

Town of Apex **Audit Executive Summary**

May 28, 2026

Agenda

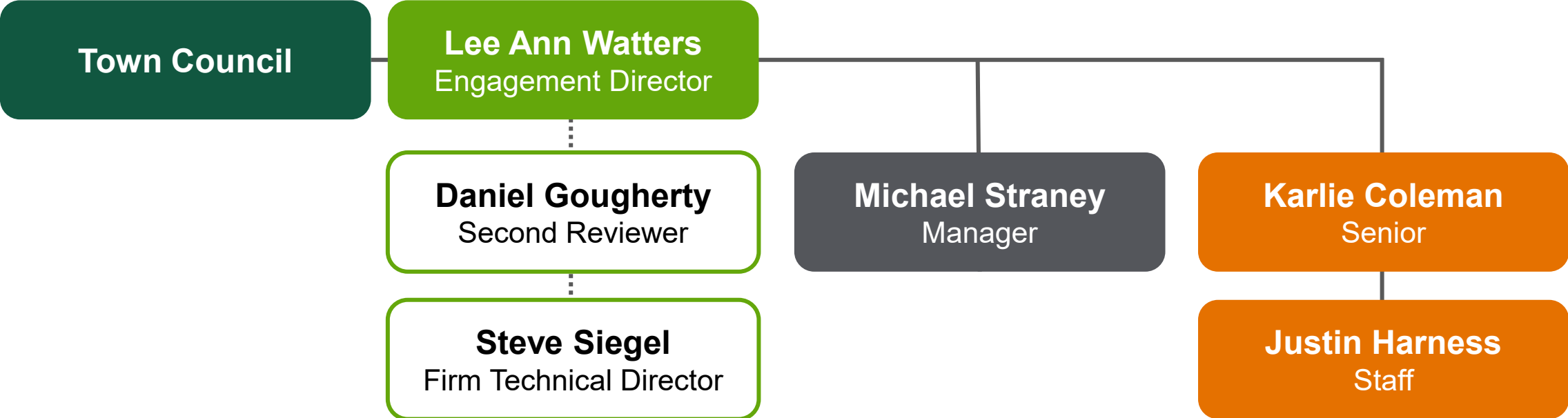


- ▶ Client Service Team
- ▶ Results of the Audit
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- ▶ Internal Control Communication
- ▶ Corrected and Uncorrected Misstatements
- ▶ Qualitative Aspects of Accounting Practices
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This information is intended solely for the use the Town Council and management of the Town of Apex and is not intended to be, and should not be, used by anyone other than these specified parties.



Client Service Team

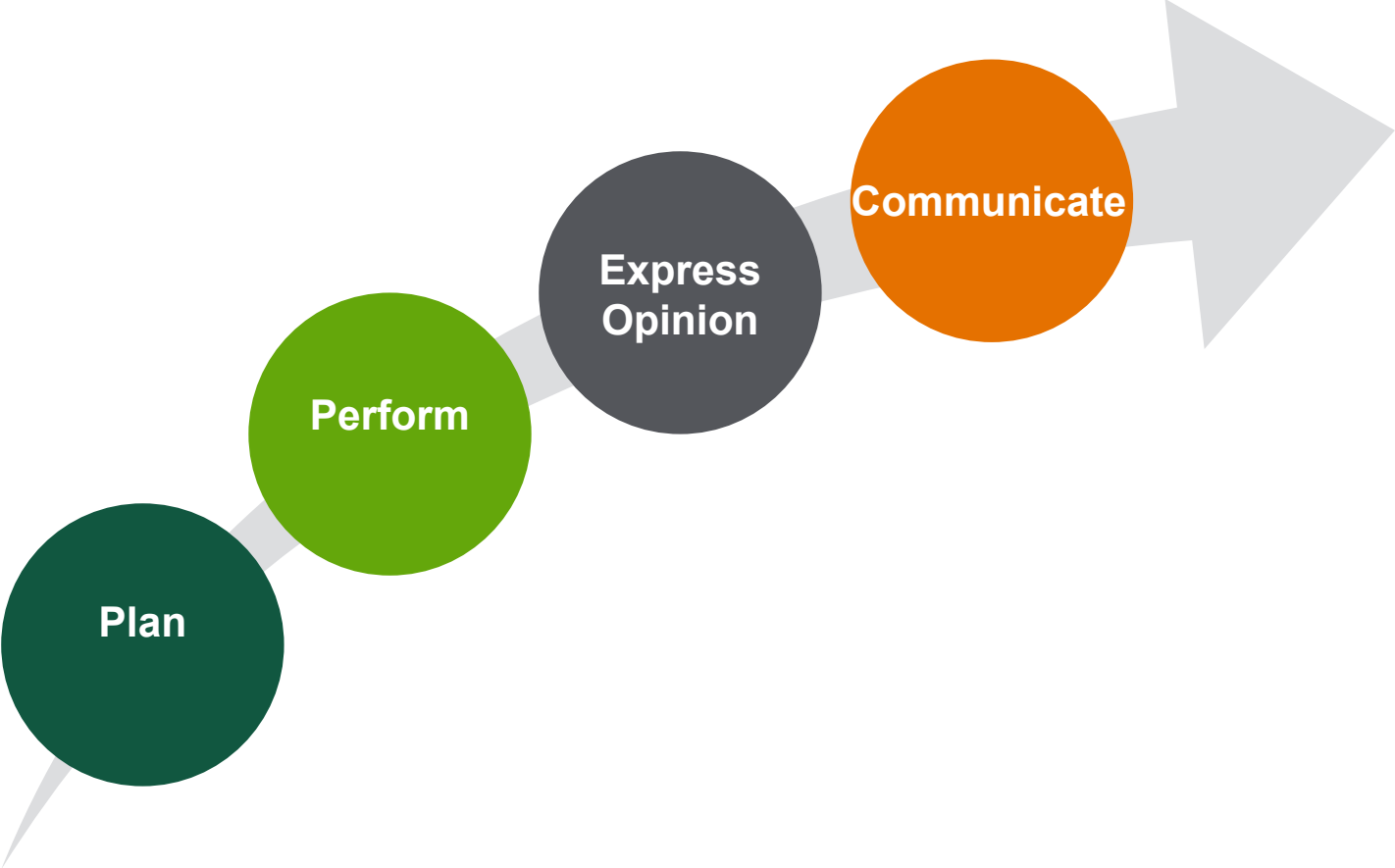


Results of the Audit

We have audited the financial statements of the Town of Apex (the “Town”) as of and for the year ended June 30, 2025 in accordance with generally accepted auditing standards and *Government Auditing Standards* and we have issued our report thereon dated May 28, 2026.

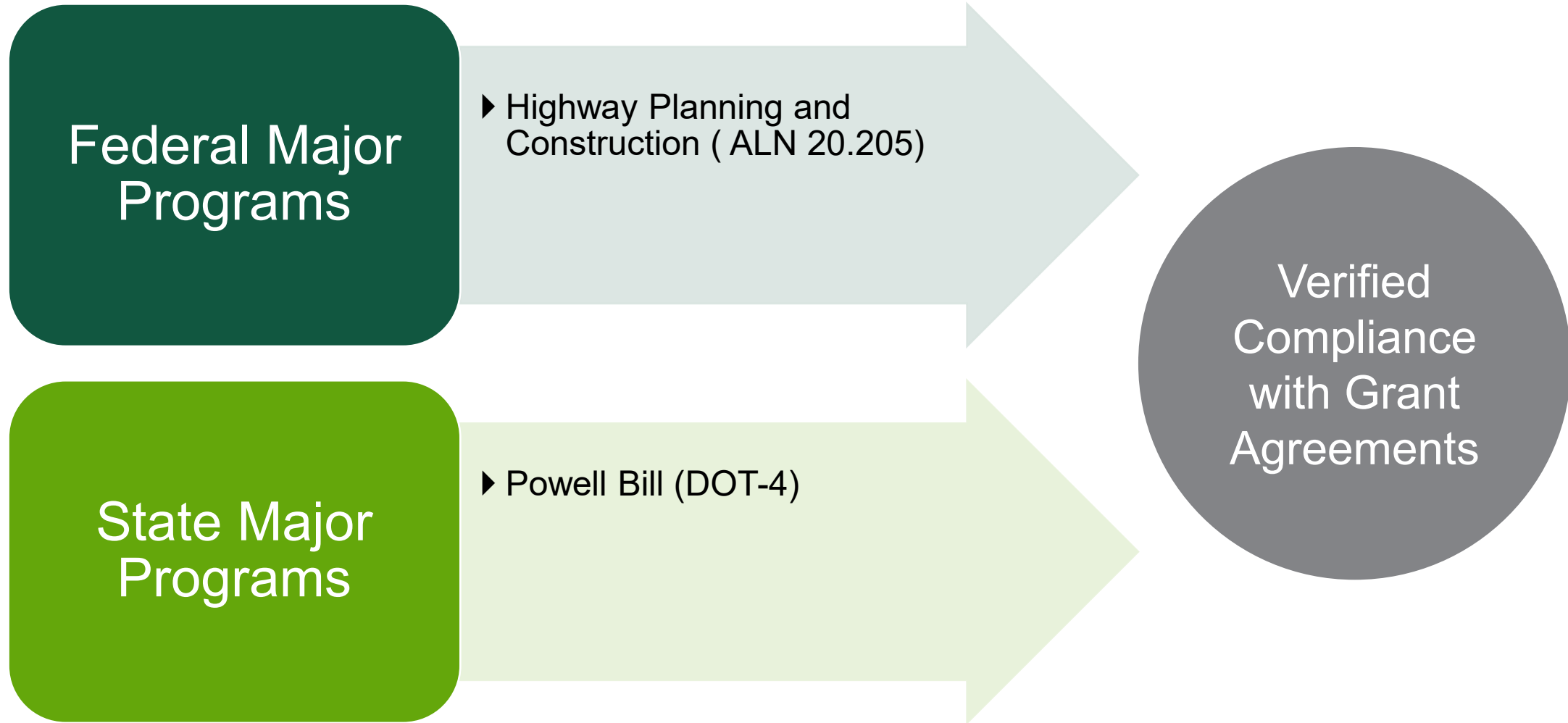
We have also audited the Town’s compliance with the compliance requirements described in the Audit Requirements for Federal and State Awards and Audit Manual for Governmental Auditors in North Carolina which could have a direct and material effect on the Town’s major federal and state programs for the year ended June 30, 2025.

We have issued an unmodified opinions on the financial statements and federal and state single audits.



Internal Control and Compliance

Single Audit (Grants)



Internal Control Communication

In planning and performing our audit, we considered 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 opinion on the financial statements and compliance with the Uniform Grant Guidance and NC State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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.



Internal Control Communication

Material Weakness

- ▶ 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 Town's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant Deficiency

- ▶ 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.

We noted no deficiencies that we believe to be material weaknesses.



Internal Control Communication

Other Comments

- ▶ **Noncompliance with NCGS 160A-64.1** – During fiscal year 2025, the Town did not comply with NCGS 160A-64.1, requiring the finance officer of the Town to garnish compensation paid under NCGS 160A-64 to any mayor or council member to collect unpaid monies due to the city for city services.
- ▶ **The Town did not always comply with its policies on procurement card (p-card) usage** - During the course of our engagement it came to our attention that the Town’s procurement card usage and review policies were not always followed. The Town’s management has subsequently taken action to ensure that all required reviews are performed and that cards are only utilized by authorized users.
- ▶ **Noncompliance with audit submission deadline** - The fiscal year 2025 audit report was submitted after the December 31, 2025 due date.



Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Corrected Misstatements

▶ None noted.

Uncorrected Misstatements

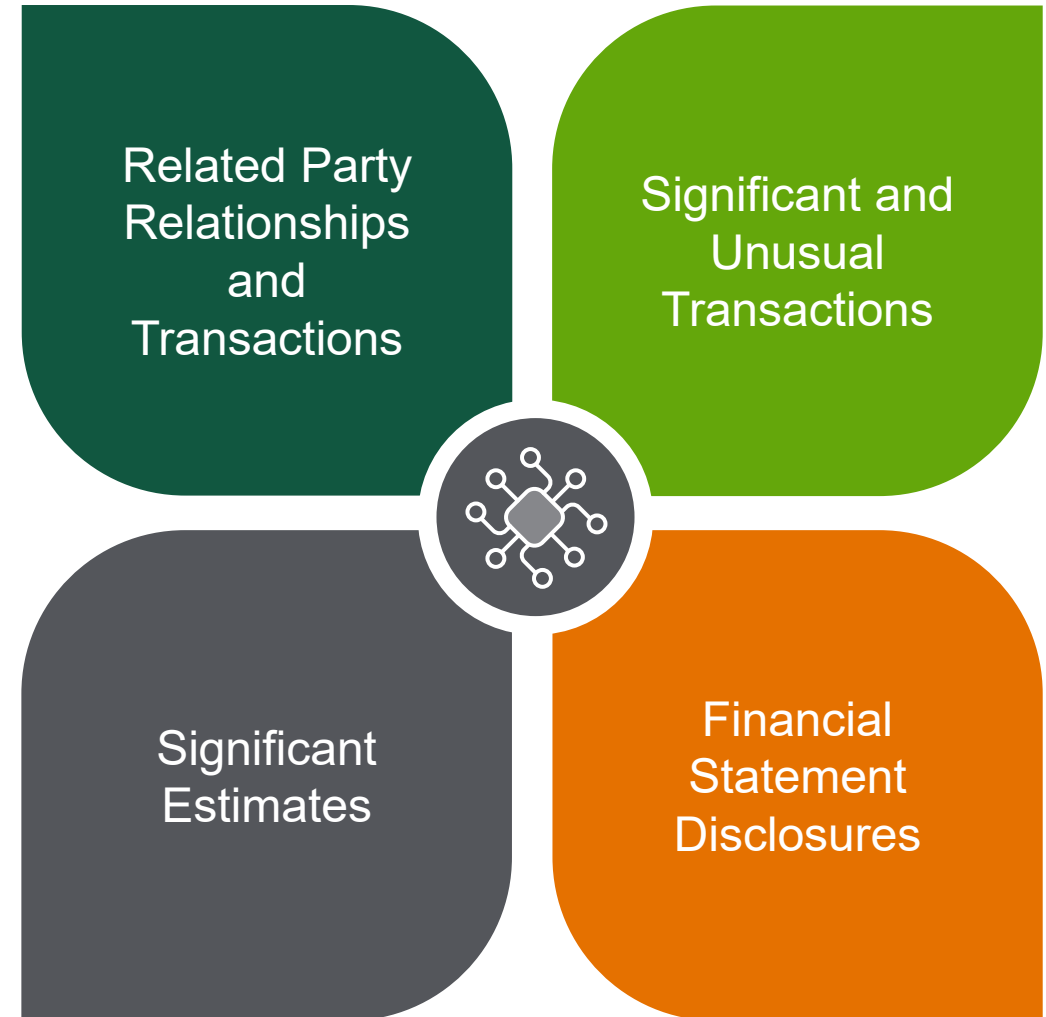
▶ None noted.



Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 1 to the financial statements.

During the year under audit, the Town implemented GASB 101 – *Compensated Absences*. The prior year balance, as previously reported was restated a total of \$321,191 related to the implementation of the new standard. Additionally, during a review of capital assets, it was determined that the book value of fixed assets in the Electric Utility Fund had been omitted from the prior year financial statement. The prior year balance of the business-type activities and the Electric Utility Fund, as previously reported, were restated \$108,379. Our opinion was not modified with respect to these restatements. We noted no inappropriate accounting policies or practices.

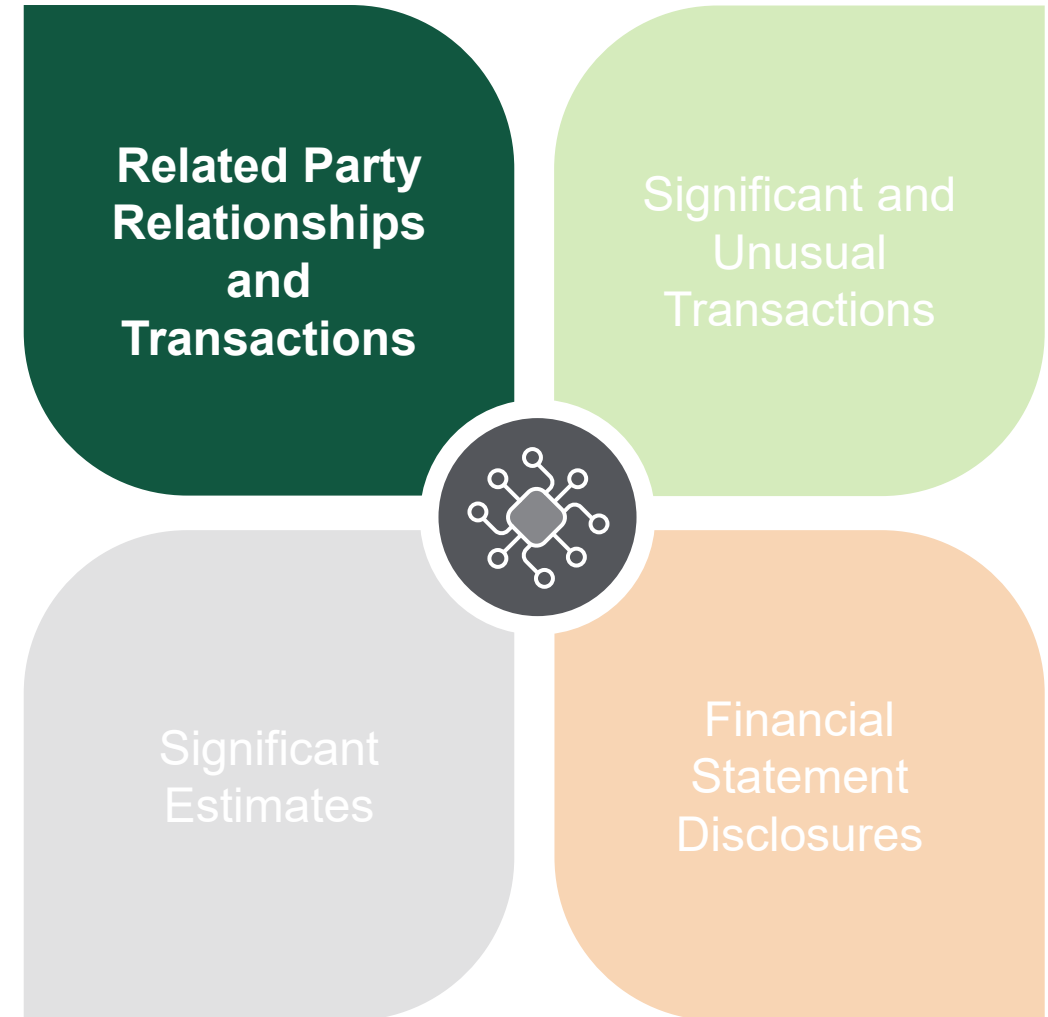


Qualitative Aspects of Accounting Practices

As part of our audit, we evaluated the Town's identification of, accounting for, and disclosure of the Town's relationships and transactions with related parties as required by professional standards.

We noted none of the following:

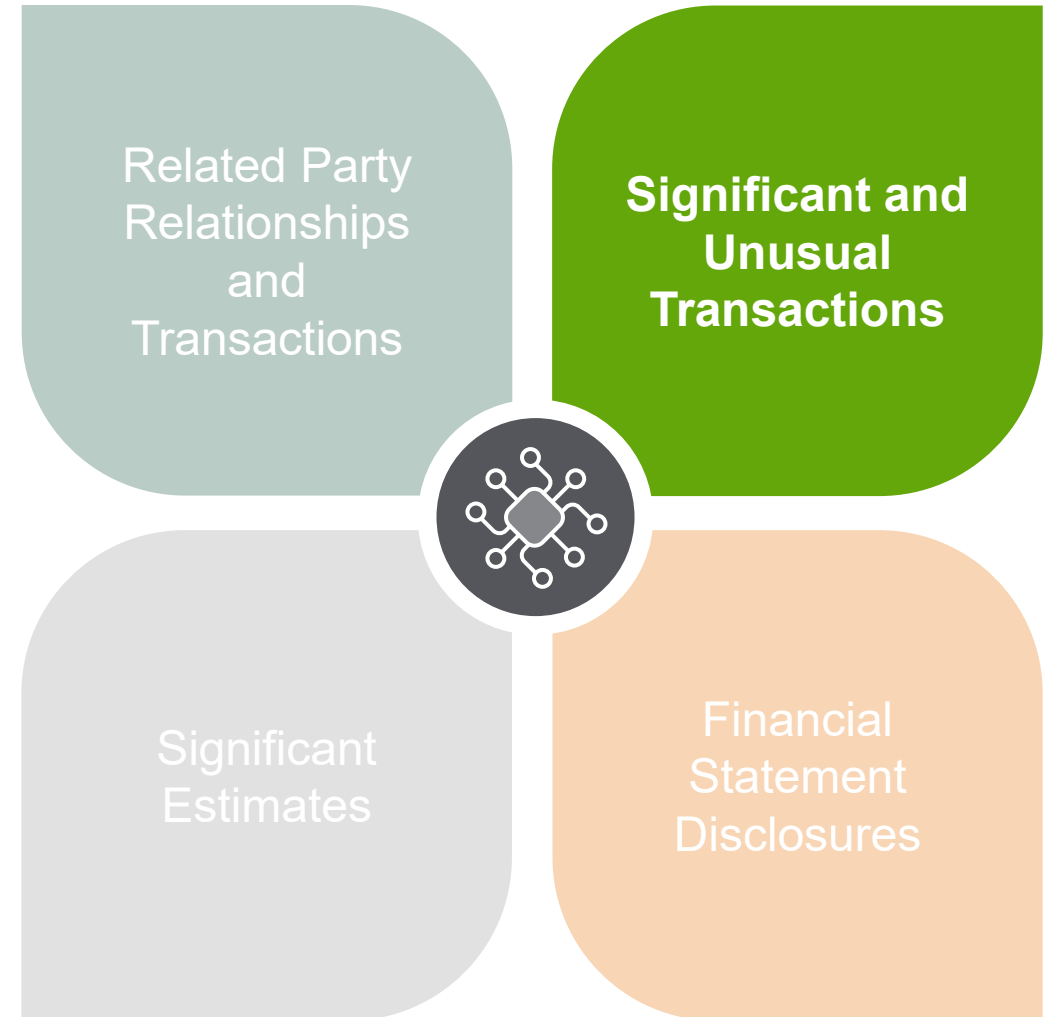
- Related parties or related party relationships or transactions that were previously undisclosed to us;
- Significant related party transactions that have not been approved in accordance with the Town's policies or procedures or for which exceptions to the Town's policies or procedures were granted, except as previously discussed;
- Significant related party transactions that appeared to lack a business purpose;
- Noncompliance with applicable laws or regulations prohibiting or restricting specific types of related party transactions; and
- Difficulties in identifying the party that ultimately controls the Town.



Qualitative Aspects of Accounting Practices

We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

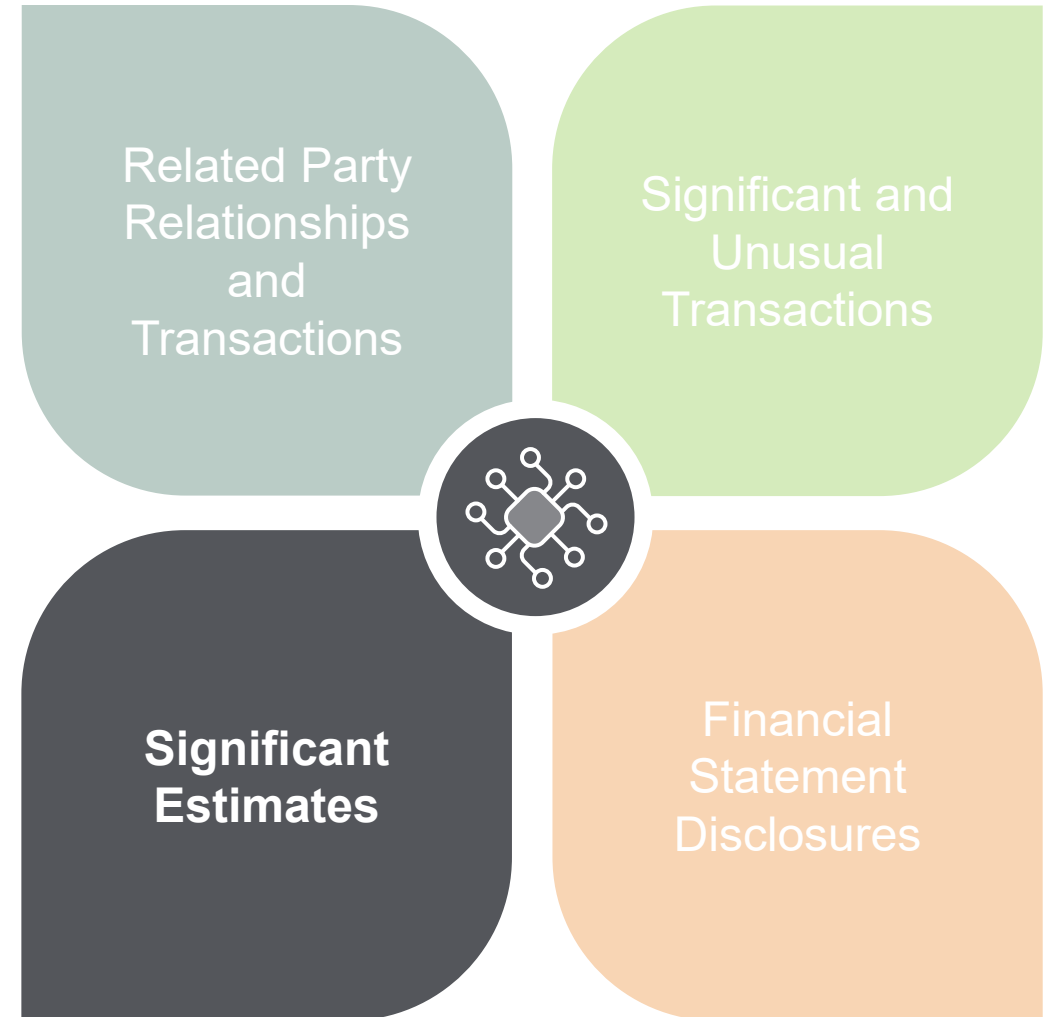
For purposes of this presentation, professional standards define significant unusual transactions as transactions that are outside the normal course of business for the Town or that otherwise appear to be unusual due to their timing, size, or nature. We noted no significant unusual transactions during our audit.



Qualitative Aspects of Accounting Practices

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

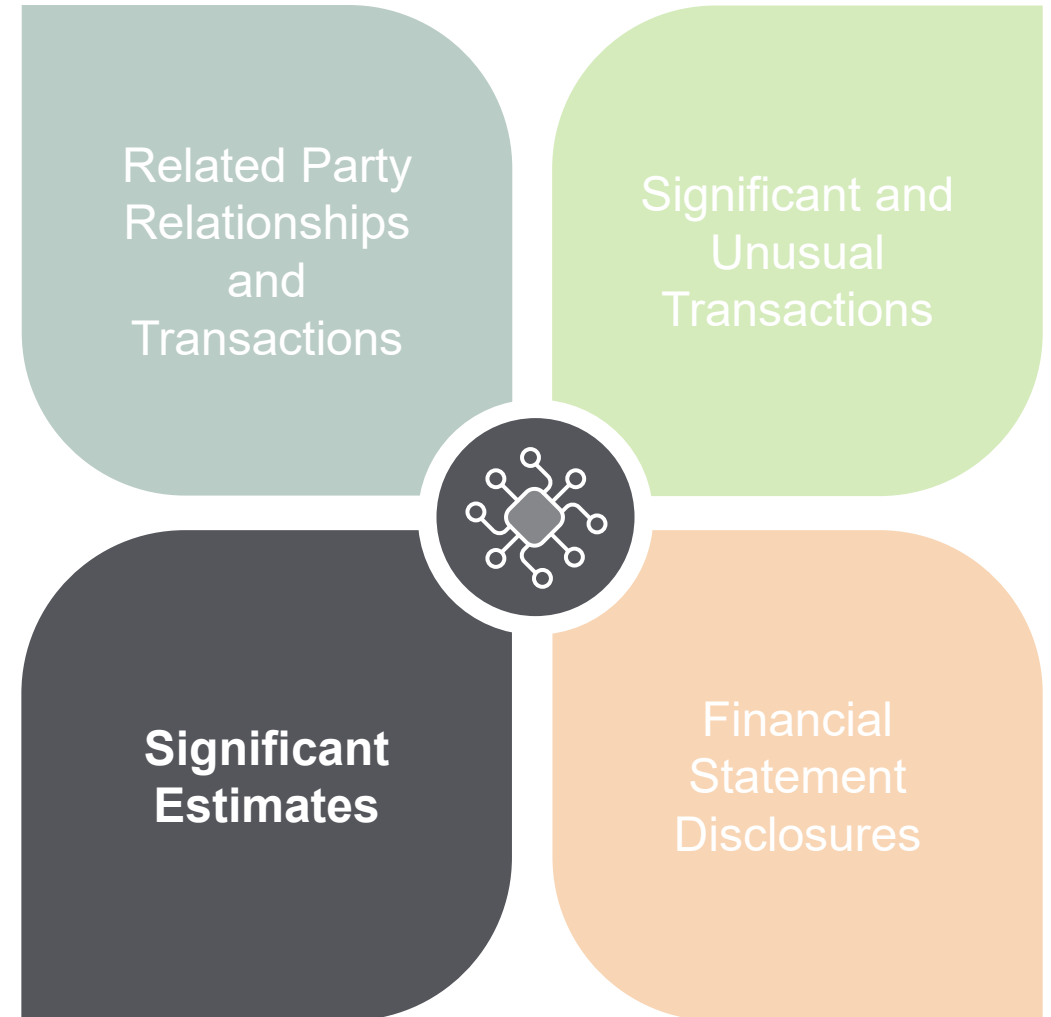
- Allowance for doubtful accounts.
- Depreciation expense.
- Other Postemployment Benefits (OPEB) liability and related deferred inflows and outflows of resources.



Qualitative Aspects of Accounting Practices

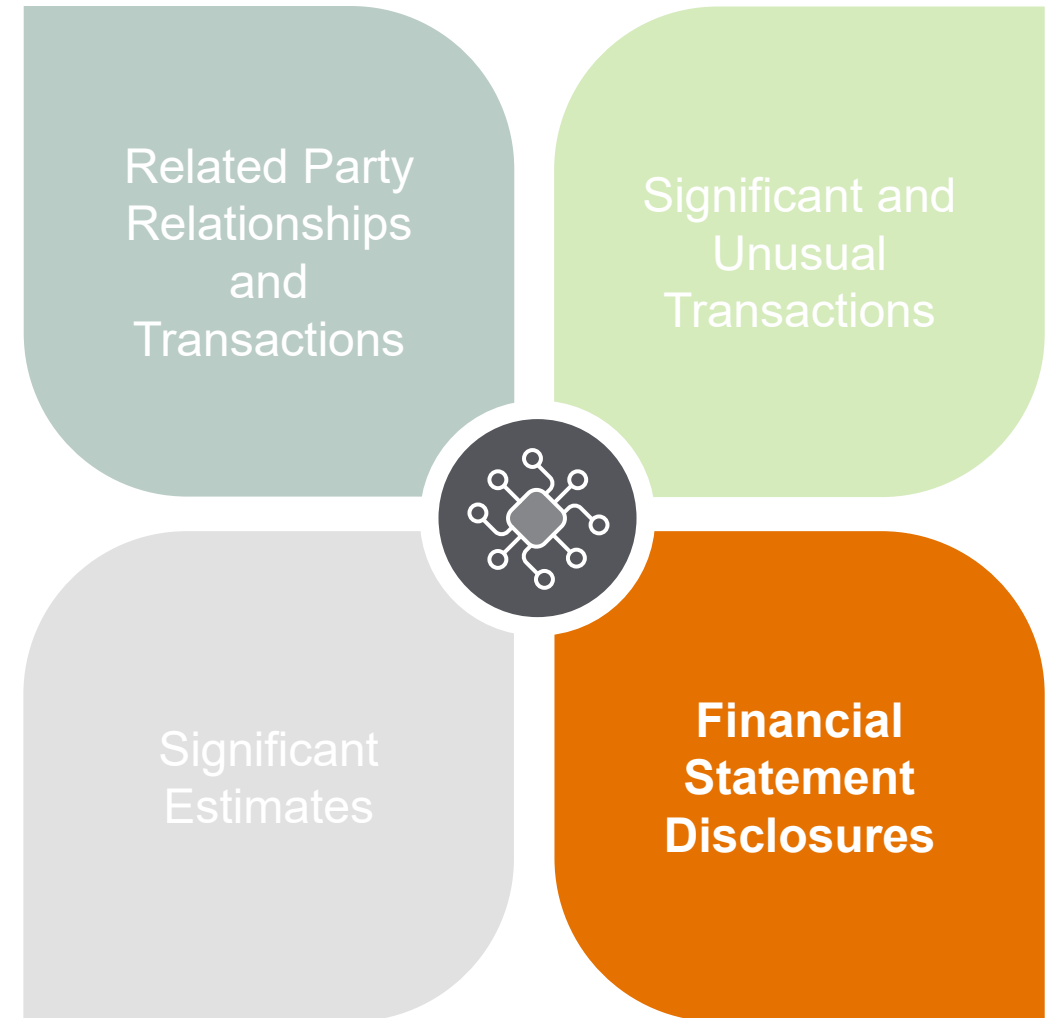
- Local Government Employees' Retirement System (LGERS) pension liability and related deferred inflows and outflows of resources.
- Law Enforcement Officers' Special Separation Allowance (LEOSSA) liability and related deferred inflows and outflows of resources.

Management's estimates of the identified above estimates are based on the analysis of historical collection trends, current customer relations, credit sales levels, depreciable lives, and actuarial valuations. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.



Qualitative Aspects of Accounting Practices

The financial statement disclosures are neutral, consistent, and clear.



Independence Considerations

Nonattest Services

- ▶ We will complete the appropriate sections of and sign the data collection form.
- ▶ We assisted with the implementation of GASB No. 101 – *Compensated Absences*.
- ▶ For all nonattest services we perform, you are responsible for designating a competent employee to oversee the services, make any management decisions, perform any management functions related to the services, evaluate the adequacy of the services, and accept overall responsibility for the results of the services.



Independence Conclusion

- ▶ We are not aware of any other circumstances or relationships that create threats to auditor independence.
- ▶ We are independent of the Town and have met our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits.



Other Required Communications

Difficulties Encountered

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

Includes disagreements on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Auditor Consultations

We noted no matters that are difficult or contentious for which the auditor consulted outside the engagement team.

Management Representations

We have requested certain representations from management that are included in the management representation letter expected to be dated May 28, 2026.



Other Required Communications

Management Consultations

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. To our knowledge, there were no such consultations with other accountants.

Other Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Fraud and Illegal Acts

As of the date of this presentation, no fraud, illegal acts, or violations of laws and regulations noted.

Going Concern

No events or conditions noted that indicate substantial doubt about the Town’s ability to continue as a going concern.



Other Matters

Required Supplementary Information

We applied certain limited procedures to the required supplementary information (“RSI”) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI. We were engaged to report on the other supplementary information which accompanies the financial statements, but which is not RSI.



Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



Other Information

The Town’s audited financial statements include an introductory and statistical section. We do not have an obligation to perform any procedures to corroborate the other information contained in the annual report. However, we read the other information and considered whether such information, or the manner of its presentation, was materially inconsistent with that appearing in the financial statements. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, was materially inconsistent with that appearing in the financial statements.



Upcoming Financial Reporting Changes

These standards will be effective for the Town in the upcoming years and may have a significant impact on the Town's financial reporting.

We would be happy to discuss with management the potential impacts on the Town's financial statements and how we may be able to assist in the implementation efforts.

- ▶ *GASB 103 – Financial Reporting Model Improvements*
- ▶ *GASB 104 – Disclosure of Certain Capital Assets*
- ▶ *GASB 105 – Subsequent Events*



Local Government Commission (LGC)

Performance Indicators

- ▶ Written Response from the Board is due within 60 days of this presentation.
- ▶ One Indicator was noted:
 - Audit was submitted after the December 31, 2025 due date.



Questions

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Financial Performance Highlights

June 30, 2025

Net Position – Full Accrual Presentation of the Town

	Governmental Activities	Business-Type Activities	Total
	2025	2025	2025
Current and other assets	\$ 160,010,447	\$ 122,309,041	\$ 282,319,488
Capital assets	828,084,789	396,901,180	1,224,985,969
Total assets	988,095,236	519,210,221	1,507,305,457
Deferred outflows of resources	21,059,558	4,245,310	25,304,868
Assets + Deferred Outflows	1,009,154,794	523,455,531	1,532,610,325
			-
Current Liabilities	25,047,504	20,365,750	45,413,254
Long Term Liabilities	149,187,702	55,818,231	205,005,933
Total liabilities	174,235,206	76,183,981	250,419,187
Deferred inflows of resources	13,854,468	3,085,754	16,940,222
Liabilities + Deferred Inflows	188,089,674	79,269,735	267,359,409
			-
Net Position:			-
Net investment in capital assets	730,922,431	354,163,310	1,085,085,741
Restricted	40,107,929	29,184,328	69,292,257
Unrestricted	50,034,760	60,838,158	110,872,918
Total net position	\$ 821,065,120	\$ 444,185,796	\$ 1,265,250,916

Change in Net Position

Net change in net position for the past five fiscal years are as follows:

	Reporting Year				
	2025	2024	2023	2022	2021
Governmental Activities	76,218,128	73,862,366	46,087,741	48,469,114	53,970,342
Electric Enterprise	4,474,980	9,514,523	860,195	2,277,840	3,835,659
Water & Sewer Enterprise	53,496,194	20,531,098	15,318,498	13,400,249	9,738,662
Stormwater Enterprise	923,247	890,850	-	-	-
Total change, June 30	\$ 135,112,549	\$ 104,798,837	\$ 62,266,434	\$ 64,147,203	\$ 67,544,663

Governmental Funds

Governmental funds are categorized by major (greater than 10% of the Town's financial resources) or as non-major.

Major Funds

- ▶ General Fund
 - Grants and Special Revenue
 - Affordable Housing

- ▶ Governmental Debt Service Fund (CIF)

- ▶ Transportation Capital Projects Fund

- ▶ American Rescue Act Project Fund*

Non-Major Funds

- General Capital Projects Fund
- Parks Capital Projects Fund*
- Recreation Capital Reserve
- Transportation Capital Reserve
- Perry Library
- Cemetery Fund

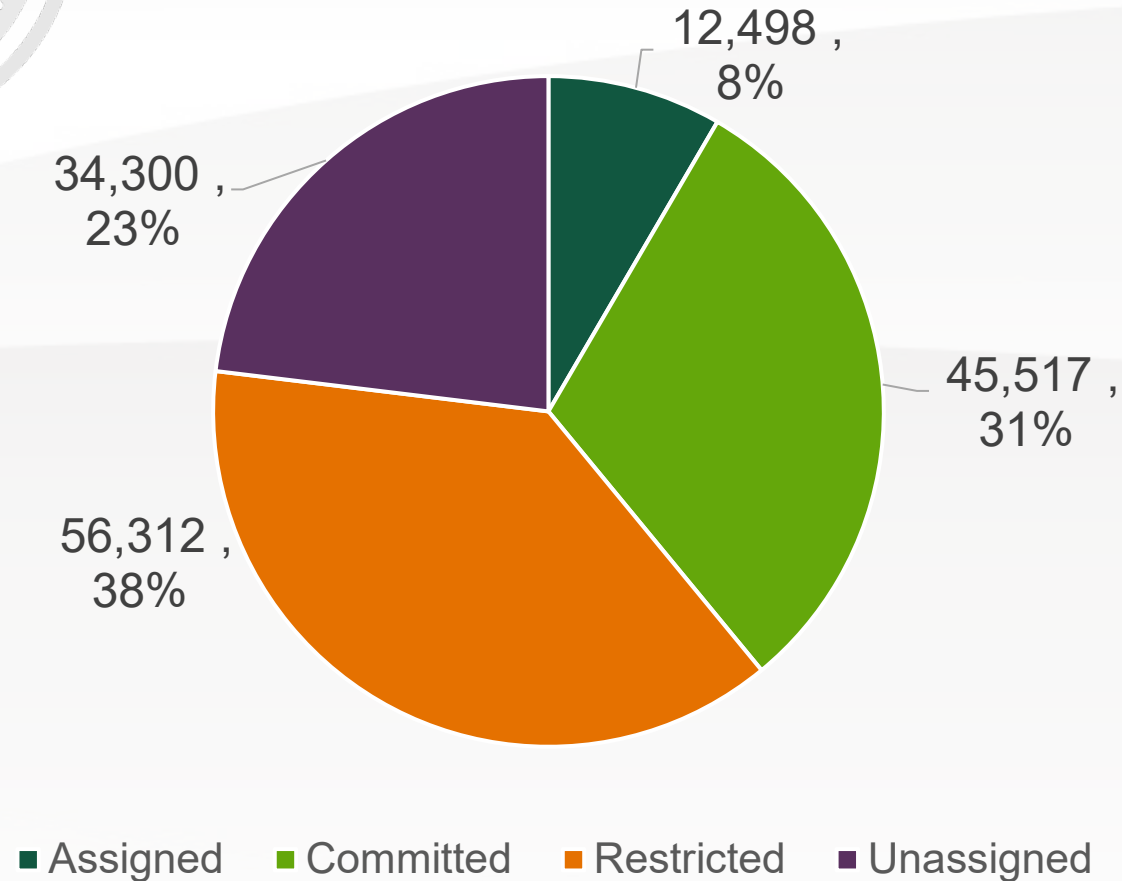
Fund Balances

Net change in fund balance (net position) for the past five fiscal years are as follows:

	2025	2024	2023	2022	2021
General Fund	\$9,078,001	\$4,121,350	(\$6,402,214)	\$10,630,653	\$6,364,091
Debt Service Fund (CIF)	\$295,426	\$4,617,663	\$3,600,000	n/a	n/a
Transportation Project Fund	(\$3,034,996)	(498,351)	Non-major	Non-major	Non-major
ARPA Project	(\$595,501)	\$1,613,059	\$82,095	Non-major	n/a
Nonmajor Funds	(\$1,950,293)	\$(3,386,589)	\$409,542	\$11,350,034	\$8,883,579

Total Governmental Fund Balances: \$148.7 million

Governmental Fund Balances



- Unassigned: No restrictions
- Committed: Capital project funds – infrastructure in progress/underway
- Restricted: External restrictions imposed by state law (primarily unspent bond proceeds + stabilization)
- Assigned: Primarily CIF balance or budget decisions from future years (as of 6/30/2025)



Property Taxes

- ▶ Assessed Valuation = \$19.67 billion – June 30, 2025
 - Compared to – \$12.49 billion - June 30, 2024
- ▶ Current year Ad Valorem Tax collections totaled - \$66.89 million –
- ▶ 99.77% of levy collected
- ▶ Approx \$500k paid to Wake County for collection services

Enterprise Funds

Enterprise Utilities	Reporting Year Income/Loss				
	2025	2024	2023	2022	2021
Water & Sewer	430,103	(3,812,139)	331,808	2,932,175	3,566,147
Electric	738,558	5,362,976	(498,351)	126,057	2,906,873
Stormwater	952,867	2,815,985	-	-	-
Operating Income/(Loss)	\$ 2,121,528	\$ 4,366,822	\$ (166,543)	\$ 3,058,232	\$ 6,473,020

- ▶ Operating funds only – excluding capital project funds
- ▶ Context: FY '26 all utility funds: 99m = operating margin of 2%

Long Term Debt (and Equivalents)

	2024	Increases	Decreases	2025
Governmental Activities				
Bonds and Notes	\$ 101,591,284	\$ 1,890,000	\$ (7,982,239)	\$ 95,499,045
Compensated Absences	3,918,944	571,820		4,490,764
LGERS	27,173,371	875,685		28,049,056
LEO Special Separation	4,751,417	163,794		4,915,211
OPEB Health Plan	27,180,087		(2,804,476)	24,375,611
IT Subscriptions	617,633	2,012,362	(606,071)	2,023,924
Business-Type Activities				
Bonds and Notes	46,384,932		(3,647,062)	42,737,870
Compensated Absences	818,979	70,361		889,340
LGERS	8,390,822	258,738		8,649,560
OPEB Health Plan	8,242,617		(827,298)	7,415,319
IT Subscriptions	333,084	251,290	(133,360)	451,014
Total Long Term	\$ 229,403,170	\$ 6,094,050	\$ (16,000,506)	\$ 219,496,714

Town/State Policy Evaluations

FUND BALANCE

Policy – unassigned fund balance 25% of General Fund adopted budgeted expenditures for subsequent year

Ending Fund Balance	\$	59,184,867
State Stabilization		(21,165,521)
FY 2026 Budget Appropriation		(3,985,000)
Unassigned Fund Balance		34,300,956
25% Operating Target Policy		<u>(28,473,650)</u>
Available for Appropriation	\$	5,560,696

DEBT COMPLIANCE

- Percentage of debt to valuation – **.74%**
 - Town Policy – 2.5% (\$312,153,949)
 - State Statute – 8% (\$1,565,562,683)
 - Legal Debt Margin – \$1,420,993,638
 - FY '25 Ending Debt: **\$95,499,045**
- Debt Service Ratio – **7.5%**
 - Town Policy – 12%



Debt Issuance Update for FY 2027

Subsequent Fiscal Year – as of Audit Report Date

▶ 1 Installment Financing in FY 2025

▶ Pending Installment Financing Contracts

- \$4~ million – Rolling Stock (Vehicle and Equipment) – Vehicles for FY 2025 and FY 2026
- Bidding expected in July, with an award in August 2026

- Reimbursement of Partial cost of Hughes Street property acquisition through a short term installment plan

▶ Limited Obligation Bonds and Revenue Bonds

- Planning a limited obligation bond in the fall to cover the existing/remaining portions of Town Hall renovations, Tunstall House, Salem Streetscape projects
- Revenue bonds planned for the electric system in the fall as well

Other Issues of Note

- **GASB 101:**

- Pre-GASB 101: The Town accrued liabilities for **vacation leave, compensatory time** and **professional leave**
- 6/30/2025 – the Town accrues liabilities for **vacation leave, compensatory time** and **sick leave**.
- Restatement of \$321,191 to implement, driven by a reduction in vacation liability and the addition of a liability for sick leave.

	<u>FY 2025 Liabilities</u>	
Vacation Leave	\$	4,328,044
Sick Leave	\$	926,118
Compensatory Time	\$	125,942
	\$	<u>5,380,104</u>

- **Utility/service billing allowances**

	<u>Billed Receivables</u>	<u>Allowance</u>	<u>Total</u>
General Fund	\$ 2,333,686	\$ 198,773	\$ 2,134,913
Electric Fund	6,962,435	2,188,862	4,773,573
Water and Sewer Fund	3,011,401	1,017,976	1,993,425
Stormwater Fund	250,080	54,903	195,177
	<u>\$ 12,557,602</u>	<u>\$ 3,460,515</u>	<u>\$ 9,097,088</u>

Key Takeaways

Strong Property Tax Collection Rate = High accuracy of property tax forecasts and cash availability

Stable/growing fund balances in operating funds

No compliance issues identified with the Town's use of federal/state funds



Financial Performance Indicators

- Fiscal Control Act audited financial statement deadlines 12/31 or 6 months after the fiscal year end
 - The Town did not achieve this goal.
 - The FY 2027 budget request for the Finance Department included \$17,835 of reductions in various line items (travel and training, professional services, software subscriptions, supplies) to set aside funds for improving reporting
 - Town will be able to provide the LGC/DST with a specific action plan upon adoption of the FY 2027 budget.

Other Items

- Certificate for Achievement of Excellence in Financial Reporting from the GFOA
 - Awarded for fiscal year ended June 30, 2024
 - Submitted application for fiscal year ended June 30, 2025
- Special thanks to Finance Department, as well as members of town staff
- Questions/Discussion