Schedule of Contributions

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 255,166	\$ 210,512	\$ 178,483	\$ 144,865	\$ 130,516	\$ 119,540	\$ 91,809	\$ 105,581	\$ 105,921
Contributions in relation to the contractually required contribution	255,166	210,512	178,483	144,865	130,516	119,540	91,809	105,581	105,921
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Council's covered payroll	\$2,260,266	\$ 2,065,868	\$ 1,985,350	\$ 1,859,630	\$ 1,729,645	\$ 1,635,289	\$ 1,376,448	\$ 1,472,426	\$ 1,451,793
Contributions as a percentage of covered payroll	11.29%	10.19%	8.99%	7.79%	7.55%	7.31%	6.67%	7.17%	7.30%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. Information is not available for years prior to those presented.

SUPPLEMENTAL INFORMATION

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF INDIRECT COSTS –
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Indirect Personnel Costs:			
Salaries	\$ 411,540	\$ 408,730	\$ 2,810
Fringe benefits	166,100	164,331	1,769
	<u>577,640</u>	<u>573,061</u>	<u>4,579</u>
Administrative Costs:			
Telecommunications	153,720	162,169	(8,449)
Travel-mileage	600	380	220
Computer equipment	-	-	-
Equipment	-	-	-
Leased equipment	9,100	6,328	2,772
Maintenance:			
Equipment/software maintenance	18,240	15,433	2,807
Office furnishings/repairs	2,150	2,094	56
Recruitment cost	8,000	6,958	1,042
Rent building	237,304	237,302	2
Rent facility	2,500	3,104	(604)
General supplies	2,000	2,118	(118)
Employee welfare and morale	-	41	(41)
Postage	1,600	769	831
Printing	2,000	3,138	(1,138)
Meeting expense	-	637	(637)
Conferences/training	21,500	16,054	5,446
Contractual	103,790	103,473	317
Legal cost	7,000	5,950	1,050
Audit cost	23,000	20,775	2,225
Dues and subscriptions	9,901	10,276	(375)
Insurance	13,500	12,790	710
	<u>615,905</u>	<u>609,789</u>	<u>6,116</u>
Total Indirect Costs	<u>\$ 1,193,545</u>	<u>\$ 1,182,850</u>	<u>\$ 10,695</u>

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

YEAR ENDED JUNE 30, 2022

	Program Salaries and Fringe	Actual Indirect Costs Allocated to Programs Based on Salaries
Member Services	\$ 137,267	\$ 41,741
Drug Alcohol Testing Program	10,320	6,774
Regional Summit	8,741	5,058
Regional Recruitment Partnership	587	110
Grant Assistance	10,009	3,937
Triangle Area Rural Planning Organization	76,390	44,556
Transportation Strategy & Technical Assistance	14,003	5,760
Foreign Trade Zone	39,765	17,488
Economic Development District	42,926	16,893
Brownfields	4,113	2,156
CARES Act Supplemental EDA	162,910	69,867
EDD Strategy & Technical Assistance	54,062	23,171
ESHPP Addor Community Center	319	212
ESHPP Lee County	1,255	531
ESHPP Princeton Grade School	745	333
WRDG Saralyn	1,542	636
Natural Resources Strategy & Technical Asst	44,355	19,324
319 Septic	2,878	1,153
Triangle Area Water Supply Monitoring Project	13,081	5,730
Upper Middle Creek Phase II	7,458	3,516
Triangle Region Solid Waste Consortium	15,882	6,937
Clean Water Education Partnership (CWEP)	40,197	16,547
Triangle Water Supply Partnership	23,635	9,988
Raleigh Watershed Protection	24,925	10,568
Dry Creek	15,182	6,552
JLOW Aug - Dec 2021	6,238	2,267
JLOW Jan 2022-Jun 2023	5,242	2,684
Upper Cape Fear River Basin Association	15,932	6,846
319 Septic Phase II	1,455	961
Transportation Demand Management (TDM)	183,121	77,922
Triangle Clean Cities	72,386	31,439
Disaster Recovery and Resiliency	2,986	1,232
Drive EV USA	26,626	11,217
Clean Fuels Advanced Technologies	20,058	8,196
Safe Routes to School	32,875	13,700
Alt Fuel Resilience Plan	28,881	12,105
Regional Data Center/GIS	44,400	18,026
Center of the Region Enterprise (CORE)	15,369	6,607
Development & Infrastructure Planning	23,630	8,785
Smart Growth Education & Technical Assistance	30,369	12,231
Land Use - Transportation - Air Quality	215,310	92,116
Chatham Housing Project	27,852	12,304
Durham Comprehensive Plan	9,651	3,907
ESFR 2019 Durham County	8,875	3,989

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

YEAR ENDED JUNE 30, 2022

	Program Salaries and Fringe	Allocated to Programs Based on Salaries
ESFR 2019 Harnett County	\$ 8,370	\$ 3,872
URP 2019 Lee County	4,832	1,949
Carthage Land Use Plan	2,705	1,105
DEQ Collaborative Expansion	15,286	6,287
Main Line Rail Corridor Analysis	32,947	12,842
URP-ESFR Orange County	37,409	15,315
Housing Strategy & Technical Assistance	29,302	12,265
Chatham ESFR21	9,016	4,000
Wake ESFR21	6,187	2,507
Cary CDBG	37,534	17,142
USDA Rural Development HPG	6,205	2,490
URP 2021 Lee County	3,114	1,316
FHLB Grant	2,815	994
DEQ ARPA	7,099	6,409
Aging Plan/Admin	448,947	192,118
Aging Ombudsman	351,282	151,123
Family Caregiver	101,885	43,766
Elder Abuse	12,868	5,844
Health Promotion	11,164	5,563
Local Contact Agency (LCA)	1,166	461
Durham Community Resource Connections	7,093	2,944
Veteran Directed Home & Community Based Services	1,201	490
Cares Act Ombudsman	20,167	8,432
CARES Act Consumer Direct Services - Chatham	982	404
Cares Act Consumer Directed Services - Johnston	585	245
MIPPA IV	3,696	1,509
ACL Vaccine Outreach	24,212	8,480
State Homebound Vaccine Outreach	16,872	7,285
MIPPA V	4,433	2,083
ARP Planning & Admin	39,105	17,256
CDS-Chatham	574	282
Total Indirect Costs	<u>\$ 2,772,856</u>	<u>\$ 1,182,850</u>

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

YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Positive (Negative)
General Government:			
Non-Departmental & Contingency	\$ 128,261	\$ 98,805	\$ (29,456)
Member Services	302,604	297,165	(5,439)
Drug Alcohol Testing Program	17,650	17,650	-
Regional Summit	17,677	23,505	5,828
Grant Assistance	8,448,961	1,517,470	(6,931,491)
	<u>8,915,153</u>	<u>1,954,595</u>	<u>(6,960,558)</u>
Transportation:			
TARPO planning	254,292	190,016	(64,276)
Transportation Strategy & Technical Assistance	20,760	20,760	-
	<u>275,052</u>	<u>210,776</u>	<u>(64,276)</u>
Economic and Physical Development:			
Foreign Trade Zone	92,000	93,292	1,292
Economic Development District	64,495	62,157	(2,338)
Brownfields	12,000	12,000	-
Cares Act Supplemental EDA	329,972	447,810	117,838
EDD Strategy & Technical Assistance	115,904	119,347	3,443
ESHPP Addor Community Center	11,777	887	(10,890)
ESHPP Lee County	18,963	3,633	(15,330)
ESHPP Princeton Grade School	14,942	2,023	(12,919)
WRDG Saralyn	529,515	2,543	(526,972)
C Saralyn	3,810	1,052	(2,758)
Regional Data Center/GIS	66,678	66,678	-
Center of the Region Enterprise	45,704	32,500	(13,204)
Development and Infrastructure Planning	51,596	46,585	(5,011)
Smart Growth Education and Technical Assistance	43,149	41,149	(2,000)
Land Use - Transportation - Air Quality	370,905	320,398	(50,507)
Chatham Housing Project	44,000	44,257	257
Durham Comprehensive Plan	35,700	-	(35,700)
URP 2019 Lee County	18,123	-	(18,123)
URP 2021 Lee County	10,000	-	(10,000)
ESFR 2018 Lee County	30,000	30,000	-
ESFR 2019 Durham County	154,590	97,950	(56,640)
ESFR 2019 Harnett County	123,542	111,275	(12,267)
DEQ Collaborative Expansion	380,197	378,132	(2,065)
Main Line Rail Corridor Analysis	46,500	47,116	616
URP-ESFR Orange County	54,644	41,471	(13,173)
Housing Strategy & Technical Assistance	42,373	42,038	(335)
Chatham ESFR21	20,000	-	(20,000)
FHLB Grant	260,564	35,800	(224,764)
Wake ESFR21	20,000	-	(20,000)
Cary CDBG	64,050	64,050	-
USDA Rural Development HPG	100,000	-	(100,000)
DEQ ARPA	1,323,118	208,955	(1,114,163)
	<u>4,498,811</u>	<u>2,353,098</u>	<u>(2,145,713)</u>

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

YEAR ENDED JUNE 30, 2022

	Budget	Actual	Variance Positive (Negative)
Environmental Protection:			
Natural Resources Strategy & Technical Assistance	\$ 66,149	\$ 66,149	\$ -
319 Septic	21,005	23,946	2,941
Triangle Area Water Supply Monitoring Project	386,000	386,000	-
Upper Neuse LWP	-	4,082	4,082
Upper Middle Creek Phase II	20,000	10,124	(9,876)
Clean Water Education Partnership	175,164	171,742	(3,422)
Triangle Region Solid Waste Consortium	30,169	31,747	1,578
Triangle Water Supply Partnership	216,000	216,000	-
Raleigh Watershed Protection	333,078	436,470	103,392
Dry Creek	20,112	18,629	(1,483)
JLOW Aug -Dec 2021	10,827	16,799	5,972
JLOW Jan 2022-Jun 2023	16,313	-	(16,313)
Upper Cape Fear River Basin Association	21,878	20,000	(1,878)
Meeting Facilitation NCDEQ	16,755	-	(16,755)
319 Septic Phase II	41,755	566	(41,189)
Triangle Sustainability Partnership (Solarize)	-	12,819	12,819
Transportation Demand Management	1,677,827	1,156,563	(521,264)
Triangle Clean Cities	113,276	80,650	(32,626)
Disaster Recovery and Resiliency	42,000	17,645	(24,355)
Drive EV USA	70,000	21,890	(48,110)
Clean Fuels Advanced Technologies	44,681	31,666	(13,015)
Safe Routes to School	95,624	33,535	(62,089)
Alt Fuel Resilience Plan	55,433	43,096	(12,337)
	<u>3,474,046</u>	<u>2,800,118</u>	<u>(673,928)</u>
Human Services:			
Aging Planning	776,687	777,391	704
Aging Ombudsman	590,167	583,898	(6,269)
Family Caregiver	723,083	711,929	(11,154)
Elder Abuse	21,620	19,457	(2,163)
Home Com Care Block Grant	9,508,044	9,040,259	(467,785)
Legal	47,282	47,279	(3)
Health Promotion	123,207	122,702	(505)
Aging Fans	17,360	-	(17,360)

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

YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Human Services (continued):			
Aging Senior Center - GP	\$ 158,608	\$ 156,823	\$ (1,785)
Local Contact Agency	6,663	2,118	(4,546)
Durham Community Resource Connections	21,510	3,699	(17,811)
Veteran Directed Home and Community Based Services	112,896	120,419	7,523
Families First (FFCRA) - Congregate	2,029	2,028	(1)
Cares Act Grant	249,000	250,434	1,434
Cares Act Family Caregiver Support Program Grant	155,232	155,232	-
Cares Act Ombudsman	26,952	26,952	-
Cares Act Consumer Direct Services - Chatham	8,530	8,300	(230)
Cares Act Consumer Direct Services - Johnston	3,940	2,418	(1,522)
Family First Home Delivered	57,408	57,408	-
Cares Congregate	255,821	255,820	(1)
Cares Home Delivered	218,612	233,611	14,999
Cares Sr Center	95,852	91,316	(4,536)
Cares Access	7,533	2,337	(5,196)
MIPPA - IV	29,064	29,064	(0)
Supplemental 5 Congregate Meals	236,418	196,359	(40,059)
ARP Ombudsman	15,000	-	(15,000)
Supplemental 5 Home Delivered	480,000	389,131	(90,869)
ACL Vaccine Outreach	224,442	127,272	(97,170)
State Homebound Vaccine Outreach	30,000	24,888	(5,112)
MIPPA V	93,019	93,019	-
ARP Planning & Admin	267,534	54,178	(213,356)
CDS-Chatham	34,293	12,715	(21,578)
ARP CDS Johnston	3,480	1,963	(1,517)
Triangle Sustainability Partnership	12,039	-	(12,039)
	<u>14,613,325</u>	<u>13,600,418</u>	<u>(1,012,907)</u>
Total Program Revenues	<u>\$ 31,776,387</u>	<u>\$ 20,919,005</u>	<u>\$(10,857,382)</u>

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

YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government:			
Non-Departmental & Contingency	\$ 128,261	\$ (49,743)	\$ 178,004
Member Services	302,604	264,116	38,488
Drug Alcohol Testing Program	17,650	19,739	(2,089)
Regional Summit	17,677	25,372	(7,695)
Regional Recruitment Partnership	-	697	(697)
Grant Assistance	8,448,961	1,292,334	7,156,627
	<u>8,915,153</u>	<u>1,552,515</u>	<u>7,362,638</u>
Transportation:			
TARPO planning	254,292	230,298	23,994
Transportation Strategy & Technical Assistance	20,760	20,301	459
	<u>275,052</u>	<u>250,599</u>	<u>24,453</u>
Economic and Physical Development:			
Foreign Trade Zone	92,000	61,375	30,625
Economic Development District	64,495	60,269	4,226
Brownfields	12,000	7,046	4,954
Cares Act Supplemental EDA	329,972	326,416	3,556
EDD Strategy & Technical Assistance	115,904	105,101	10,803
ESHPF Addor Community Center	11,777	531	11,246
ESHPF Lee County	18,963	1,816	17,147
ESHPF Princeton Grade School	14,942	1,077	13,865
WRDG Saralyn	529,515	2,583	526,932
Regional Data Center and GIS	66,678	66,941	(263)
Center of the Region Enterprise	45,704	21,997	23,707
Development and Infrastructure Planning	51,596	42,661	8,935
Smart Growth Education and Technical Assistance	43,149	42,675	474
Land Use - Transportation - Air Quality	370,905	307,871	63,034
Chatham Housing Project	44,000	42,869	1,131
Wake ESFR21	20,000	8,902	11,098
Chatham ESFR21	20,000	13,116	6,884
Durham Comprehensive Plan	35,700	13,578	22,122
URP 2019 Lee County	18,123	18,123	-
URP 2021Lee county	10,000	4,463	5,537
ESFR 2018 Lee County	30,000	13,600	16,400
ESFR 2019 Durham County	154,590	113,588	41,002
ESFR 2019 Harnett County	123,542	110,657	12,885
Durham ADU Technical Assistance	-	(2,146)	2,146
C Saralyn	3,810	3,809	1
DEQ Collaborative Expansion	380,197	380,197	-
Main Line Rail Corridor Analysis	46,500	45,920	580
URP-ESFR Orange County	54,644	52,867	1,777
Housing Strategy & Technical Assistance	42,373	41,567	806
Cary CDBG	64,050	55,066	8,984
USDA Rural Development HPG	100,000	8,695	91,305
FHLB Grant	260,564	3,810	256,754
DEQ ARPA	1,323,118	213,985	1,109,133
	<u>4,498,811</u>	<u>2,191,025</u>	<u>2,307,786</u>

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

YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental Protection:			
Natural Resources Strategy & Technical Assistance	\$ 66,149	\$ 65,194	\$ 955
319 Septic	21,005	21,030	(25)
Triangle Area Water Supply Monitoring Project	386,000	311,175	74,825
Upper Middle Creek Phase II	20,000	10,973	9,027
Clean Water Education Partnership	175,164	167,293	7,871
Triangle Region Solid Waste Consortium	30,169	23,041	7,128
Triangle Water Supply Partnership	216,000	247,534	(31,534)
Raleigh Watershed Protection	333,078	446,977	(113,899)
Dry Creek	20,112	21,734	(1,622)
JLOW Aug -Dec 2021	10,827	10,827	-
JLOW Jan 2022-Jun 2023	16,313	10,036	6,277
Upper Cape Fear River Basin Association	21,878	22,778	(900)
Meeting Facilitation NCDEQ	16,755	884	15,871
319 Septic Phase II	41,755	2,703	39,052
Transportation Demand Management	1,677,827	1,134,652	543,175
Triangle Clean Cities	113,276	106,229	7,047
Disaster Recovery and Resiliency	42,000	18,953	23,047
Drive EV USA	70,000	37,863	32,137
Clean Fuels Advanced Technologies	44,681	29,551	15,130
Safe Routes to School	95,624	89,645	5,979
Alt Fuel Resilience Plan	55,433	40,991	14,442
	<u>3,474,046</u>	<u>2,820,064</u>	<u>653,982</u>
Human Services:			
Aging Program:			
Aging Planning	776,687	668,989	107,698
Aging Ombudsman	590,167	515,686	74,481
Family Caregiver	723,083	709,261	13,822
Elder Abuse	21,620	20,212	1,408
Home Com Care Block Grant	9,508,044	9,045,140	462,904
Legal	47,282	47,279	3
Health Promotion	123,207	117,009	6,198
Aging Fans	17,360	-	17,360
Aging Senior Center - GP	158,608	156,823	1,785
Local Contact Agency	6,663	1,627	5,036
Durham Community Resource Connections	21,510	10,347	11,163
Veteran Directed Home and Community Based Services	112,896	93,051	19,845
Families First (FFCRA) - Congregate	2,029	2,028	1
Cares Act Grant	249,000	248,972	28
Cares Act Family Caregiver Support Program Grant	155,232	155,232	-
Cares Act Ombudsman	26,952	34,866	(7,914)
Cares Act Consumer Direct Services - Chatham	8,530	8,534	(4)
Cares Act Consumer Direct Services - Johnston	3,940	5,468	(1,528)
Family First Home Delivered	57,408	57,408	-
Cares Congregate	255,821	255,820	1
Cares Home Delivered	233,612	233,611	1
Cares Sr Center	95,852	91,316	4,536
Cares Access	7,533	2,337	5,196
MIPPA - IV	29,064	29,064	-
Supplemental 5 Congregate Meals	236,418	196,359	40,059
Supplemental 5 Home Delivered	480,000	389,131	90,869
ACL Vaccine Outreach	224,442	127,440	97,002
State Homebound Vaccine Outreach	30,000	24,189	5,811
MIPPA V	93,019	69,532	23,487
ARP Planning & Admin	267,534	56,347	211,187
CDS-Chatham	34,293	19,249	15,044
ARP CDS Johnston	3,480	425	3,055
Triangle Sustainability Partnership	12,039	-	12,039
	<u>14,613,325</u>	<u>13,392,753</u>	<u>1,220,572</u>
Total Program Expenditures	<u>\$ 31,776,387</u>	<u>\$ 20,206,956</u>	<u>\$ 11,569,431</u>

COMPLIANCE SECTION

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards

To the Board of Delegates
Triangle J Council of Governments
Research Triangle Park, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the general fund, and the fiduciary fund of the Triangle J Council of Governments (the "Council"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprises the Council's basic financial statements, and have issued our report thereon dated January 25, 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 material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been 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.

Cherry Bekaert LLP

Raleigh, North Carolina

January 25, 2023

Report of Independent Auditor on Compliance with Requirements Applicable to Each Major Federal Program on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

To the Board of Delegates
Triangle J Council of Governments
Research Triangle Park, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Triangle J Council of Governments (the “Council”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Council’s major federal programs for the year ended June 30, 2022. The Council’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Council’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *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 each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Uniform Guidance and 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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *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 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Raleigh, North Carolina
January 25, 2023

Report of Independent Auditor on Compliance with Requirements Applicable to Each Major State Program and on Internal Control over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

To the Board of Delegates
Triangle J Council of Governments
Research Triangle Park, North Carolina

Report on Compliance for Each Major State Program

Opinion on the Major State Program

We have audited the Triangle J Council of Governments (the “Council”) compliance with the types of compliance requirements identified as subject to audit in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Council’s major state programs for the year ended June 30, 2022. The Council’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state programs for the year ended June 30, 2022.

Basis for Opinion on the Major State Program

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

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the 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 generally accepted auditing standards, *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 each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Uniform Guidance and 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *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 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Raleigh, North Carolina
January 25, 2023

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

YEAR ENDED JUNE 30, 2022

Grantor/Pass-Through Grantor/Program Title	Assistance State/Pass-Through		Expenditures		
	Listing Number	Grantor's Number	Federal	State	Pass-through to sub-
U.S. Department of Health and Human Services:					
Programs passed-through North Carolina Department of Health and Human Services-Division of Aging:					
Special Programs for the Aging-Title VII, Chapter 3:					
Programs for Prevention of Elder Abuse,					
Neglect and Exploitation	93.041	NC-10	\$ 18,377	\$ 1,081	\$ -
Special Programs for the Aging-Title III-D:					
Disease Prevention and Health Promotion Services	93.043	NC-10	109,948	6,468	100,282
Special Programs for the Aging-Title VII-D:					
Long -term Care Ombudsman Services for	93.042	NC-10	49,878	2,934	-
<u>Aging Cluster:</u>					
Special Programs for the Aging - Title III-B: Grants for Supportive Services and Senior Centers:					
HCCBG - Access, In-Home Support Services, Legal	93.044	NC-10	2,498,004	146,941	2,597,666
Ombudsman - Title III, Part B	93.044	NC-10	234,246	13,779	-
Planning and Administration-Title III, Part B	93.044	NC-10	131,326	7,197	-
COVID-19: Access, HCCBG-in Home Support, Legal	93.044	NC-10	482,098	-	482,098
COVID-19: Ombudsman	93.044	NC-10	26,952	-	-
American Rescue Plan Act: Supportive Services	93.044	NC-10	1,669	294	-
Special Programs for the Aging - Title III-C: Nutrition Services:					
Planning and Administration - Title III, Part C1	93.045	NC-10	227,421	12,463	-
Congregate Nutrition - Title III, Part C1	93.045	NC-10	952,667	21,599	974,266
Home Delivered Meals - Title III, Part C2	93.045	NC-10	463,341	23,759	487,100
COVID-19: Congregate & Home Delivered	93.045	NC-10	489,402	-	489,402
American Rescue Plan Act: Planning and Administration	93.045	NC-10	43,695	14,565	-
Nutrition Services Incentive Program	93.053	NC-10	340,581	-	340,581
Total Aging Cluster			<u>5,891,402</u>	<u>240,597</u>	<u>5,371,113</u>
<u>Subsidized Child Care Cluster</u>					
Social Services Block Grant	93.667	NC-10	380,482	10,871	391,353
Total Subsidized Child Care Cluster			<u>380,482</u>	<u>10,871</u>	<u>391,353</u>
National Family Caregiver Support, Title III, Part E	93.052	NC-10	667,433	44,496	594,460
COVID-19: Family Caregiver	93.052	NC-10	97,346	-	97,346
Planning and Administration-Title III-E	93.052	NC-10	85,522	4,687	-
Total Subsidized Child Care Cluster			<u>850,301</u>	<u>49,183</u>	<u>691,806</u>
Total U.S. Department of Health and Human Services			<u>7,300,388</u>	<u>311,134</u>	<u>6,554,554</u>
U.S. Department of Energy:					
Program passed through North Carolina Department of Energy:					
Conservation Research and Development:					
Triangle Clean Cities	81.086	DE-FE0004002	73,276	-	-
Alt Fuel Resilience	81.086	DE-FE0004002	11,354	23,812	-
Total U.S. Department of Energy			<u>84,630</u>	<u>23,812</u>	<u>-</u>

The notes to the Schedule of Expenditures of Federal and State Financial Awards are an integral part of this schedule.

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

YEAR ENDED JUNE 30, 2022

Grantor/Pass-Through Grantor/Program Title	Assistance State/Pass-Through		Expenditures		
	Listing Number	Grantor's Number	Federal	State	Pass-through to sub-
U.S. Department of Transportation:					
Program passed through North Carolina Department of Transportation:					
Highway Planning and Construction:					
Triangle TDM Plan	20.205	43725.4.2 49600.4.17 /	\$ 946,992	\$ -	\$ 840,253
TARPO Planning	20.205	49600.4.19	109,281	-	-
Safe Routes to School	20.205	48778.4.10	23,311	-	13,043
Highway Planning and Construction (CFAT)	20.205	DE-FE0004002	7,145	-	-
Total U.S. Department of Transportation			1,086,729	-	853,296
U.S. Department of Insurance:					
Medicare Enrollment Assistance Program	93.071		122,083	-	61,128
U.S. Department of Commerce:					
Economic Adjustment Assistance-Disaster Recovery	11.307		17,645	-	-
Economic Development District	11.307		58,731	-	-
COVID-19: Supplemental EDA for EDD Partnership	11.307		321,926	-	-
			398,301	-	-
U.S. Environment Protection Agency:					
Program passed through North Carolina Department of Environment and Natural Resources:					
Water Quality Management Planning:					
319 Septic	66.460	5726	23,946	-	-
Upper Middle Creek - Phase II \$III	66.454	5726	6,043	-	-
Low-Income Home Energy Assistance Program: DEQ Collaborative Expansion	93.568	CW26784	378,132	-	-
American Rescue Plan Act: DEQ	93.568	CW26784	208,955	-	198,378
Total U.S. Environmental Protection Agency			617,076	-	198,378
Dept of Housing & Urban Development					
ESFR 2019 Durham County	14.239		64,725	-	64,725
ESFR 2019 Harnett County	14.239		40,550	-	40,550
Total Dept. of Housing & Urban Development			105,275	-	105,275
U.S. Dept of Veterans Affairs					
Veterans Directed Home & Community Based Services	64.044		95,490	-	-
TOTAL FEDERAL AWARDS			9,809,972	334,946	7,772,631

The notes to the Schedule of Expenditures of Federal and State Financial Awards are an integral part of this schedule.

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

YEAR ENDED JUNE 30, 2022

Grantor/Pass-Through Grantor/Program Title	Assistance State/Pass-Through		Expenditures		
	Listing Number	Grantor's Number	Federal	State	Pass-through to sub-
STATE GRANTS					
N.C. Department of Health and Human Services					
Division of Aging and Adult Services					
90% State Funds - Ombudsman		NC-10	\$ -	\$ 85,272	\$ -
90% State Funds - Access		NC-10	-	387,409	387,409
90% State Funds - In-Home Services		NC-10	-	2,433,083	2,433,083
90% State Funds - Congregate Nutrition		NC-10	-	75,686	75,686
90% State Funds - Home Delivered Meals		NC-10	-	1,974,371	1,974,371
State Funds - Planning and Administration		NC-10	-	48,261	-
75% State Funds - Senior Center Development		NC-10	-	152,639	-
Fan Heat		NC-10	-	16,760	16,760
Contagious Disease Prevention and Control		30-2021-COVID-066	-	22,538	-
Total Division of Aging and Adult Services			-	5,196,019	4,887,309
Total N.C. Department of Health and Human Services			-	5,196,019	4,887,309
North Carolina Department of Transportation:					
		36225.9.15 /			
Transportation Demand Management		36225.9.16	-	182,686	-
TOTAL STATE AWARDS			-	5,378,705	4,887,309
TOTAL FEDERAL AND STATE AWARDS			\$ 9,809,972	\$ 5,713,651	\$ 12,659,940

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1.

Basis of Presentation: The accompanying schedule of expenditures of federal and state awards includes all federal and state grant activity of Triangle J Council of Governments and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Note 2.

Significant Accounting Policies: Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3.

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

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted

___ yes X no

Federal Awards

Internal control over major Federal programs:

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

Noncompliance material to Federal awards

___ yes X no

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance

___ yes X no

Identification of major Federal programs:

Assistance Listing #
 93.044, 93.045, 93.053
 20.205

Program Name
 Aging Cluster
 Highway Planning and Construction Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee

 X yes ___ no

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

YEAR ENDED JUNE 30, 2022

State Awards

Internal control over major State programs:

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

Noncompliance material to State awards ___ yes X no

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

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

Identification of major State programs:

<u>Program Name</u>	<u>Cluster or Grant Number</u>
90% State Funds – Ombudsman	NC-10
90% State Funds – Access	NC-10
90% State Funds – In-Home Services	NC-10
90% State Funds – Congregate Nutrition	NC-10
90% State Funds – Home Delivered Meals	NC-10
State Funds – Senior Centre Development	NC-10
Fan Heat	NC-10
Contagious Disease Prevention and Control	30-2021-COVID-066

Section II – Financial Statement Findings

None reported.

Section III – Federal Awards Findings and Questioned Costs

None reported.

Section IV – State Awards Findings and Questioned Costs

None reported.

TRIANGLE J COUNCIL OF GOVERNMENTS
SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

None reported.