

RESOLUTION FOR CORRECTIVE ACTION PLAN TO CORRECT  
INTERNAL CONTROL WEAKNESSES FOR FINANCIAL REPORTING  
FY2023-2024

WHEREAS, the Town Council has received a presentation of the Financial Statements and Independent Audit for the Fiscal Year Ended June 30, 2024 from Independent Auditors, MAULDIN & JENKINS; and,

WHEREAS, the Independent Auditors, MAULDIN & JENKINS, has provided a favorable opinion for the Town's Annual Comprehensive Financial Statements; and,

WHEREAS, the Independent Auditors identified a material weakness in internal controls stating they were not sufficient to timely detect material misstatements in the Town's financial statements for the year ended June 30, 2023; and,

WHEREAS, these material misstatements identified in the Town's opening balance, for the year ended June 30, 2024, required adjustments to correct the errors; and,

WHEREAS, it is important that financial reporting be accurate and complete to disclose the financial condition of the Town and for management decision making; and,

WHEREAS, 20 NCAC 03 .0508 requires the governing body to develop a "Response to the Auditor's Findings, Recommendations, and Fiscal Matters" (Response) signed by a majority of the members of the governing body; and submit such Response to the Secretary of the Local Government Commission within 60 days after the presentation.

NOW THEREFORE, BE IT RESOVLED by the Town Council of the Town of Carrboro, North Carolina, we propose to respond and adopt the following:

- A. In the Schedule of Findings and Questioned Costs for the year ending June 30, 2024, the auditors identified material misstatements in the Town's opening balances. As a result, material audit adjustments were required to correct previously reported balances of the Town. The fund balance of the General Fund decreased by \$41,284, the net position of the Stormwater Fund and Business-type Activities decreased \$1,401 and the net position of the Governmental Activities decreased by \$105,377. The Auditors recommended the Town carefully review the financial statement and the applicable reporting requirements under GAAP to ensure that all information and financial data is properly reported.

- B. The Finance Department recognizes the need to strengthen internal controls and review procedures related to year-end financial reporting to ensure that the Town's financial statements comply with Generally Accepted Accounting Principles (GAAP).
1. The following corrective actions will be implemented immediately to ensure accurate financial reporting and minimize the risk of future restatements:
    - Develop and implement a detailed year-end reconciliation checklist to ensure that all components of compensated absences, including related payroll taxes, are accurately recorded.
    - Revise internal procedures and provide training for accounting staff on proper year-end accruals for compensated absences in accordance with GAAP.
    - Conduct an annual inventory and review of all lease agreements to identify and correctly classify leases under GASB 87.
    - Implement a standardized compliance checklist to guide the review process and ensure consistent adherence to GASB 87 requirements.
    - Establish a formal year-end financial statement review process, including a secondary review by a qualified staff member or an external consultant with GAAP expertise.
    - Create and implement a pre-audit checklist specifically designed to verify and reconcile beginning balances for all major funds and activities prior to audit submission.

Proposed Completion Date: Immediately

2. A copy of this resolution shall be provided to the Town Manager and Chief Financial Officer within five days of adoption.
3. A copy of this resolution shall be provided to the Secretary of the Local Government Commission within 60 days of adoption.