



# City of Greensboro, North Carolina **Audit Executive Summary**

November 12, 2024



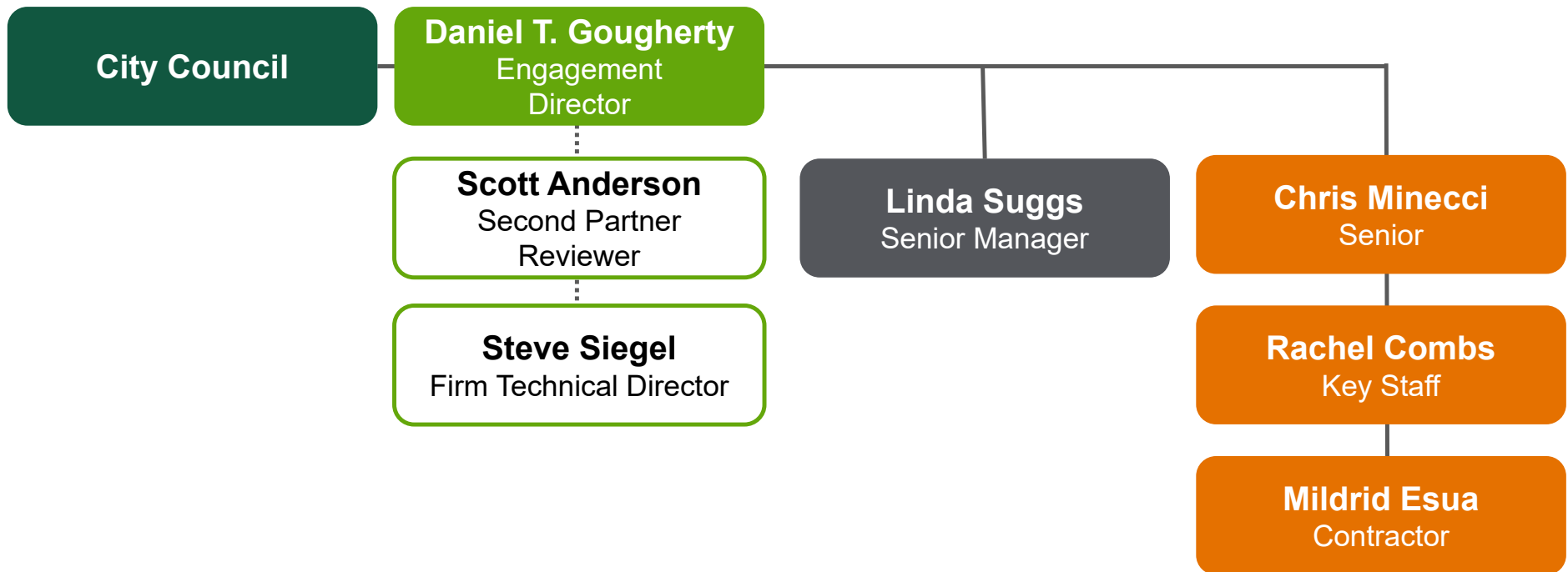
# Agenda

- ▶ Client Service Team
- ▶ Results of the Audit
- ▶ Partnership with M/WBE Firm
- ▶ Internal Control Communication
- ▶ Internal Control and Compliance
- ▶ Corrected and Uncorrected Misstatements
- ▶ Qualitative Aspects of Accounting Practices
- ▶ Independence Considerations
- ▶ Other Required Communications
- ▶ Other Matters
- ▶ Upcoming Financial Reporting Changes
- ▶ Local Government Commission – Performance Indicators

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# Client Service Team

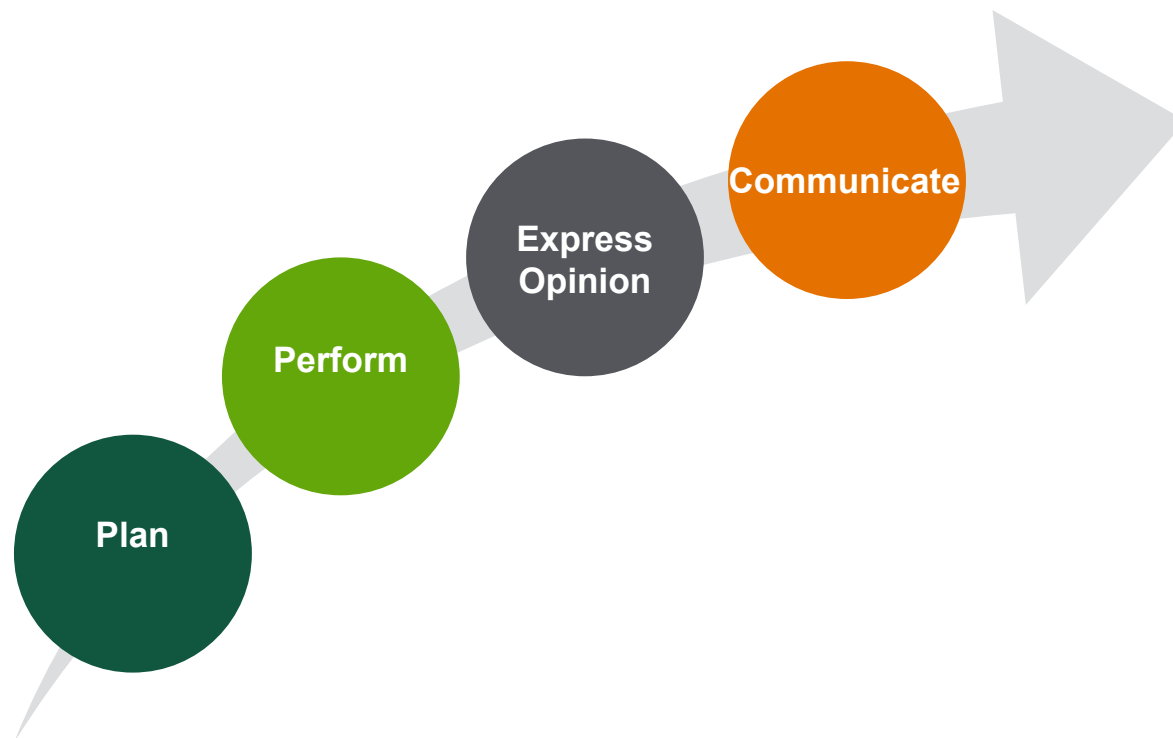


# Results of the Audit

We have audited the financial statements of the City of Greensboro, North Carolina (the “City”) for the year ended June 30, 2024, and we have issued our report thereon dated October 31, 2024.

We have also audited the City’s compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina that could have a direct and material effect on each of the City’s major federal and state programs for the year ended June 30, 2024. We have issued our report dated October 31, 2024.

**We have issued unmodified opinions on the financial statements and on compliance with the Uniform Grant Guidance and NC State Implementation Act Single audits.**



# Partnership with M/WBE Firm

Mildrid Esua, CPA, PPLC  
Certified Public Accountant & Advisors  
Greensboro, NC

7.80% of audit fee



# 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 on compliance with Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’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 City'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 two (2) significant deficiencies over financial reporting. We noted one (1) significant deficiency / nonmaterial noncompliance finding as it relates to our State single audit. We noted no material weaknesses.



# Internal Control Communication

## Significant Deficiency

**2024-001:** During the performance of our analytical procedures over the Solid Waste Management Fund revenues, the City discovered the internal charges to record usage by the General Fund were not recorded for May 2024. This was an understatement of revenues and expenditures in the Solid Waste Management Fund and General Fund, respectively, of approx. \$600,000. The entry was a noncash transaction and corrected by management in the current year.

**2024-002:** Issues around the recording of Notes Receivable in the prior year and analysis of forgivable loans resulted in Notes Receivable and Beginning Fund Balance/Net Position being overstated by approx. \$2,900,000. The City has corrected these errors through current year operations.





# Internal Control and Compliance

## Single Audit (Grants)

### Federal Major Programs

- Community Development Block Grants
- HOME Investment Partnerships
- Workforce Innovation Opportunity Act Cluster
- COVID-19: American Rescue Plan Act

### State Major Programs

- Industrial Development Fund Utility Account
- One North Carolina Fund
- State Contingency Fund

Verified  
Compliance  
with Grant  
Agreements



# Internal Control Over Compliance Communication

## Significant Deficiency

**2024-003:** The grantee should submit a performance report every February 1st specifying what has been accomplished and what they expect to accomplish for the upcoming year. The City did not ensure one grantee submitted the required report to the North Carolina Department of Commerce.



# 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

- ▶ The following material misstatements detected as a result of audit procedures were corrected by management:
  - ▶ Increase in General Fund expenditures and Solid Waste Management Fund revenue for May 2024 internal usage charge of approximately \$600,000



# Corrected and Uncorrected Misstatements

## Uncorrected Misstatements

- ▶ The following summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

There was one passed adjustment related to notes receivable in the Housing Partnership Revolving Fund and the HOME Fund as follows:

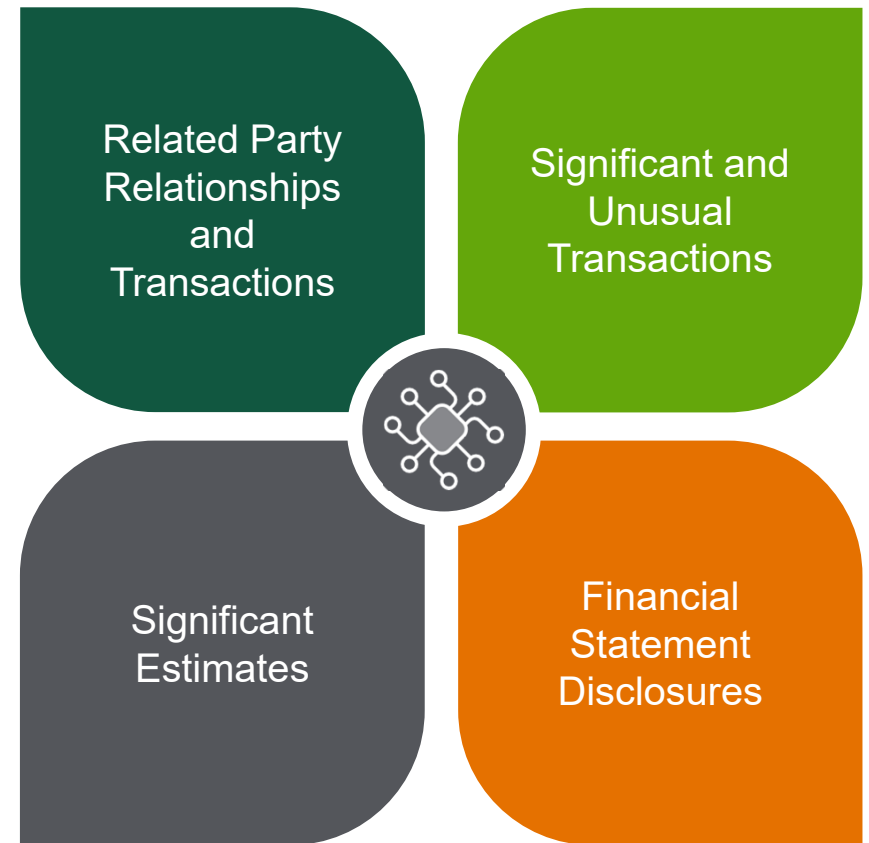
- ▶ Notes receivable and Beginning Fund Balance/Net Position was overstated by \$2,962,939. The City has corrected these errors through current year operations, rather than as a restatement to the financial statements.



# Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City 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.

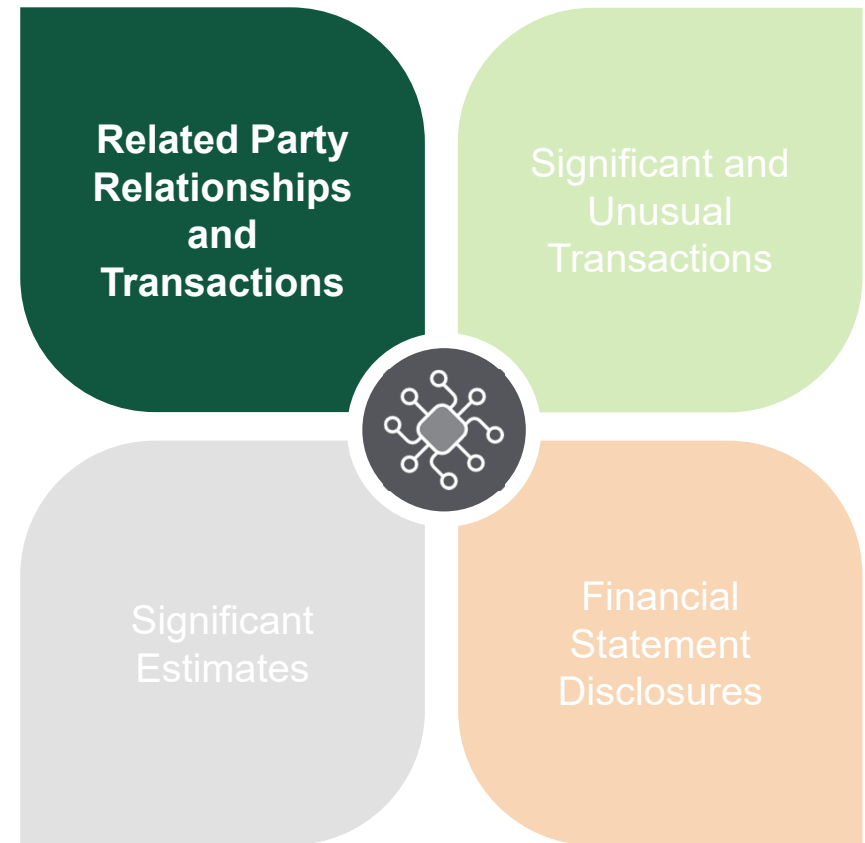


# Qualitative Aspects of Accounting Practices

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

We noted none of the following:

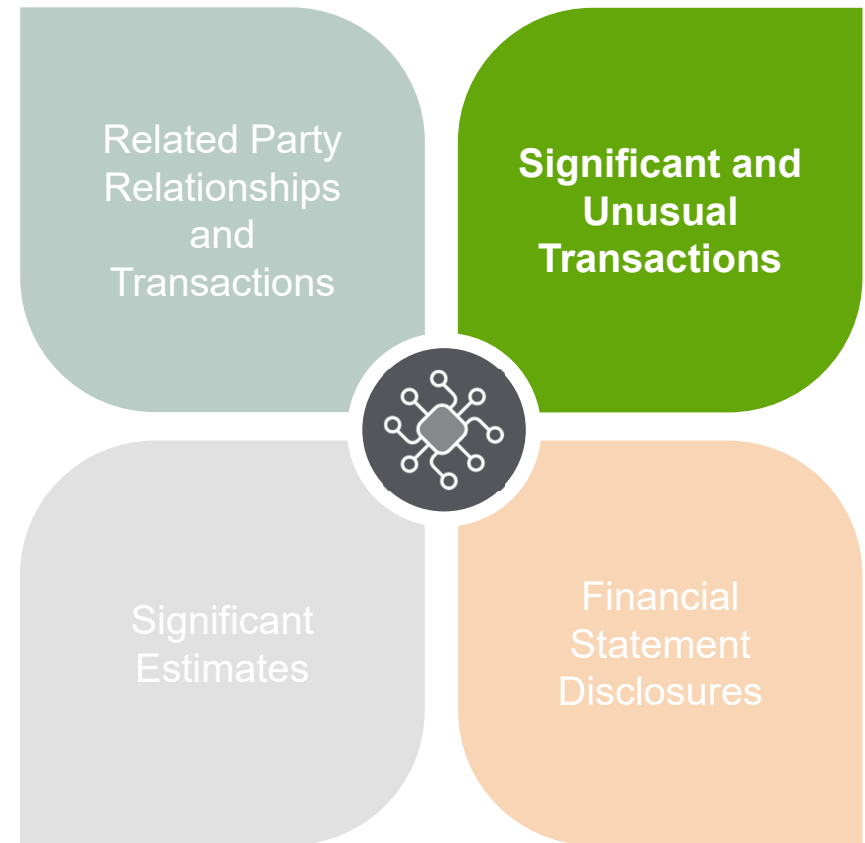
- Related parties or related party relationships or transactions that were previously undisclosed to us;
- Significant related party transactions that have not been approved in accordance with the City's policies or procedures or for which exceptions to the City's policies or procedures were granted;
- 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 City.



# Qualitative Aspects of Accounting Practices

We noted no transactions entered into by the City 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.

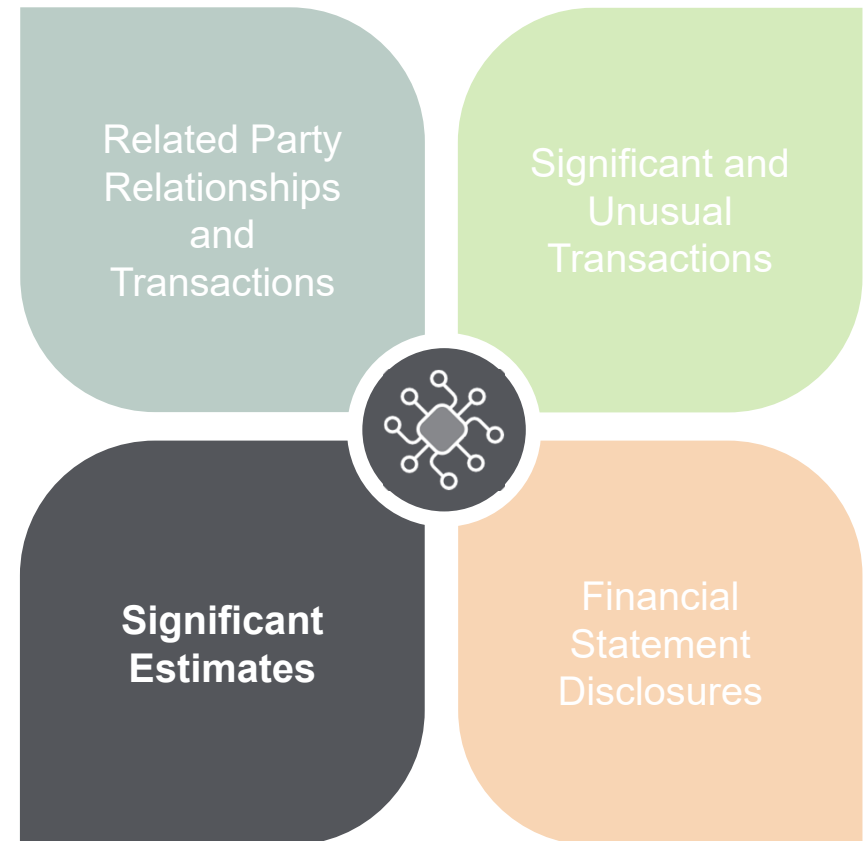
For purposes of this presentation, professional standards define significant unusual transactions as transactions that are outside the normal course of business for the City or that otherwise appear to be unusual due to their timing, size, or nature. We noted no significant unusual transactions during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

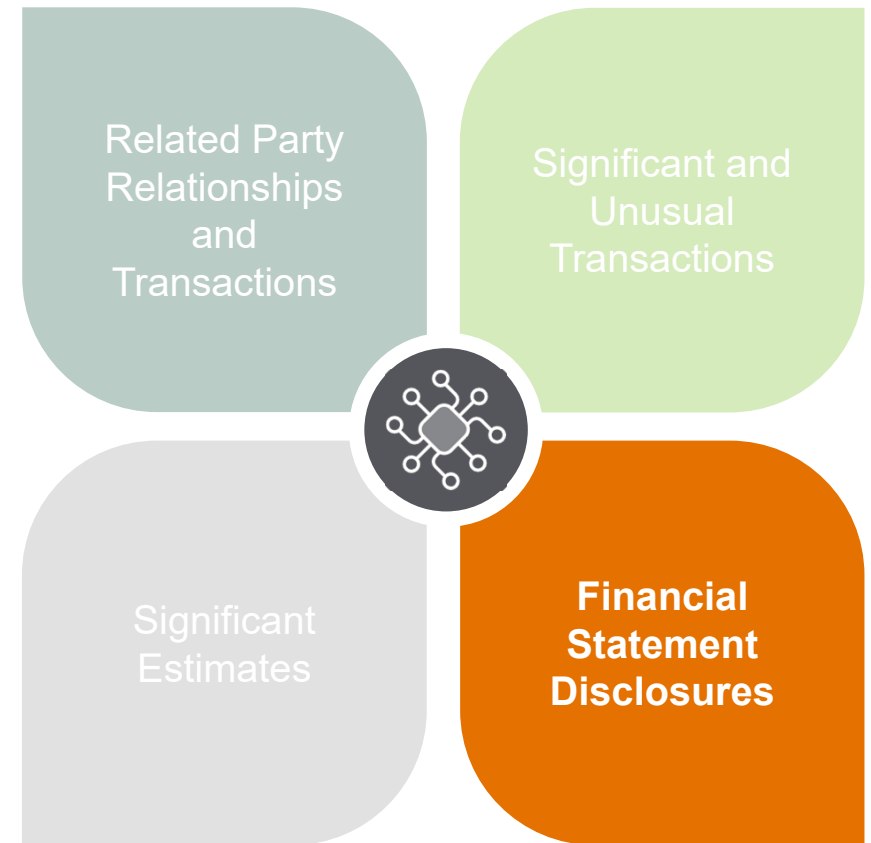
- ❖ Accrual for unbilled revenue (utilities)
- ❖ Allowance for uncollectible accounts
- ❖ Depreciable lives and estimated residual value of capital assets
- ❖ Leases and SBITA's Right-To-Use Assets and related Liabilities
- ❖ Fair value of investments
- ❖ Incurred but not reported claims payable
- ❖ Defined benefit plans (LGERS and LEOSSA) liabilities and related deferred inflows and outflows of resources
- ❖ Other postemployment benefit plan (OPEB) liability and related deferred inflows and outflows of resources
- ❖ Municipal solid waste landfill obligations





# Qualitative Aspects of Accounting Practices

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



# Other Matters

## Nonattest Services

- ▶ We will complete the appropriate sections 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 Considerations

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



# 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 dated October 31, 2024.



# 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 were noted, other than what has already been disclosed by management.

## Going Concern

No events or conditions noted that indicate substantial doubt about the City’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.



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# Other Matters

## Other Information

We were not engaged to report on the introductory and statistical section, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements themselves and, accordingly, we do not express an opinion or provide any assurance on it.



# Upcoming Financial Reporting Changes

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

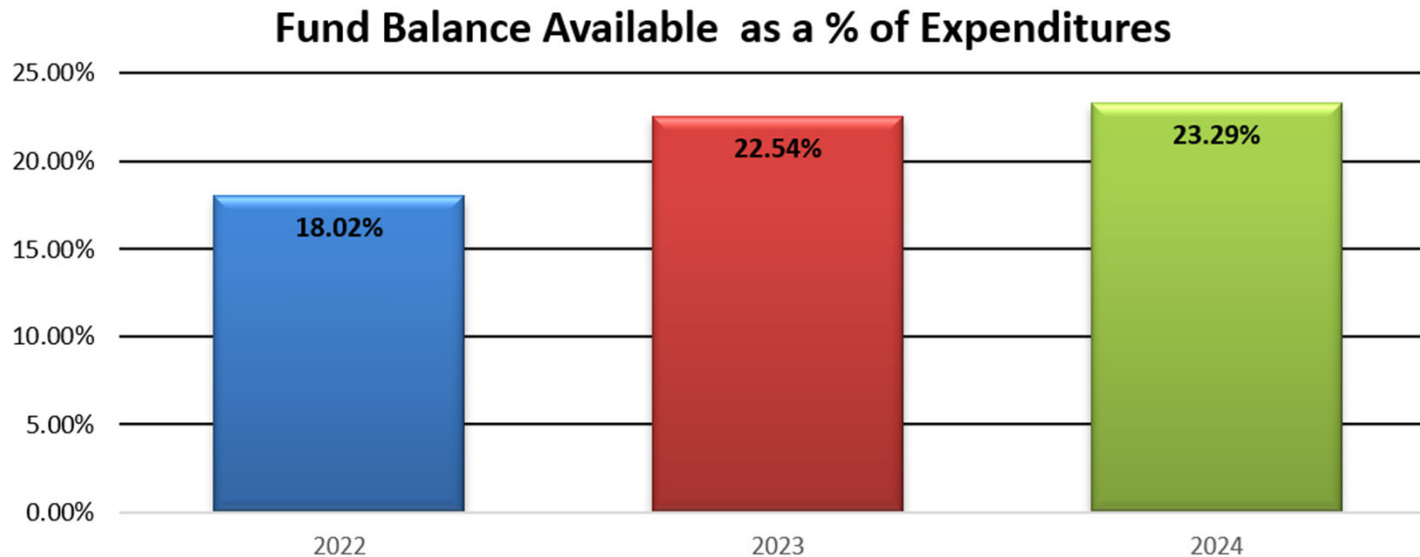
We would be happy to discuss with management the potential impacts on the City's financial statements and how we may be able to assist in the implementation efforts.

- ▶ *GASB 101 – Compensated Absences*
- ▶ *GASB 103, Financial Reporting Model Improvements*
- ▶ *GASB 102, Certain Risk Disclosures*
- ▶ *GASB 104, Disclosure of Certain Assets*



# Local Government Commission (LGC) Performance Indicators – General Fund

\*Included in the LGC's calculation is the municipal debt service fund balance and assigned and unassigned general fund balance.



✓ LGC Required Minimum Threshold – 25%





# Local Government Commission (LGC) Performance Indicators – General Fund (continued)

Fiscal Year	General Fund & Debt Service Fund Balance**	General Fund – Expenditures***	Available Fund Balance as a Percentage
2020	\$64,411,985	\$297,908,931	21.62%
2021	\$65,790,972	\$299,624,143	21.96%
2022	\$59,131,523	\$328,125,503	18.02%*
2023	\$91,955,153	\$407,911,080	22.54%
2024	\$94,535,967	\$405,853,327	23.29%

\* Includes a negative fair market adjustment of approximately \$5,250,000

\*\* General Fund Assigned and Unassigned Fund Balance only and Debt Service Fund Balance

\*\*\* Total expenditures including transfers out but excluding Leases and SBITA's proceeds issued



# Local Government Commission (LGC) Performance Indicators – General Fund (continued)

Fiscal Year	Increase (Decrease) in General Fund Balance
2020	\$1,181,792
2021	\$20,359,867
2022	\$10,333,312
2023	\$23,893,910
2024	(\$3,017,738)



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# LGC Performance Indicators

## Audit Report –

- ✓ Submitted within five (5) months from fiscal year-end.
- ✓ Fund balance of General Fund was positive
- ✓ Budgeted tax levy for the General Fund had less than 3% uncollected
- ✓ Effective pre-audit process to avoid pervasive budget violations
- ✓ No late debt service payments or debt covenant compliance issues
- ✓ No statutory violation within Annual Comprehensive Financial Report

## **The following items requiring response to Local Government Commission within 60 days (January 10, 2025):**

- Available fund balance below 25% threshold and negative change in fund balance for the General Fund
- Two (2) significant deficiencies in internal control over financial reporting



# Questions

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*Director*

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