



Legislation Text

File #: 23-26, **Version:** 1

TITLE:

Annual Comprehensive Financial Report (ACFR) and Independent Audit for Fiscal Year Ended June 30, 2022

PURPOSE: The purpose of this agenda item is for the Town's independent auditor, FORVIS LLP, (previously Dixon Hughes Goodman LLP), to present to the Town Council the Annual Comprehensive Financial Report (ACFR) and audit for the fiscal year ended June 30, 2022.

DEPARTMENT: Finance

CONTACT INFORMATION: Arche McAdoo, 918-7439; Donald Coble, 918-7302

INFORMATION: The Town is required to produce an Annual Comprehensive Financial Report that includes financial statements that have been audited by an independent certified public accounting firm. This report must be submitted to the North Carolina Local Government Commission (LGC) for approval and presented to the Town Council. Under 20 NCAC 03.502 auditors are required to present the audited financial statements including any compliance reports to the government unit's governing body or audit committee in an official meeting in open session as soon as the audited financial statements are available but not later than 45 days after the submission of the audit report to the Secretary.

Also, the governing body under 20 NCAC 03 .0508 is required 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. Rather than preparing a letter for signature, we have developed a resolution as we did last year in responding to audit findings.

As in past years, there are two components to the annual independent audit: 1) Financial Statements and 2) independent single audit compliance related to federal and state expenditures.

As a requirement of the issuance of \$4.6 million General Obligation Sidewalk and Greenway Bonds, Series 2013, the Town is required to file audited financial statements and other financial information with the Municipal Securities Rulemaking Board (MSRB) by January 31 as part of the continuing disclosure requirements. Because the audited financial statements had not been issued by January 31, we were permitted to file a draft of the audited financial statements with the provision that we file the completed financial statements within 10 days of issue and approval by the Local Government Commission.

With regards to the Annual Comprehensive Financial Report the opinion of the Independent Auditors is that the *“financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2022, and the respective changes in*

financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.” (Attachment A, Independent Auditors Report to Governing Board)

For the fiscal year ending June 30, 2022, the Town met state and federal expenditure thresholds which required an independent single audit be conducted.

During audit, errors were identified in the balances provided for certain accounts, including lease related assets and liabilities upon implementation of GASB 87, capital assets, accounts receivable, and accounts payable. The effect of this finding was an inaccurate reconciliation of certain asset and liability accounts which required material adjusting journal entries during the audit process to correct these improperly reported balances.

Auditors have recommended that management conduct a thorough review of all balance sheet accounts, across funds, to ensure that the trial balances provided for audit do not contain material errors.

There were two Financial Performance Indicators of Concern (FPIC) identified: 1) reduction of fund balance and 2) late submission of audit. The reduction in fund balance was due to using cash to reduce the amount of financing for the 203 Project. The audit was late for a second year due to numerous errors identified that needed correction.

Management agrees with this finding and has prepared a response for the Town Council’s consideration (Attachment B).

The Carrboro Tourism Development Authority (CTDA) established by the Town Council in March 2013 is a public authority under the Local Government Budget and Fiscal Control Act and is required to produce its own independent audited financial statements. The accounting rules, however, require that the Town show the CTDA as a “component unit” in Town financial statements.

FISCAL & STAFF IMPACT: There is no fiscal impact.

RECOMMENDATION: The Town Manager recommends that the Town Council 1) receive the Financial Statements and Independent Audit for Fiscal Year Ended June 30, 2022; and 2) adopt Attachment B, Resolution for Response to Internal Control Weakness for Financial Reporting and Financial Performance Indicators of Concern Identified in Audit for Fiscal Year Ended June 30, 2022.