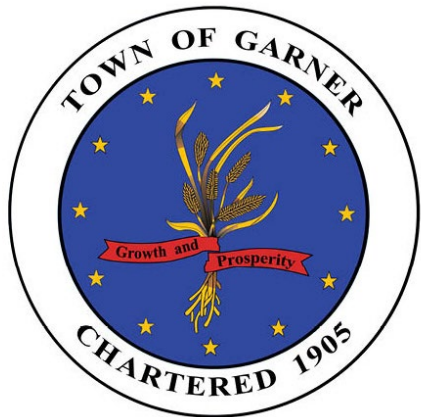


GARNER

A Great Place to Be

**Communication of
Annual Audit Results
December 3, 2024**



Meeting Agenda

- Engagement Team
- Results of the 2024 Audit
- Required Communications
- Financial Trends
- Comments, Recommendations, and Other Issues
- Questions

Engagement Team



CONSISTENTLY RANKED AS A TOP ACCOUNTING FIRM IN THE U.S.

100+ year
HISTORY
OF QUALITY SERVICE

Serve 725+
GOVERNMENT CLIENTS

GOVERNMENTAL
PARTNERS &
DIRECTORS 25



150+ TEAM MEMBERS DEDICATED TO SERVING THE GOVERNMENTAL INDUSTRY



VISION
To be a trusted advisor, earning trust and building respect through our consistent commitment to sustainable excellence, leadership, and integrity.



220+ SINGLE AUDITS PERFORMED LAST YEAR COVERING OVER \$6 BILLION OF FEDERAL GRANTS



156,000+ HOURS ANNUALLY PROVIDED TO GOVERNMENTAL CLIENTS

175+

CURRENT CLIENTS AWARDED THE GFOA CERTIFICATE OF EXCELLENCE

6

STATES

14

OFFICES



Engagement Team Leaders

- Tim Lyons, CPA, CGMA – Engagement Lead Partner
- Tesla Plitt – Engagement In-Charge
- Grant Davis, CPA – Engagement Quality Control Reviewer

Results of 2024 Audit

- Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS) and *Government Auditing Standards*
 - Our audit was performed in accordance with GAAS and *Government Auditing Standards*.
 - We considered the internal control structure for the purpose of expressing our opinion on the Town’s basic financial statements and not for the purpose of providing assurance on the internal control structure.
 - Our objective is to provide reasonable—not absolute—assurance that the basic financial statements are free from material misstatement.
 - The basic financial statements are the responsibility of the Town’s management.

- Report on 2024 Basic Financial Statements
 - Unmodified (“clean”) opinion on basic financial statements.
 - Presented fairly in accordance with accounting principles generally accepted in the United States of America (GAAP).
 - Our responsibility does not extend beyond financial information contained in our report.

- Report on Internal Controls Over Financial Reporting and on Compliance in Accordance with *Government Auditing Standards*
 - No material weaknesses or significant deficiencies in internal control reported.
 - No instances of noncompliance reported.

Results of 2024 Audit

- Single Audit Report for the Year Ended June 30, 2024
 - Conducted Single Audit in accordance with the Uniform Guidance and the State of North Carolina Single Audit Implementation Act:
 - No major federal award programs (total expenditures below the \$750,000 threshold).
 - North Carolina Department of Transportation Powell Bill Funds (\$1,256,814).
 - Unmodified (“clean”) opinion on compliance for the program.
 - No material weaknesses or significant deficiencies in internal control over compliance reported.



Required Communications

□ Significant Accounting Policies

- The significant accounting policies used by the Town are described in Note 1 to the basic financial statements.
- The Town was required to implement the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections*, for the fiscal year ended June 30, 2024. This Standard did not have any impact on the Town’s financial statements.
- In considering the policies used by the Town, we noted they are in accordance with generally accepted accounting principles and similar government organizations with no significant new policies or qualitative aspects of its policies. The Town is not involved in any controversial or emerging issues for which guidance is not available.

□ Management Judgment/Accounting Estimates

- The Town uses various estimates as part of its financial reporting process – including the useful lives of the Town’s capital assets, various components regarding its leases and SBITAs, and actuarial assumptions related to its pension (LGERS and LEOSSA) and other postemployment benefit (OPEB) obligations.
- Management’s estimates used in preparation of the financial statements were deemed reasonable in relation to the financial statements taken as a whole. We considered this information and the qualitative aspects of management’s calculations in evaluating the Town’s significant accounting estimates.



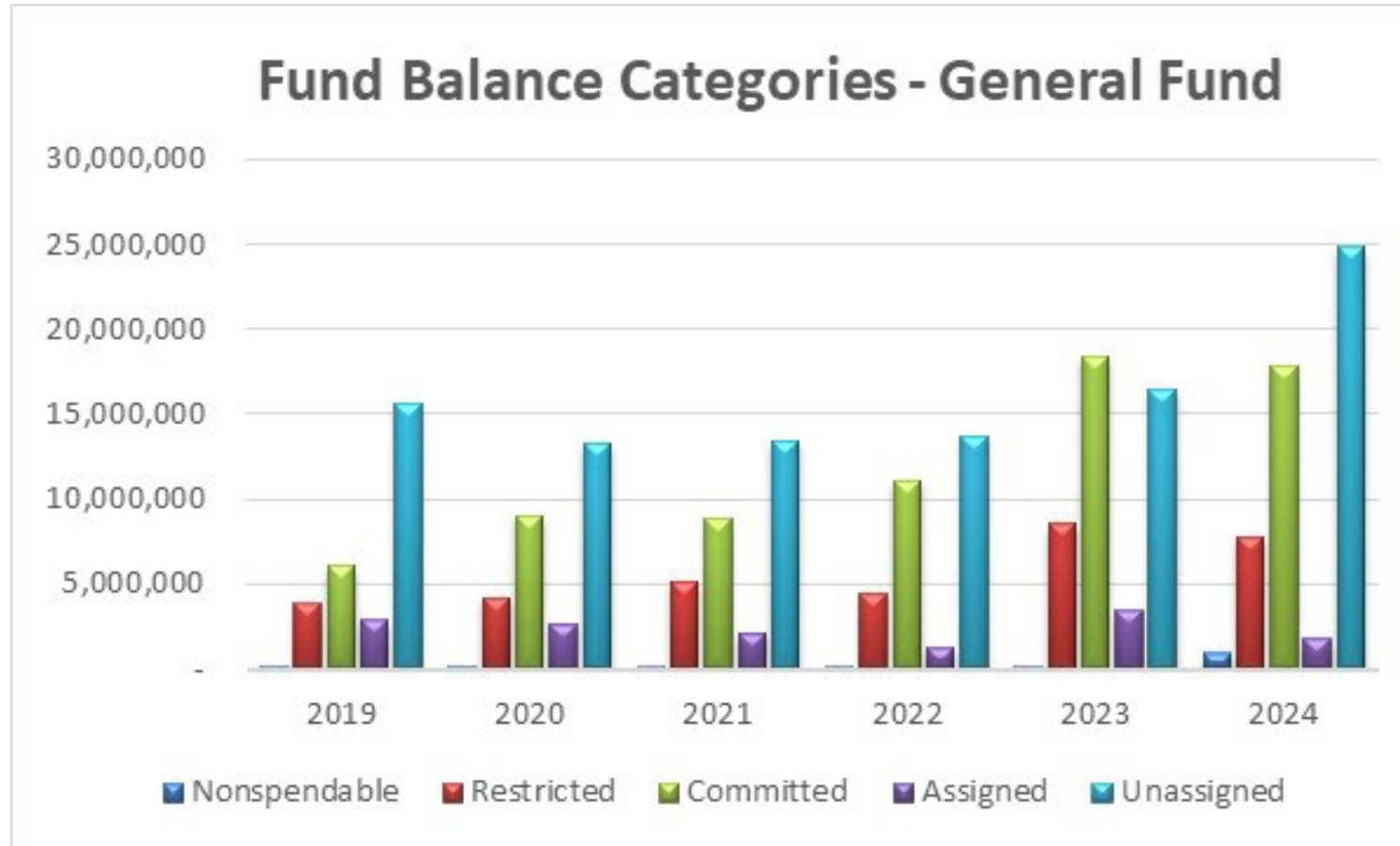
Required Communications (Continued)

- Financial Statement Disclosures
 - The footnote disclosures to the financial statements are also an integral part of the financial statements and the process used by management to accumulate the information included in the disclosures was the same process used in accumulating the statements. The overall neutrality, consistency, and clarity of the disclosures was considered as part of our audit.
- Relationship with Management
 - We received full cooperation from the Town’s management and staff.
 - There were no disagreements with management on accounting issues or financial reporting matters.
- Audit Adjustments
 - We had no passed adjustments during the current year audit.
- Representation from Management
 - We requested written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us, during the audit. Management provided those written representations without a problem.

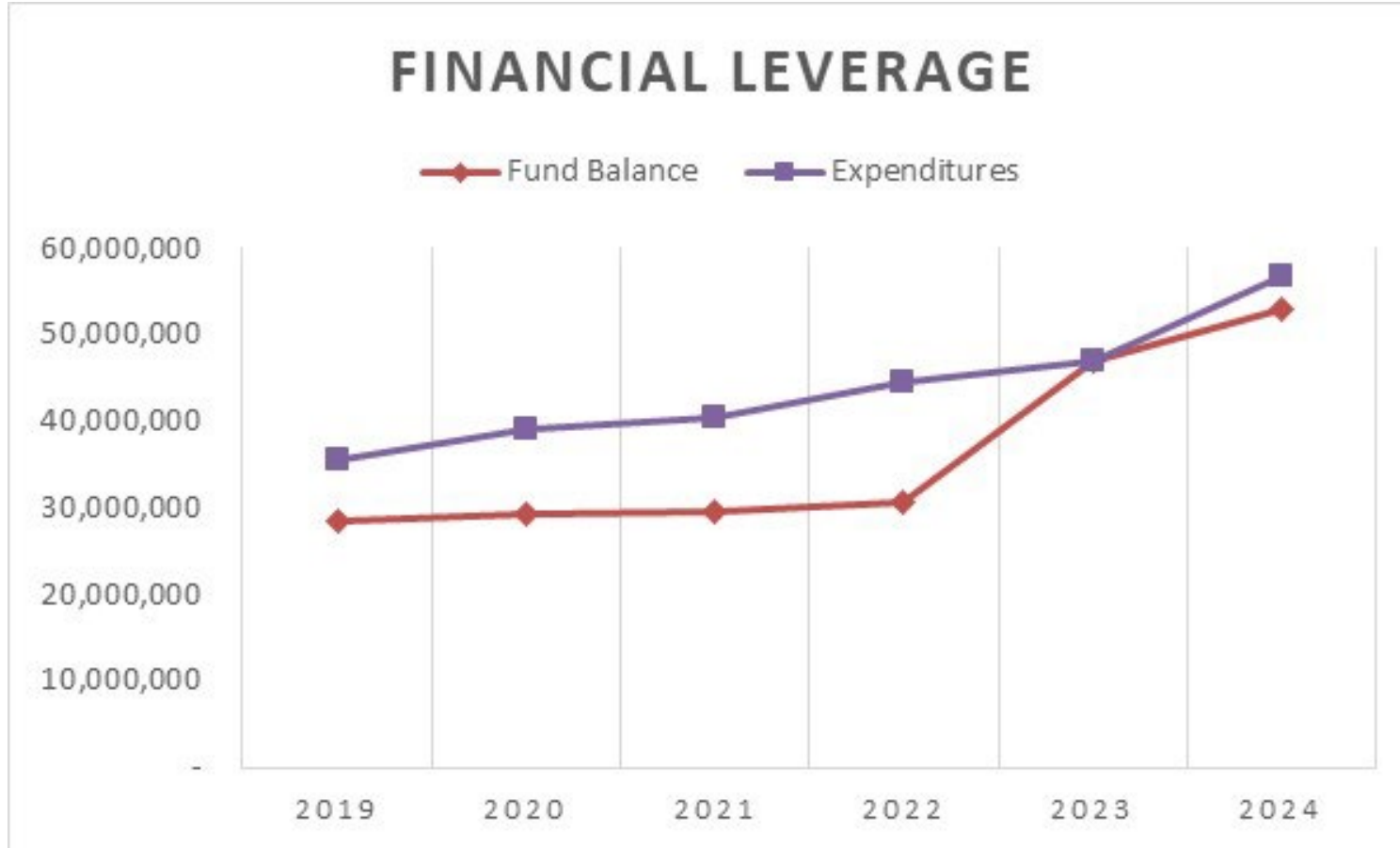
Required Communications (Continued)

- Consultation with Other Accountants
 - To the best of our knowledge, management has not consulted with, or obtained opinions from, other independent accountants during the year, nor did we face any issues requiring outside consultation.
- Significant Issues Discussed with Management
 - There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements.
- Information in Documents Containing Audited Financial Statements
 - Our responsibility for other information in documents containing the Town’s basic financial statements and our report thereon does not extend beyond the information identified in our report. If the Town intends to publish or otherwise reproduce the financial statements and make reference to our firm, we must be provided with printers’ proof for our review and approval before printing. The Town must also provide us with a copy of the final reproduced material for our approval before it is distributed.
- Auditor Independence
 - In accordance with AICPA professional standards, M&J is independent with regard to the Town and its financial reporting process.
 - There were no fees paid to M&J for management advisory services during fiscal year 2024 that might affect our independence as auditors.

Financial Trends – Composition of Fund Balance



Financial Trends – Fund Balance vs. Expenditures

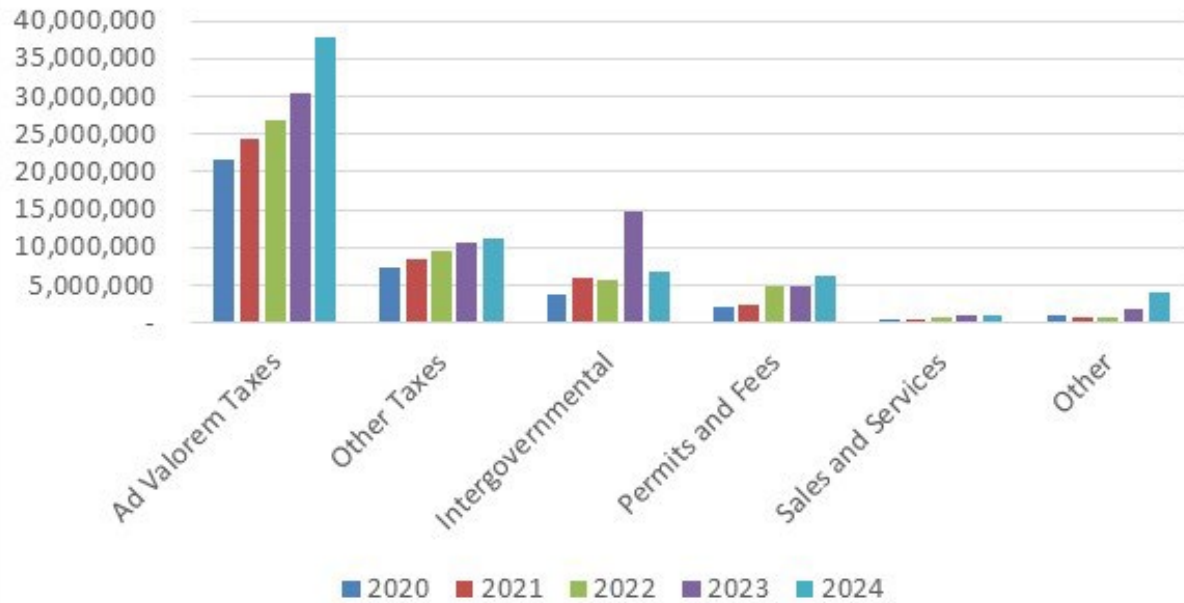


Fund Balance / Expenditures

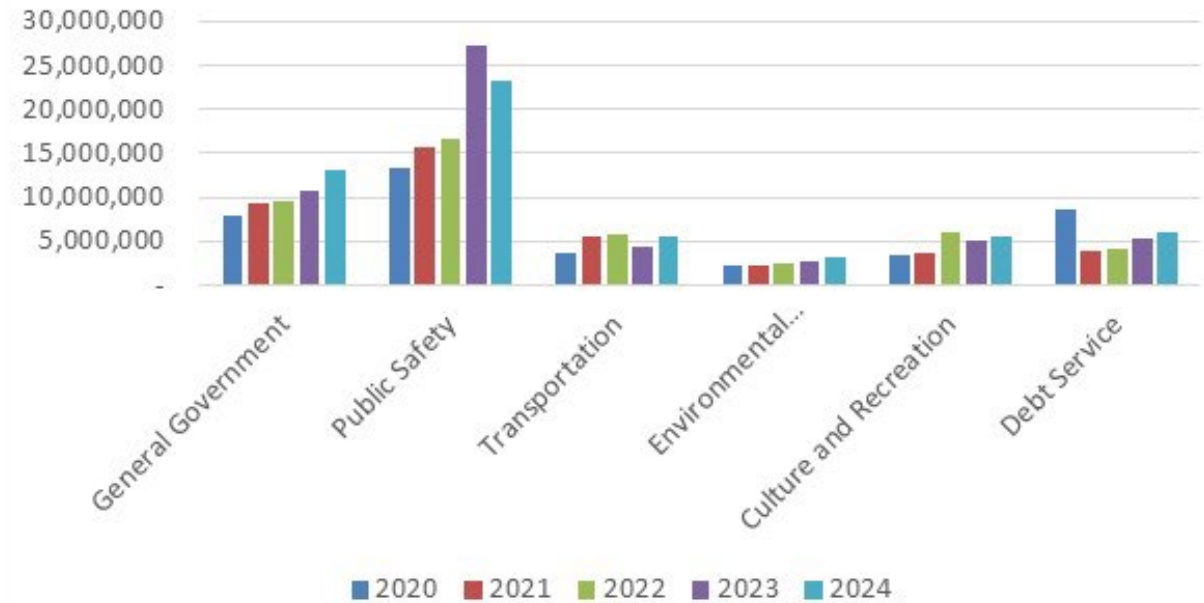
- 2024: 93% (44% unassigned)
- 2023: 99% (35% unassigned)
- 2022: 69% (31% unassigned)
- 2021: 74% (34% unassigned)
- 2020: 75% (34% unassigned)
- 2019: 80% (44% unassigned)

Financial Trends – Revenues and Expenditures

Revenues by Category



General Fund Expenditures by Function



Comments & Other Matters

□ New GASB Pronouncements for Future Years

- GASB Statement No. 101, *Compensated Absences*, will require governments to evaluate all types of leave offered to employees (PTO, vacation, sick, comp, personal, etc.) and record a liability for such leave if (1) it relates to work / service already rendered and (2) if it is more likely than not to be settled with cash or other forms of compensation. The biggest change from current practice is that the idea / concept of “vesting” is no longer relevant. A notable exception to the recognition criteria is if the leave will be used to purchase service time / service credits in a defined benefit pension plan. Applicable for June 30, 2025.
- GASB Statement No. 103, *Financial Reporting Model Improvements*, was issued by the GASB in the Spring of 2024. This Standard revisits the financial reporting model that has been in use at state and local governments since the adoption of Statement No. 34 in 2001. Specific to the Town, this new standard includes some changes to the management’s discussion and analysis (MD&A) as well as to the presentation of the budgetary comparison information that the Town includes in its ACFR. While the new standard does not change how items are recognized in the financial statements, it does change the presentation of a few items. We encourage management of the Town to familiarize themselves with the new standard – we are happy to review and discuss any implementation questions you have. GASB Statement No. 103 is required to be implemented in the Town’s financial statements for the fiscal year ending June 30, 2026.

□ Other Matters Currently Being Considered by GASB

- Revenue and expense recognition
- Severe financial stress evaluation and disclosures
- Disclosures and RSI surrounding infrastructure assets

Free Client CPE!

FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS FOR GOVERNMENTAL CLIENTS

Free Continuing Education. We provide free quarterly continuing education for all of our governmental clients. Each quarter we pick a couple of significant topics tailored to be of interest to governmental entities. In an effort to accommodate our entire governmental client base, we offer the sessions several times per quarter at a variety of client provided locations resulting in greater networking among our governmental clients. Examples of subjects addressed in the past few quarters include:

- ACFR Preparation - GASB Updates - Grant Accounting Processes and Controls - GASB 68 (Pensions)
- Internal controls over revenue and cash receipting and accounts payable, payroll, and cash disbursements
- American Recovery & Reinvestment Act (ARRA) information, issues and updates - Single audits for auditees
- Collateralization of Deposits and Investments - Internal Controls over Accounts Payable, Payroll and Controls
- Policies and Procedures Manuals - Segregation of Duties – GASB 75 (OPEB) – GASB 87 (Leases)
- Data Security and General Information Technology Controls and Best Practices

Communication. In an effort to better communicate our free continuing education plans and newsletters, please email Paige Vercoe at pvercoe@mjcpa.com (send corresponding copy to tlyons@mjcpa.com), and provide to her individual names, mailing addresses, email addresses and phone numbers of anyone you wish to participate and be included in our database.

Comments and Questions?

We appreciate the opportunity to serve the Town of Garner and look forward to continuing to work with the Town in upcoming years!