LETTERHEAD OF INDEPENDENT AUDITOR

## Independent Auditor’s Report

To the Honorable Mayor

and Members of the City Council

Dogwood, North Carolina

**Report on the Audit of Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dogwood, North Carolina as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Dogwood’s basic financial statements as listed in the table of contents.

In our opinion, based upon our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Dogwood as of June 30, 2024, and the respective changes in financial position, and cash flows [where applicable] thereof and the respective budgetary comparison for the General Fund [and major, annually budgeted special revenue funds, if applicable], for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the City of Dogwood’s ABC Board, which represent 100 percent, 100 percent, and 100 percent of the assets, net position, and revenues, respectively, of the discretely presented component unit as of June 30, 2024, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Dogwood’s ABC Board, is based solely on the report of the other auditors.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Dogwood and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of City of Dogwood’s ABC Board were not audited in accordance with *Governmental Auditing Standards.*

***Responsibilities of Management for the Audit of the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the City of Dogwood’s ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect material statement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAASand *Governmental Auditing Standards* we

* exercised professional judgement and maintained professional skepticism throughout the audit.
* identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
* obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Dogwood’s internal control. Accordingly, no such opinion is expressed.
* evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
* conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Dogwood’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages xx through xx, and the Other Post Employment Benefit and Law Enforcement Officers’ Special Separation Allowance Schedules of Funding Progress and Employer Contributions on pages xx through xx, the Local Government Employees’ Retirement System’s Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions, on pages xx through xx, respectively, and the Firefighter’ and Rescue Squad Worker’s Pension Fund’s Schedule of the Proportionate Share of Net Pension Liability (Asset) on page xx be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditorshave applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dogwood’s basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, as well as the accompanying schedule of expenditures of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditorsthe combining and individual fund financial statements, budgetary schedules, other schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated [date of report] on our consideration of the City of Dogwood’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Dogwood’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Dogwood’s internal control over financial reporting and compliance.

*[Signature]*

*[City and State]*

*[Date]*

**Note to preparer:** Sample audit opinions and reports may be found [here](https://www.nctreasurer.com/state-and-local-government-finance-division/local-government-commission/annual-audit/compliance-supplements-and-resources/single-audit-reporting).

**Reference to another auditor:** This example shows an entire opinion unit that has been audited by another auditor. In this example, the City of Dogwood only has one component unit and therefore 100 percent of the assets, net position and revenues of the opinion unit are represented. The information on the percentage of the opinion unit is not necessary since this is obviously 100 percent.

Appropriate changes to this sentence should be made when the entire opinion unit is **not** audited by another auditor, and the group auditor has chosen not to assume responsibility for the work of the other auditor, insofar as it relates to the auditor’s opinion on the basic financial statements. For example, “We did not audit the financial statements of the Sewer Enterprise Fund, which represent XX percent, YY percent, and ZZ percent, respectively, of the assets, net position, and revenues of the business-type activities.” However, the report still should indicate in the “Auditor’s Responsibility” section the group engagement auditor’s responsibility for auditing that opinion unit. The group engagement auditor should also express or disclaim an opinion on the opinion unit in the “Opinion” section of the report.

If another auditor is not referenced, the reference to other auditors noted in red may be removed.

**Audits performed under Governmental Auditing Standards:** For financial audits performed in accordance to Governmental Auditing Standards, chapters 1 – 6 of Governmental Auditing Standards apply.

A statement should be inserted if a material component unit or fund is not required to have an audit performed under *Governmental Auditing Standards*, and one is not performed even though the primary government had an audit performed in accordance to *Governmental Auditing Standards.* The following statement should be entered as a third sentence of the paragraph: “The financial statements of [name of component unit or fund] were not audited in accordance with *Governmental Auditing Standard*

If audit was not performed under GAGAS the text noted in GREEN may be removed. If the entire audit was performed under GAS, the text noted in PURPLE may be removed.

**Audits performed under Governmental Auditing Standards:** This example shows that a **Schedule of Expenditures of Federal and State Awards** (SEFSA) is presented in the same cover as supplementary information, and that an audit was performed under the requirements of the Uniform Guidance. .

If audit did not include a SEFSA and a single audit was not performed, the text noted in GOLD may be removed.

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| **Emphasis of Matter paragraph:** If required by GAAS or the auditor considers it necessary to draw users' attention to a matter appropriately presented or disclosed in the financial statements that, in the auditor's professional judgment, is of such importance that it is fundamental to users' understanding of the financial statements, the auditor should refer to AU-C §706 and include an emphasis-of-matter paragraph in the auditor's report, provided that the matter does not result in a modified opinion. Circumstances in which the paragraph is necessary is 1) uncertainty related to future outcome of unusually important legislation or regulatory action, 2) significant subsequent event, 3) a major catastrophe that effect the entity’s financial position or results of operations, or 4) significant transaction of related parties. |

**Other Matter paragraph:** If required by GAAS, or the auditor would like to refer to a matter other than those presented or disclosed in the financial statements that, in the auditor's professional judgment, is relevant to users' understanding of the audit, the auditor's responsibilities, or the auditor's report, the auditor should consult AU-C 706 and may include an “Other Matter” paragraph. An example is if the law, regulation, or generally accepted practice may require or permit the auditor to elaborate on matters that provide further explanation of the auditor's responsibilities in the audit of the financial statements or of the auditor's report thereon.

**Going Concern:** When performing risk assessment, the auditor should consider whether there are conditions or events, considered in the aggregate, that raises substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time. If substantial doubt has been raised, the auditor should consult guidance found in AU-C §570, including discussing with management and determining if adequate note disclosures are included in the audit. The auditor may determine that a “Substantial Doubt About the Entity’s Ability to Continue as a Going Concern” paragraph is necessary.

**Other Information paragraph:** If the audit report includes OI, such as an Introductory Section and a Statistical Section, when an Annual Comprehensive Financial Report (ACFR) is issued, the auditor’s responsibility for this information should be stated in the OI section of the report.The OI section of the report illustrates a situation where OI is included in the annual report and all information was obtained prior to the date of the auditor's report, the auditor has applied the specified procedures, no uncorrected material misstatements of the OI exist, and the auditor is issuing an unmodified opinion on the basic financial statements. If the auditor has concluded that an uncorrected material misstatement of the other information exists or if the auditor has issued an opinion other than unmodified on the basic financial statements, refer to the guidance in AU-C section 720, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*. (See the discussion beginning at paragraph 16.90.)