

| Agenda Item | cover sheet

for consideration by the Apex Town Council

Item Type: TOWN MANAGER'S REPORT

Meeting Date: May 12, 2026

Item Details

Presenter(s): Jon Griffin, Director
Lee Ann Watters, Assurance Director

Department(s): Finance
Cherry Bekaert

Requested Motion

Receive as information the Fiscal Year Ended June 30, 2025 Financial Audit Report from the External Auditors, Cherry Bekaert.

Approval Recommended?

Yes

Item Details

Cherry Bekaert, the Town of Apex's external auditor, has not completed the audit of the Town's financial statements and management letter for the fiscal year from July 1, 2024 through June 30, 2025.

During the meeting, the auditors will share all relevant information concerning the expressed audit opinion, concerns, and recommendations concerning the financial statements of the Town for the fiscal year of 2024-2025.

According to North Carolina General Statute § 159-34, each local government and public authority shall have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts.

The Town produces its financial statements internally, and all figures, calculations and representations are performed by the Town.

It is the auditor's responsibility to express opinions on these financial statements based on the audit. The Government Auditing Standards require that they plan and perform the audit to obtain reasonable

assurance about whether the financial statements are free from material misstatements. The audit shall evaluate the performance of a unit of local government with regard to compliance with applicable federal and State agency regulations.

The preparation and auditing of this year's financial statements were delayed by the following factors:

- Turnover in the Finance Director and Assistant Finance Director positions between April 2025 and August 2025 delayed or prevented the audit firm from performing interim (mid-year) procedures.
- From September 2025 to date, the Town received 4 additional external reviews of the Town's financial records, which required staff time and effort to prepare and transmit records and respond to inquiries.
- The Federal Government shutdown in October and November 2025 delayed the release of the OMB Compliance Supplement, the baseline document published annually to guide auditor reviews of compliance with federal funding. Apex reports \$17,757,103 in federal/state grant funded expenditures in FY 2025, only slightly less than the last 4 fiscal years combined (FY 2021 through FY 2024 \$17,921,632).
- FY 2025 required the implementation of GASB 101 (Compensated Absences) that required the Town Finance department to assess and calculate liabilities on employee leave balances with additional accounting complexity (assumptions on flow, likelihood to be settled in cash). Work to comply with GASB 101 was completed in January 2026.
- The Town prepares its Annual Comprehensive Financial Report internally, a time-intensive process that was lengthened by challenges with accounting data conversion and implementation of the Town's new accounting platform.
- Cherry Bekaert received draft versions of the Town's government-wide and basic financial statements (statements of revenues, expenditures and changes in fund balance and balance sheets), notes to the financial statements and statistical tables for audit on March 20th, 2026.

In prior public presentations of the Local Government Commissions' staff, , the most common reasons for audit delay are:

1. Staffing turnover in Finance office leadership positions (director)
2. CPA firm staffing and availability
3. System implementation and data conversion
4. Complexity of new GASB standards

In this case, the Town has experienced items 1, 3 and 4 simultaneously while working to complete the FY2025 financial report

Attachments

- TM1-A1: Fiscal Year 2025 Audit PowerPoint Overview **(to be provided at the meeting)**
- TM1-A2: Fiscal Year 2025 Audit - Annual Comprehensive Financial Report (ACFR) **(to be provided at the meeting)**

