



January 14, 2025

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2024

April Adams, Assurance Director | Cherry Bekaert





Purpose:

- Receive results of required annual external audit

Requested Action:

- No action necessary
- 



AGENDA

- Auditor communications
- Audit process and results
- Financial performance
- Summary and other items
- Questions and discussions





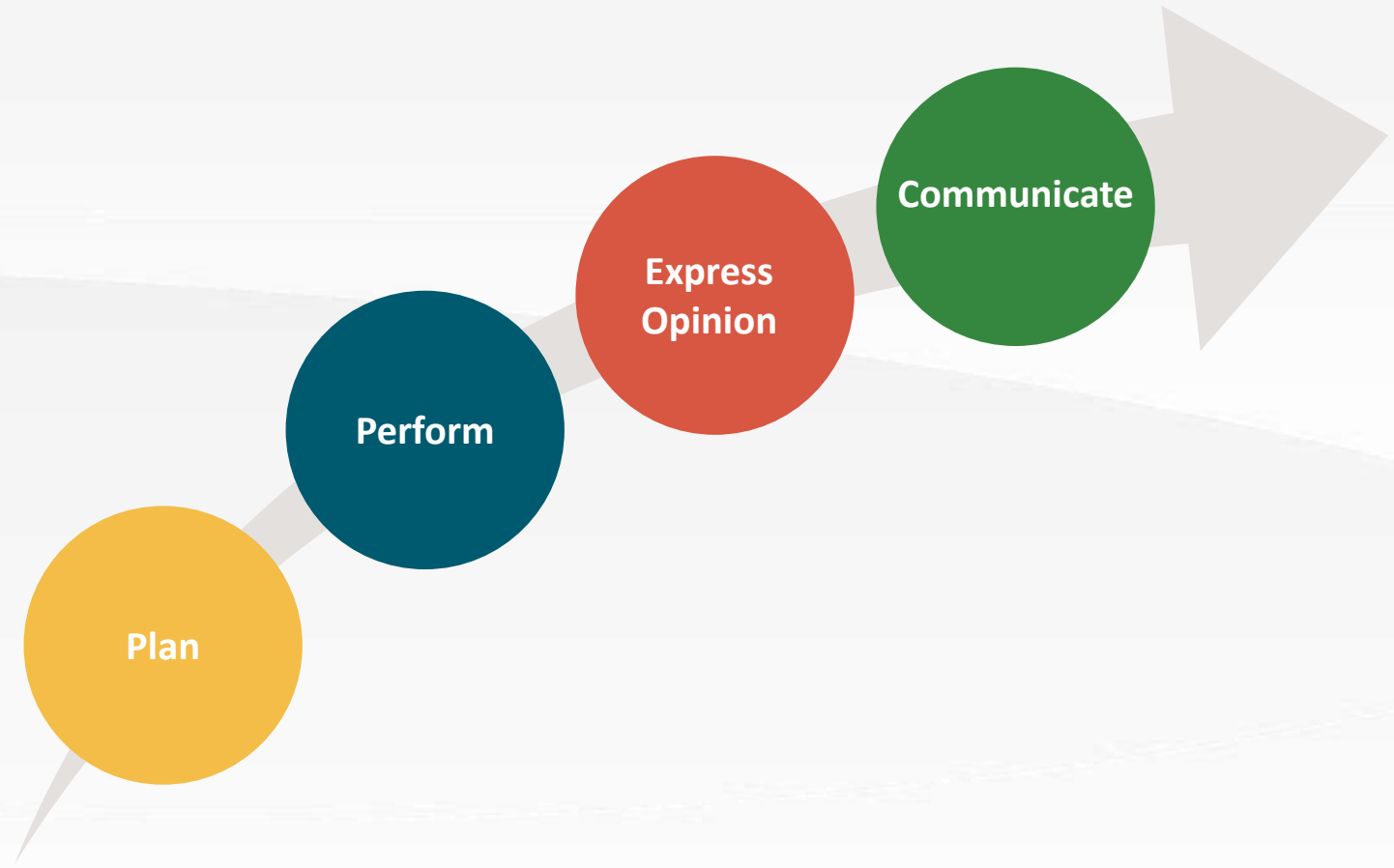
Annual Comprehensive Financial Report

Fiscal Year ending June 30, 2024

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, 2024 in accordance with generally accepted auditing standards and *Government Auditing Standards* and we have issued our report thereon dated December 20, 2024.

We have issued an unmodified opinion on the financial statements.



Single Audit

Compliance Testing

We have also audited the Town's compliance with the compliance requirements described in the Audit Requirements for State Awards in the Audit Manual for Governmental Auditors in North Carolina which could have a direct and material effect on the Town's major state program for the year ended June 30, 2024.

Opinion

We have issued an unmodified opinion on the financial statements and on compliance for major state program related to our single audits performed in accordance the State Single Audit Implementation Act.

State Major Program

- Powell Bill (DOT-4)

Internal Control Communications

- 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 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 Communications

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.

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.

No new accounting policies were adopted, and the application of existing policies was not changed during the year.

We noted no inappropriate accounting policies or practices.

Related Party Relationships and Transactions

Significant Unusual Transactions

Significant Estimates

Financial Statement Disclosures



Independence Considerations

Nonattest Services

- ▶ We will complete the appropriate sections of and sign the data collection form
- ▶ 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 and Matters

- Difficulties encountered
- Disagreements with management
- Auditor consultations
- Management representations
- Management consultations
- Other findings or issues
- Fraud and illegal acts
- Going concern

Supplementary
Information – in relation to
opinion

Required Supplementary
Information (MD&A) – no
opinion given

Introductory and Statistical
Sections – no opinion given

Significant
Estimates

Financial
Statement
Disclosures



LGC Performance Indicators

- **One** financial performance indicator of concern noted
- Audit was not submitted within five (5) months from fiscal year-end
- **Requires Response to Local Government Commission (within 60 days)**

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 101 –
*Compensated
Absences*

GASB 102 –
*Certain Risk
Disclosures*

GASB 103 –
*Financial
Reporting Model
Improvements*

GASB 104 –
*Disclosure of
Certain Capital
Assets*



Financial Performance Highlights

June 30, 2024

Property Taxes (page 153)

- Assessed Valuation = \$12.5 billion – June 30, 2024
 - Compared to – \$11.8 billion - June 30, 2023
- Current year Ad Valorem Tax collections totaled - \$55.0 million – an increase of \$6.5 million from the prior year
- 99.8% of levy collected

Fund Balance and Net Position (non-GAAP)

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

	2024	2023	2022	2021	2020
General Fund ⁽¹⁾	\$ 8,739,013	(\$2,802,214)	\$ 10,630,653	\$ 6,364,091	\$ 2,430,163
Electric Fund ⁽¹⁾	5,370,814	(498,351)	126,057	2,906,873	69,928
Water and Sewer Fund ⁽¹⁾	(3,813,400)	331,808	2,932,175	3,566,147	3,722,551
Stormwater Fund ⁽²⁾	2,815,985	N/A	N/A	N/A	N/A

Note1: Debt Service Funds are consolidated with corresponding fund for financial reporting purposes.

Note 2: Stormwater Fund established FY 2024. Transferred \$1.6M from Water and Sewer Fund in FY 2024, represent net collections since implementation of stormwater user fees – prior to having its own fund.

General Fund – Fund Balance

- Policy – unassigned fund balance 25% of General Fund adopted budgeted expenditures for subsequent year (FY 2025)
- Fund Balance Calculations:
 - Town policy – 25% or \$28,222,600
 - FY 2024 Unassigned Fund Balance –29.1% or \$32,821,095
 - Total amount above FY 2024 policy limit - \$4,598,495
 - FY 2025 – Appropriated Fund Balance – Adopted Budget - \$1.7M
 - FY 2025 – Appropriated Fund Balance – Amended Budget (to date) - \$340,000

Debt Position

DEBT OVERVIEW

- Debt issuance:
 - \$3.46M – Two-Thirds Bonds – Mason Street Building – 20 years – 3.74%
 - \$24.5M – GO Bonds – Transportation Improvements – 20 years – 4.11%
 - \$1.79M - Installment purchase – Rolling Stock – 4 years – 3.90%
- Total Outstanding Debt - \$147.99 million
 - General Government: \$101.59 million
 - Proprietary Funds: \$46.4 million
- Total applicable to limitation:
 - \$152.2 million (includes authorized but unissued GO Bonds)
 - 2021 - \$24.5 million unissued – Transportation Bonds

DEBT COMPLIANCE


- Percentage of debt to valuation – 1.2%
 - Town Policy – 2.5% (\$312,153,949)
 - State Statute – 8% (\$998,892,637)
 - Legal Debt Margin – \$846,701,189 (see Table 14)
- Debt Service Ratio – 8.9%
 - Town Policy – 12%



Debt Issuance Update

Subsequent Fiscal Year – as of Audit Report Date

- **Installment Financing Contracts**

- \$1.9 million – Rolling Stock (Vehicle and Equipment) – Police & Fire
 - PNC Bank – 4 Year – Level Principal – 3.58%
- 

Planned Debt Issuance

Subsequent Fiscal Year

- **Total Project Estimates:**
 - Pleasant Park Phase 2 - \$14M
 - Town Hall Renovations - \$3M
 - Tunstall House Renovations - \$3M
 - Big Branch 2 Pump Station and Forcemain - \$40M
 - Real Property Acquisitions - \$10M

- Timelines – TBD

- Debt Issuance Types and Amounts - TBD

Key Takeaways

Benefit of Wake County

- Property Tax collection rates
- Sales Tax

Strong financial reserves

Credit rating (reaffirmed in September 2023)

- Standard and Poor's (S&P) – AAA
- Moody's – Aaa

Solid unrestricted cash balance

- General Fund: \$44.7 million
- General Government Debt Service Fund: \$8.1 million
- Water and Sewer Fund: \$58.7 million
- Electric Fund: \$15.8 million
- Stormwater Fund: \$2.9 million

NC Department of State Treasurer

Subsequent Fiscal Year – FY 2025

- Local Government Budget Fiscal Control Act (NC 159-34(a))
 - Requires annual independent audit timely
 - Due date four months after fiscal year ended or October 31st
 - Considered late after November 30th
- Beginning with fiscal year 2025 due date will be six months after fiscal year ended or December 31st
 - Memo submitted December 20, 2024
 - Due to many challenges facing local governments (staffing, standards changes, complexities of audit, etc.)
 - Audit contract form has been updated to reflect revision
 - Submitted after March 31st – will receive notice of noncompliance and may have a portion of its sales tax distributions withheld
 - Note: units requesting LGC approval of debt must submit current audit report two months prior to the LGC meeting at which they are requesting consideration

Other Items

- Certificate for Achievement of Excellence in Financial Reporting from the GFOA
 - Awarded for fiscal year ended June 30, 2023
 - Submitted application for fiscal year ended June 30, 2024
- Special thanks to Finance Department, as well as members of town staff
- Questions/Discussion