



GARNER



A Great Place to Be

**Communication of
Annual Audit Results
January 20, 2026**



Meeting Agenda

- Engagement Team
- Results of the 2025 Audit
- Required Communications
- Management Letter Comments
- Financial Performance Indicators of Concern
- 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

- Tesla Plitt, Senior Associate – Engagement In-Charge
- Tim Lyons, CPA, CGMA – Engagement Quality Control Reviewer

GARNER

A Great Place to Be

Presentation of Annual
Audit Results
January 20, 2026

Results of 2025 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 2025 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 2025 Audit

- Single Audit Report for the Year Ended June 30, 2025
 - 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).
 - State Construction & Infrastructure Fund (\$1,361,918).
 - **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. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*, for the fiscal year ended June 30, 2025. The Standards 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.
- 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.

Required Communications (Continued)

- 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 two (2) passed audit adjustment during FY25.
 - Proposed and passed on an adjustment of \$879,585 relating to the overstatement of assets during FY24. Assets transferred from completed construction projects (non-depreciable until completed) were duplicated with new depreciable assets. **This was found by the Town during the FY25 audit.** The amount was not material enough to restate the FY24 financial statements and was adjusted through current year asset deletions.
 - Proposed and passed on an adjustment of \$100,000 relating to the understatement of assets from the Stormwater Asset Inventory and Condition Assessment for Disadvantaged Areas (LASII grant). The Town did not record accounts receivable relating to grant revenue for eligible expenditures during FY24. The amount was not material enough to restate the FY24 financial statements and was included in current year deferred inflows for grants.
- 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 2025 that might affect our independence as auditors.

Management Letter Comments

Improper Revenue Recognition

- During our audit, we noted an instance where the Town recorded grant funds as revenue in the Capital Projects Fund that were not received within the period of availability for the related fiscal year, as defined by Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, and subsequently superseded by GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.
- Specifically, grant funds totaling \$360,000 related to the Stormwater Asset Inventory and Condition Assessment for Disadvantaged Areas Grant, i.e., the LASII Grant funds were recognized as revenue in the fiscal year ended June 30, 2025. However, \$100,000 of this balance included revenue related to prior year expenditures and should have been recorded as a receivable and deferred inflow in fiscal year 2024 at the fund level and revenue at the government-wide level. In the current year, the \$100,000 from the prior year plus \$260,000 from the current year was recorded in revenue as a result of spending grant funding on eligible expenditures. The Town did not submit a reimbursement request for these expenditures in fiscal year 2025, and as a result, no revenue was received within the period of availability.
- We recommend that the Town implement a control procedure to ensure a thorough review of grant receipts at year-end, confirming that all grant revenues recognized under the modified accrual basis meet both the measurable and available criteria. Any earned grant funds not received within the established availability period (e.g., 90 days after year-end) must be recorded as a deferred inflow of resources at year-end. We suggest providing additional training to finance personnel on the modified accrual basis of accounting, specifically regarding the recognition of nonexchange revenues like grants and the proper application of the availability period.

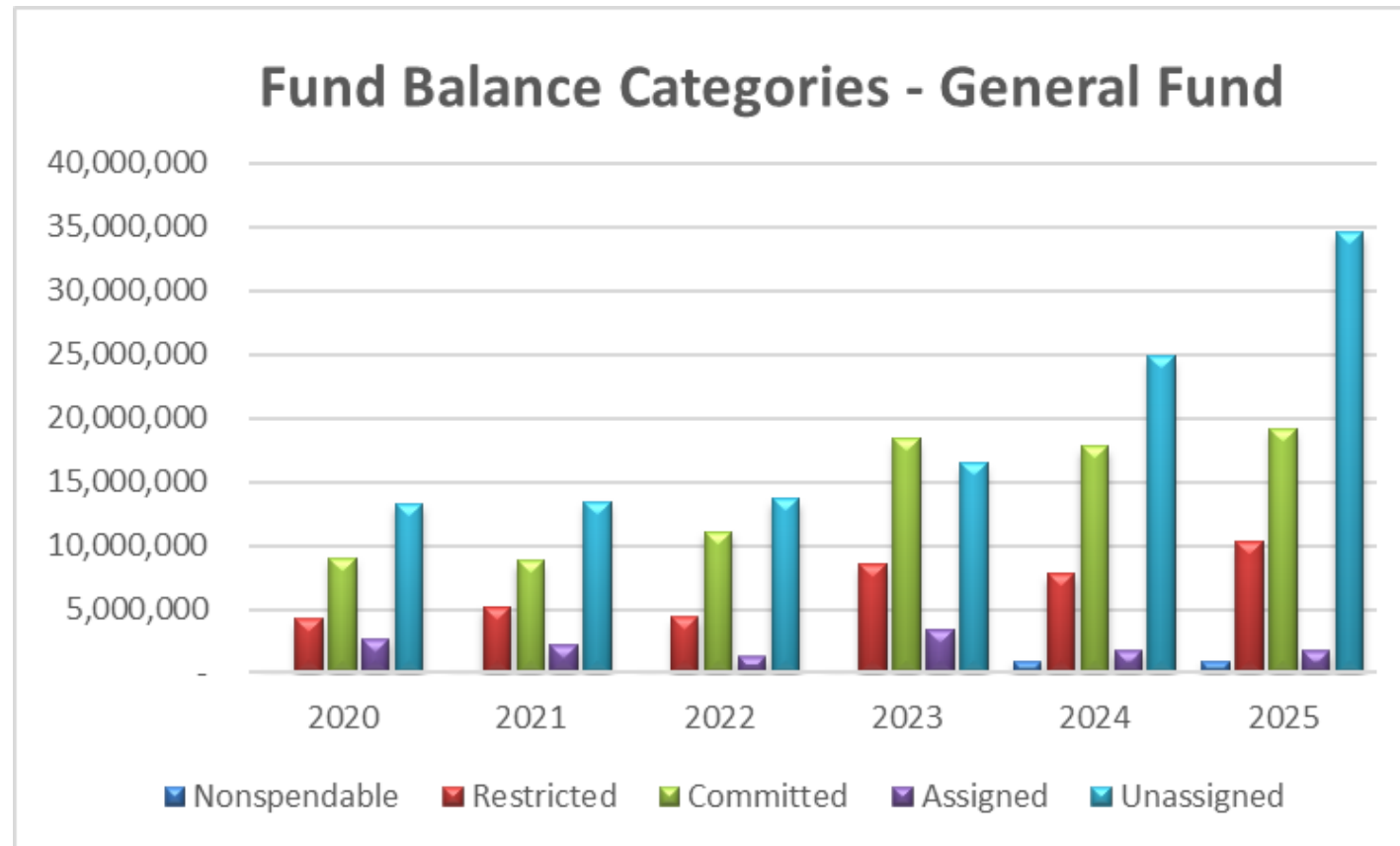


Financial Performance Indicator of Concern (FPIC)

Financial Performance Indicators									
Category	Name	Formula	2023	2024	2025	Fail Condition	2025 Status		
	Met								
Internal Controls	Adopted Ordinance Level Budget Violations	1057	No	No	Yes	Equal Yes	Fail		

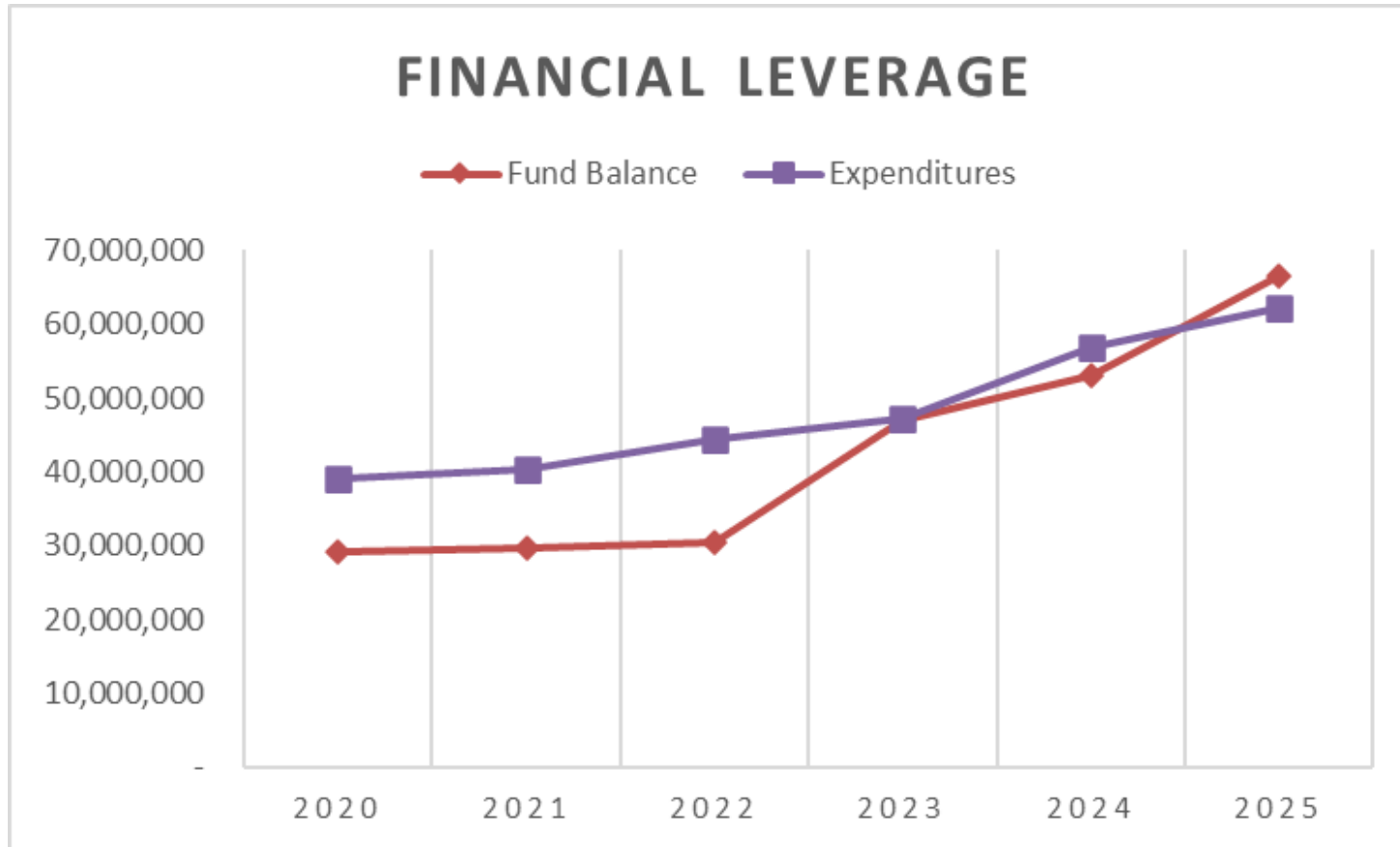
- Required by the LGC to submit a Data Input Form each year. Each FPIC requires a response signed by a majority of governing board members within 60 days of the audit presentation.
- Budget Violation is described in Note 2 of the ACFR with an explanation that Debt Service had expenditures in excess of the budget due to principal payments for lease and subscription liabilities. These amounts are budgeted by department level, rather than specific debt service accounts.
- The question on the Data Input Form was adjusted in FY2025. Previously, it asked if there was a budget violation finding, but for FY25, it asks if there are any general budget violations mentioned in the audit report.
- There are no findings relating to budget violations for FY2025.

Financial Trends – Composition of Fund Balance



There was a tax revaluation completed during FY25, and Taxable Assessed Value increased by approximately \$3.5B (see statistical section)

Financial Trends – Fund Balance vs. Expenditures



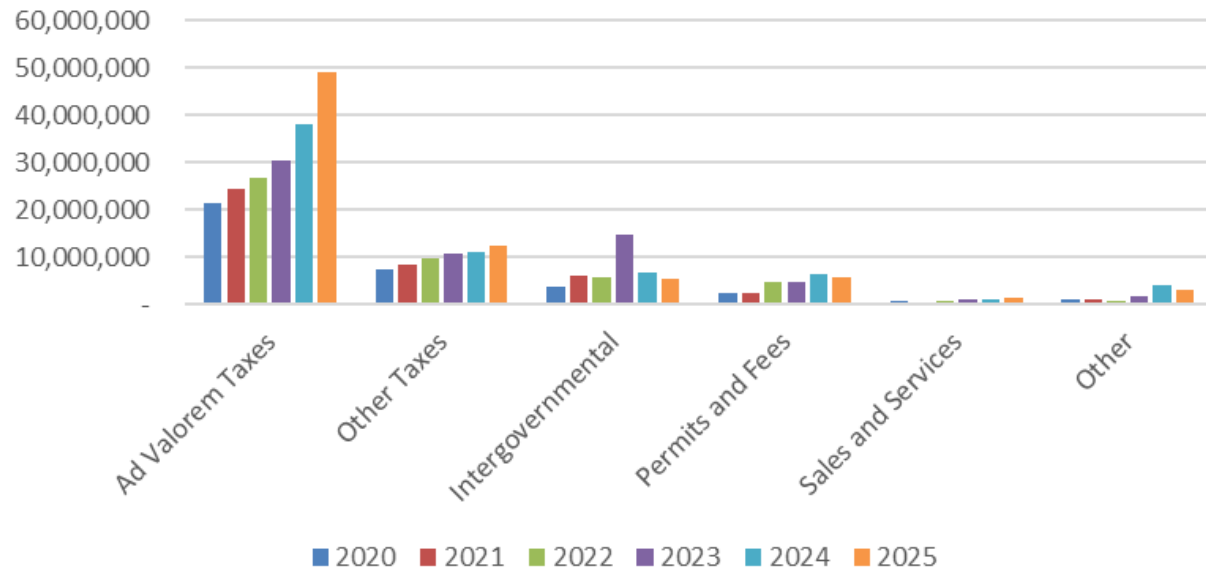
As of June 30 Fund Balance / Expenditures

- 2025: 107% (56% unassigned)*
- 2024: 93% (44% unassigned)
- 2023: 99% (35% unassigned)
- 2022: 69% (31% unassigned)
- 2021: 74% (34% unassigned)
- 2020: 75% (34% unassigned)

***As of July 1, 2026: 76% (40% unassigned)**

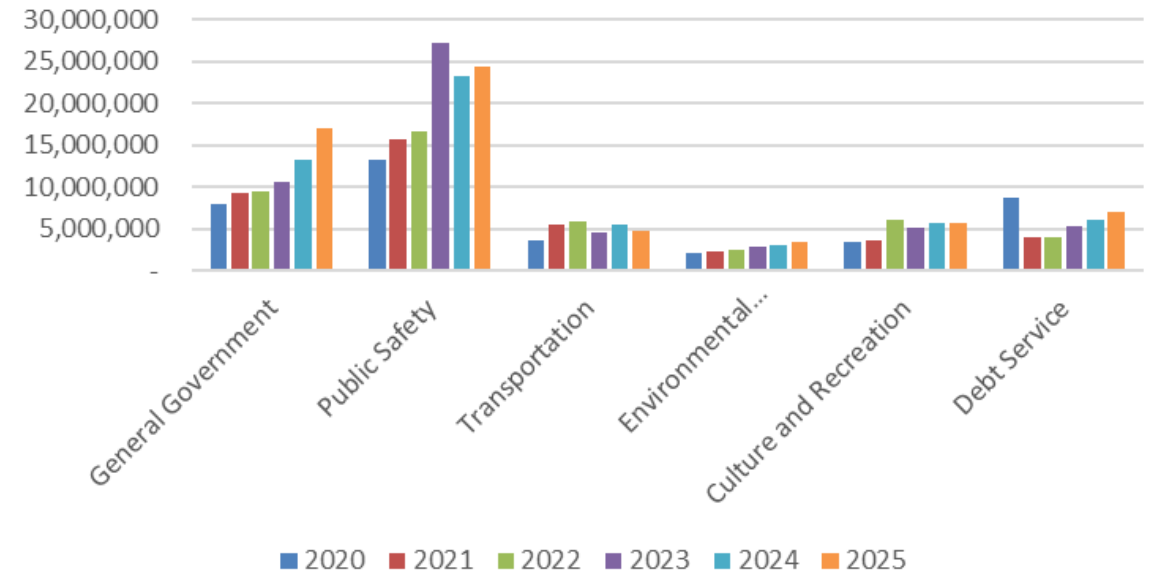
Financial Trends – Revenues and Expenditures

Revenues by Category



Ad Valorem Tax increase – tax revaluation year

General Fund Expenditures by Function



Comments & Other Matters

□ New GASB Pronouncements for Future Years

- 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.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was issued by the GASB in September 2024. This standard requires governmental entities to separately disclose certain capital assets in the notes to their financial statements, including lease and intangible assets, as well as assets held for sale. While the new standard does not change how items are recognized in the financial statements, it does change the presentation of a few items. For the Town, the new standard includes some changes to the Notes to the Financial Statements. The Town should review their capital assets to identify assets that meet the new separate disclosure requirements. GASB Statement No. 104 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
- Risks and uncertainties disclosures
- Severe financial stress evaluation and disclosures
- Subsequent events



Free Client CPE!

- **Since March of 2009 – For Over 15 Years !!**

- Mauldin & Jenkins provides free quarterly continuing education for all of our governmental clients. Topics are 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 and knowledge sharing among our governmental clients. We normally see approximately 180 people per quarter. Examples of subjects addressed in the past few quarters include:

- Accounting for Debt Issuances
- Achieving Excellence in Financial Reporting
- Best Budgeting Practices, Policies and Processes
- Budget Preparation
- ACFR Preparation (two (2) day hands-on course)
- Capital Asset Accounting Processes and Controls
- Collateralization of Deposits and Investments
- Component Units
- Cybersecurity Risk Management
- Evaluating Financial and Non-Financial Health of a Govt.
- Financial Report Card – Where Does Your Govt. Stand?
- Financial Reporting Model Improvements
- GASB Nos. 74 & 75, OPEB Standards
- GASB No. 77, Tax Abatement Disclosures
- GASB No. 84, Fiduciary Activities
- GASB No. 100, Accounting and Error Corrections
- GASB No. 101, Compensated Absences
- GASB No. 102, Certain Risk Disclosures
- GASB Projects & Updates (ongoing and several sessions)
- Grants (Accounting and Auditing)
- Human Capital Management
- Information Technology (IT) Risk Management
- Internal Controls Over Accounts Payable, Payroll and Cash Disbursements
- Internal Controls Over Receivables & the Revenue Cycle
- Legal Considerations for Debt Issuances & Disclosure Requirements
- Navigating IRS Communications with Success
- Policies and Procedures Manuals
- Presenting Financial Information to Non-Financial People
- Procurement Card Red Flags
- Risk, Efficiency, & Effectiveness in Governments
- Single Audits for Auditees
- SPLOST Accounting, Reporting & Compliance
- Uniform Grant Guidance

Thank you!

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!

We would be happy to meet with the members of the Board at a later date for any further questions/comments.