



January 23, 2024

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2023

April Adams, Partner | 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, 2023*



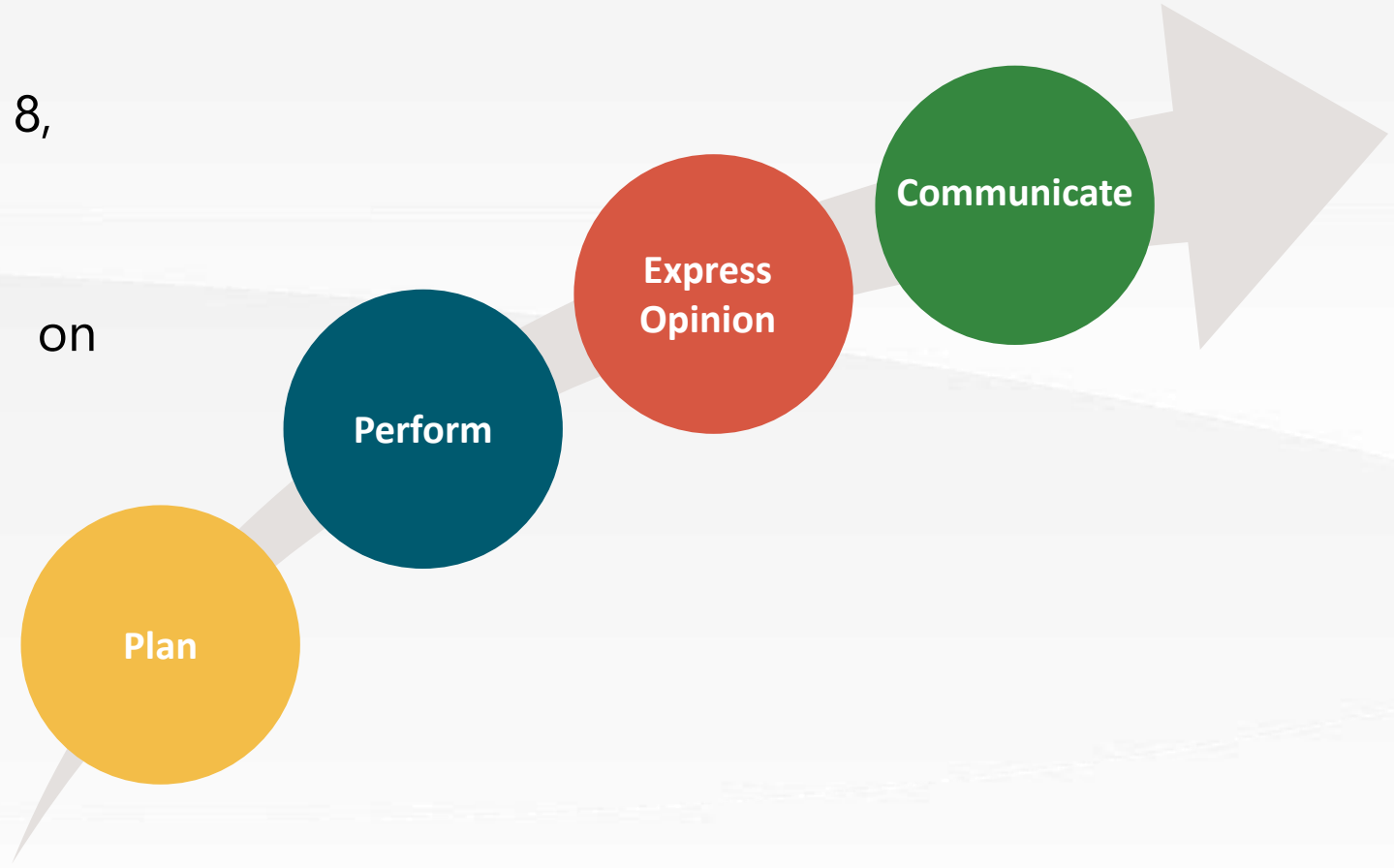
APEX
NORTH CAROLINA

Results of the Audit

We have audited the financial statements of the Town of Apex "the town" for the year ended June 30, 2023 and we have issued our report thereon date January 8, 2024.

We issued an unmodified opinion on Financial Statements

We also issued a report on internal controls over financial reporting and compliance and other matters.



Single Audit

Opinions

- We also issued reports on federal and state compliance with the Uniform Guidance and the State Single Audit Implementation Act for the major programs.
- No findings were reported in those reports.

Federal Major Program

- Coronavirus State and Local Fiscal Recovery Funds (ALN 21.027)

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 Uniform Grant Guidance and 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

- ▶ \$175,000 of contributions were recorded in central depository (pooled cash) in FY22 and were deposited into the OPEB Trust Account until FY23 causing the contributions in the OPEB Trust Fund to be higher than actual for FY23.

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.

As described in Note 1, the Town adopted GASB 96, Subscription-based Information Technology Agreements, effective July 1, 2022. Most prominent among the changes in the standard is the recognition of subscription-based information technology agreements as assets and liabilities for the obligated future payments

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

Required Supplementary
Information (MD&A)

Introductory and Statistical
Sections

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*



Financial Performance Highlights

June 30, 2023

Property Taxes (page 136)

- Assessed Valuation = \$11.8 billion – June 30, 2023
 - Compared to – \$11.1 billion - June 30, 2022
- Current year Ad Valorem Tax collections totaled - \$48.5 million – an increase of \$5.0 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:

	2023	2022	2021	2020	2019
General Fund ⁽¹⁾ ⁽²⁾	(\$2,802,214)	\$ 10,630,653	\$ 6,364,091	\$ 2,430,163	\$ 4,996,441
Electric Fund	(498,351)	126,057	2,906,873	69,928	835,385
Water and Sewer Fund	331,808	2,932,175	3,566,147	3,722,551	2,405,353

Note1: General Government Debt Service Fund consolidated with General Fund for financial reporting purposes. Fund established June 2023.

Note 2: Planned use of fund balance as discussed during annual audit report presentation in May 2023, for fiscal year ended June 30, 2022.

General Fund – Fund Balance

- Policy – unassigned fund balance 25% of General Fund adopted budgeted expenditures for subsequent year (FY 2024)
- Fund Balance Calculations:
 - Town policy – 25% or \$23,891,050
 - FY 2023 Unassigned Fund Balance – 30.2% or \$28,844,579
 - Total amount above FY 2023 policy limit - \$9,524,953,529
 - FY 2023 – Purchase Order Carry Forward - \$3.2M
 - FY 2024 – Appropriated Fund Balance – Adopted Budget - \$4.7M
 - FY 2024 – Appropriated Fund Balance – Amended Budget (to date) - \$1.4M

Debt Position

DEBT OVERVIEW

- Debt issuance:
 - No new debt issuances
- Total Outstanding Debt - \$127 million
 - General Government: \$76.9 million
 - Proprietary Funds: \$50.1 million
- Total applicable to limitation:
 - \$153.5 million (includes authorized but unissued GO Bonds)
 - 2015 - \$7 million unissued – Transportation Bonds
 - 2021 - \$42 million unissued – Transportation Bonds

DEBT COMPLIANCE

- Percentage of debt to valuation – 1.3%
 - Town Policy – 2.5% (\$294,995,785)
 - State Statute – 8% (\$943,986,511)
 - Legal Debt Margin – \$790,470,706 (see Table 14)
- Debt Service Ratio – 9.3%
 - Town Policy – 12%

Debt Issuance Update

Subsequent Fiscal Year

- **General Obligation Bonds:**

- \$24.5 million – Transportation Projects
 - \$ 7.5 million – Apex Peakway Southwest Connector (2015 authorization)
 - 15.5 million – Apex Peakway Southwest Connector (2021 authorization)
 - 1.0 million – Pavement Improvements (2021 authorization)
 - 1.0 million – Safe Routes to Schools (2021 authorization)
- Hilltop Securities – 20 Year – Level Principal – 4.21%
- \$1.36M bond premium

- **Two-Thirds Bonds:**

- \$3.4 million – Mason Street Building
- Hilltop Securities – 20 Year – Level Principal - 4.19%
- \$89k bond premium

- **Installment Financing Contracts**

- \$1.8 million – Rolling Stock (Vehicle and Equipment)
- Pinnacle Bank – 4 Year – Level Principal - 3.90%



Planned Debt Issuance

Subsequent Fiscal Year

- **Total Project Estimates:**
 - Pleasant Park Phase 2 - \$14M
 - Town Hall Renovations - \$3M
 - Big Branch 2 Pump Station and Forcemain - \$40M
- 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: \$43.2 million

- General Government Debt Service Fund: \$3.6 million

- Water and Sewer Fund: \$62.2 million

- Electric Fund: \$13.1 million

Other Items

- Certificate for Achievement of Excellence in Financial Reporting from the GFOA
 - Will apply for FY 2023
- Special thanks to Finance Department and members of town staff
- Questions/Discussion