

CITY ██████████, NORTH CAROLINA  
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**Report of Independent Auditor on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

To the Members of the City Council  
[REDACTED], North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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 [REDACTED] North Carolina (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 1, 2023. Our report includes a reference to other auditors, who audited the financial statements of the [REDACTED] BC Board (the "Board"), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. The financial statements of the Board were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Board or that are reported separately by those auditors who audited the financial statements of the Board.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's 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 opinions on the financial statements, 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.

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. 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section 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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of [REDACTED] North Carolina's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the [REDACTED] North Carolina's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. [REDACTED] North Carolina's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cherry Bekasart LLP*

Charlotte, North Carolina  
December 1, 2023

**Report of Independent Auditor on Compliance for the Major Federal Program and on  
Internal Control over Compliance in Accordance with the OMB Uniform Guidance and the  
State Single Audit Implementation Act**

To the Members of the City Council  
[REDACTED] North Carolina

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited [REDACTED] North Carolina's (the "City"), compliance with the types of compliance requirements identified in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the [REDACTED] (the "Board"), which expended no state awards during the year ended June 30, 2023. Our audit, described below, did not include the operations of Board, since it was audited by other auditors.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2023.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of State Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for State Awards* ("Uniform Guidance") and the State Single Audit implementation Act. Our responsibilities under those standards, Uniform Guidance and the State Single Audit Implementation Act are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

***Auditor's Responsibility for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the 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 over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

**Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance**

We have audited the 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 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 1, 2023, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Board. Those financial statements were audited by other auditors whose report thereon have been furnished to us and our opinion, insofar as it relates to the amounts for the Board, is based solely on the report of the other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is 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 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Charlotte, North Carolina  
December 1, 2023

**Report of Independent Auditor on Compliance for Each Major State Program and on Internal Control over Compliance in Accordance with the OMB Uniform Guidance and the State Single Audit Implementation Act**

To the Members of the City Council  
City of Reidsville, North Carolina

**Report on Compliance for the Major State Program**

***Opinion on Each Major State Program***

We have audited [REDACTED] North Carolina's (the "City"), compliance with the types of compliance requirements identified in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the City's major state program for the year ended June 30, 2023. The City's major state program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the [REDACTED] ABC Board (the "Board"), which expended no state awards during the year ended June 30, 2023. Our audit, described below, did not include the operations of Board, since it was audited by other auditors.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major state program for the year ended June 30, 2023.

***Basis for Opinion on the Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of State Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for State Awards* ("Uniform Guidance") and the State Single Audit implementation Act. Our responsibilities under those standards, Uniform Guidance and the State Single Audit Implementation Act are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major state program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's state programs.

***Auditor's Responsibility for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists.



The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance and the State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the 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 over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



**Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance**

We have audited the 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 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 1, 2023, which contained unmodified opinions on those financial statements. We did not audit the financial statements of the Board. Those financial statements were audited by other auditors whose report thereon have been furnished to us and our opinion, insofar as it relates to the amounts for the Board, is based solely on the report of the other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is 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 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Charlotte, North Carolina  
December 1, 2023

**CITY OF REIDSVILLE, NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2023

**Section I – Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ no

Noncompliance material to Financial Statements noted? ☐ yes ☒ no

**Federal Awards**

Internal control over major State programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ no

Noncompliance material to Federal awards? ☐ yes ☒ no

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ yes ☒ no

Identification of major Federal programs:

**Assistance Listing Number**

14.228

**Name of Federal Program or Cluster**

COVID-19: Community Development Block Grant

21.027

COVID-19: Coronavirus State & Local Fiscal Recovery Funds

*Low-risk Auditee status as required  
by UG § 200.515(d)(1)(ix)*

**[REDACTED], NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2023

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**State Awards**

Internal control over major State programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ no

Noncompliance material to State awards? ☐ yes ☒ no

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? ☐ yes ☒ no

Identification of major State programs:

**Program Name**

Powell Bill

**Section II – Financial Statement Findings**

**Material Weakness - Finding 2023-001**

*Criteria:* Under generally accepted accounting principles ("GAAP"), revenues related to government-mandated nonexchange transactions should be recognized when all applicable eligibility requirements are met.

*Condition:* The City recognized revenue related to the Coronavirus State and Local Fiscal Recovery Funds ("CSLFRF") grant funding prior to incurring eligible expenditures under the eligibility criteria.

*Effect:* The City overstated its intergovernmental revenue by \$1,648,655 and understated its unearned revenue by the same amount.

*Cause:* The City considered appropriation of the funding for specific projects to meet the eligibility requirements under GASB 33.

*Recommendation:* We recommend the City verify all grants received in advance are properly accounted for and reconciled with eligible expenditures incurred to ensure proper revenue recognition in accordance with GAAP.

*Views of Responsible Officials:* Management agrees with the finding and is implementing procedures to correct this which is further discussed in the corrective action plan.

*Corrective Action Plan:* See Corrective Action Plan prepared by the City.

**Section III – Federal Award Findings and Questioned Costs**

None reported.

**Section IV. – State Award Findings and Questioned Costs**

None reported.



# THE CITY OF [REDACTED] NORTH CAROLINA

November 20, 2023

## Corrective Action Plan

Finding: 2023-001

Name of Contact Person: [REDACTED] Finance Director

**Corrective Action:** The requirements for revenue recognition will vary from grant to grant; going forward, the Finance Director will research what triggers revenue recognition and will consult with peers, the School of Government, the Local Government Commission and the City's auditors as needed to confirm the correct requirements are known and met for each specific grant.

**Proposed Completion Date:** November 30, 2023

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Finance Department  
[REDACTED]  
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]

**[REDACTED] NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

*YEAR ENDED JUNE 30, 2023*

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**Status of Prior Year Audit Findings:**

None reported.

**CITY OF REDSVILLE NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

YEAR ENDED JUNE 30, 2023

Federal Grantor / State Grantor / Pass Through / Program Title	Federal Assistance Listing Number	Grant Award	Federal Expenditures	State Expenditures	Local Expenditures
<b>Department of Housing and Urban Development</b>					
NC Dept. of Commerce					
Community Development Block Grant Neighborhood Revitalization	14.228	18-C-3080	\$ 30,831	\$ -	\$ -
NC Dept. of Environmental Quality - Division of Water Infrastructure					
Community Development Block Grant - Infrastructure	14.228	19-I-3112	888,718	-	-
			919,549	-	-
<b>Department of Justice</b>					
Direct Program:					
Equitable Sharing Program	16.922		49,847	-	-
Organized Crime Drug Enforcement Task Force (OCDETF)	16.111		6,276	-	-
NC Dept. of Public Safety					
Governor's Crime Commission					
2020 Byrne Justice Assistance Grant	16.738		24,499	-	-
<b>Department of The Treasury</b>					
NC Pandemic Recovery Office					
Rockingham County					
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	None	2,063,344	-	-
<b>Department of The Treasury</b>					
NC Dept. of Environmental Quality - Division of Water Infrastructure					
Clean Water State Revolving Fund	66.458		484,975	-	-
<b>Department of Transportation</b>					
Powell Bill		N/A	-	496,195	-
<b>Department of Health and Human Services</b>					
Division of Aging					
Senior Center General Purpose Funding		N/A	-	53,062	-
<b>Department of Insurance</b>					
Senior's Health Insurance Information Program		N/A	-	11,792	-
<b>Office of State Budget and Management</b>					
General Assembly Budget Allocation		N/A	-	194,400	-
			\$ 3,548,490	\$ 755,449	\$ -

See notes to schedule of expenditures of federal and state awards

**[REDACTED], NORTH CAROLINA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

*YEAR ENDED JUNE 30, 2023*

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**Note 1—General**

The accompanying schedule of expenditures of federal and state awards ("SEFSA") includes the federal and state award activity of the [REDACTED] North Carolina (the "City") under programs of the federal and state governments for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**Note 2—Basis of accounting**

The accompanying SEFSA is presented using the modified accrual basis of accounting, which is described in the notes to the City's basic financial statements. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3—Subrecipients**

The City did not pass-through any funding to subrecipients during the fiscal year ended June 30, 2023.



**CITY OF REIDSVILLE NORTH CAROLINA**  
**Sewer Fund Capital Projects Fund -**  
**Community Development Block Grant (CDBG) - Infrastructure Project Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for Year Ended June 30, 2023**

Exhibit D-10

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>
<b>REVENUES</b>				
Restricted Intergovernmental Revenues:				
Community Development Block Grant	\$ 1,999,298	\$ 295,120	\$ 888,719	\$ 1,183,839
Total Revenues	1,999,298	295,120	888,719	1,183,839
<b>EXPENDITURES</b>				
Capital Outlay:				
Construction	1,504,878	-	714,954	714,954
Engineering	250,000	249,798	-	249,798
Grant Administration	94,420	45,322	173,765	219,087
Contingency	150,000	-	-	-
Total Expenditures	1,999,298	295,120	888,719	1,183,839
<b>REVENUES UNDER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF REIDSVILLE, NORTH CAROLINA**  
**Special Revenue Funds - CDBG - Neighborhood Revitalization**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**From Inception and for Year Ended June 30, 2023**

Exhibit C-4

	Actual			
	Project Authorization	Prior Years	Current Year	Total To Date
<b>REVENUES</b>				
Intergovernmental Grants				
Community Development Block Grant	\$ 692,828	\$ 41,164	\$ 21,536	\$ 62,700
Total Revenues	692,828	41,164	21,536	62,700
<b>EXPENDITURES</b>				
General Government:				
Housing Revitalization	480,718	-	2,425	2,425
Grant Administration	69,282	41,164	28,406	69,570
Contingency	200,000	-	-	-
Total Expenditures	750,000	41,164	30,831	71,995
<b>REVENUES UNDER EXPENDITURES</b>	(57,172)	-	(9,295)	(9,295)
<b>OTHER FINANCING SOURCES</b>				
Transfer - In:				
From General Fund	57,172	57,172	-	57,172
Total Other Financing Sources	57,172	57,172	-	57,172
<b>NET CHANGE IN FUND BALANCE</b>	\$ -	\$ 57,172	(9,295)	\$ 47,877
<b>FUND BALANCE</b>				
Beginning of Year, July 1			57,172	
End of Year, June 30			<u>\$ 47,877</u>	

	<b>Yellow Book Report</b>			<b>Requires</b>	
	<b>Federal Single Audits</b>		<b>Requires</b>	<b>Correction</b>	
	<b>State Single Audits</b>		<b>Correction</b>	<b>For Future</b>	
	<b>Agency's Request</b>	<b>Completed</b>	<b>This Year</b>	<b>Periods</b>	<b>Notes</b>
	<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS:</b>				
	<b>SECTION I - SUMMARY OF AUDITOR'S RESULTS</b>				
26	Schedule is included.	<b>x</b>			
	<b>FINANCIAL STATEMENT SECTION</b>				
27	The type of opinion the auditor issued (unmodified, qualified, etc.) is noted on and consistent with Auditor's Independent Report.	<b>x</b>			
28	Statements regarding non-compliance and internal control (significant deficiencies and material weaknesses) are consistent with Section II (financial statement findings) and the Yellow Book report.	<b>x</b>			
	<b>FEDERAL AWARDS SECTION</b>				
29	Statements regarding internal control (material weaknesses and/or significant deficiencies) findings are consistent with Section III (Federal Awards Findings) and the Federal Single Audit Report (OMB Uniform Guidance §200.515 (d)(1)(vi)).	<b>x</b>			
30	Type of opinion the auditor issued noted on the Summary of Auditor Results (OMB Uniform Guidance §200.515 (d)(1)(v)), Federal Awards is consistent with the Federal Audit Report (unmodified, qualified, etc.).	<b>x</b>			
31	A statement as to whether the audit disclosed any audit finding which the auditor is required to report under §200.516 (a) and is consistent with Section III, Federal Awards Findings, and the Federal Single Audit report (OMB Uniform Guidance §200.515 (d)(1)(vi)).	<b>x</b>			
32	Enter total amount of expenditures reported on the SEFSA of major federal programs.				<b>\$2,982,893</b>
33	Enter total amount of expenditures reported on the SEFSA for all federal awards.				<b>3,548,490</b>
34	The percentage of major coverage has been met: 40% or more or 20% or more for low-risk auditees(OMB Uniform Guidance §200.518(e)(3)(f).	<b>x</b>			<b>84.06%</b>
35	The threshold for determining Type A programs must be materially correct (OMB Uniform Guidance §200.505(d)(1)(viii)).	<b>x</b>			
36	Includes statement on whether or not unit qualifies as a low-risk auditee (OMB Uniform Guidance §200.515(d)(1)(ix)).	<b>x</b>		<b>x</b>	<b>pass</b>





**NORTH CAROLINA**  
DEPARTMENT OF STATE TREASURER

STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

*Dale R. Folwell, CPA*

STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
AND THE LOCAL GOVERNMENT COMMISSION

SHARON EDMUNDSON  
DEPUTY TREASURER

Date: January 12, 2024

To: [REDACTED];  
[REDACTED] - [REDACTED].

From: Kathy Howell, Financial Reviewer – [kathy.howell@nctreasurer.com](mailto:kathy.howell@nctreasurer.com).  
James Burke, Compliance Reviewer – [james.burke@nctreasurer.com](mailto:james.burke@nctreasurer.com).

The **June 30, 2023**, financial statements for the above-named unit have been received. The following items related to the unit's financial statements are being reported in this communication. These items have been categorized into two types. The first type is grouped in a table below titled "Items Needing Attention This Fiscal Year" and must be addressed before final invoices can be processed. The second group of items is titled "Items that Need Attention Next Fiscal Year". The items are grouped by financial and compliance issues.

Corrections **must** be sent through the portal. The portal address to upload your corrected document is <https://lgcportal.nctreasurer.com/>.

**Please note:** All modifications or corrections to the audit report or Data Input Workbook must be identified as a resubmission on the LGC Portal. Audit reports should be resubmitted using the Audit Reports selection on the portal and Data Input Worksheets should be resubmitted using the Data Input Worksheet selection.

The instructions outlining the resubmission process are available at:

<https://www.nctreasurer.com/links/state-and-local-government-finance/lgc/local-fiscal-management/annual-audit/submitting-your-0#resubmitting-audit-reports-and-data>

**Compliance Reporting Items that Need Attention Next Fiscal Year**

General Area	Specific Issue
<b>Schedule of Findings and Questioned Costs (SFQC):</b> Includes statement on whether unit qualifies as a low-risk auditee (OMB Uniform Guidance §200.515(d)(1)(ix)).	No statement is included on the SFQC. Please include statement in future reporting.

**[REDACTED] TRANSIT AUTHORITY**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**3. Federal Award Findings and Questioned Costs**

**US Department of Transportation**

Passed through the NC Department of Transportation

Program Name: Formula Grants for Rural Areas and Tribal Transit Program

AL# 20.509

Grant Number: 36233.129.15.1, 36233.129.15.2, 36233.129.14.3 and 36233.129.14.4

**Significant Deficiency**

**Nonmaterial Non-Compliance**

**Finding: 2023-005**

**Criteria:** In accordance with Urbanized Area Formula Program: 49 OSC 5311, the state agency administering the 5311 program is responsible for submitting the rural report on behalf of the state and its subrecipients. The state requires grantees to submit an annual updated Transportation Asset Management (TAM) inventory.

**Condition:** The Formula Grant for Rural Areas and Tribal Transit Program is a federal program administered by the finance department of the [REDACTED] The Authority failed to submit an annual report by the required due date.

**Context:** The updated Transportation Asset Management (TAM) inventory report that is required to be reported annually was filed past the required submission date.

**Effect:** Data was submitted to the grantor in an untimely manner.

**Cause:** Procedures were not in place to implement timely submission.

**Questioned Costs:** None. The report filed was accurate but not timely.

**Recommendation:** Management should adopt policies and procedures requiring supervision to review reports and submission requirements and ensure timely submission.

**Name of Contact Person:** [REDACTED]

**Views of Responsible Officials and Planned Corrective Action:** Management concurs with this finding. Please refer to the Corrective Action Plan.

**[REDACTED] TRANSIT AUTHORITY**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**4. State Award Findings and Questioned Costs**

**NC Department of Transportation**

Program Name: Rural Operating Assistance Program (ROAP)

**Significant Deficiency**

**Finding: 2023-004**

**Criteria:** In accordance with Rural Operating Assistance Program requirements, participant applications should be reviewed and signed to verify eligibility.

**Condition:** The grant staff failed to sign and review applicant's application. Upon further review, the applicant was ultimately eligible.

**Context:** Of the 596 participants, we examined 40 participant records and determined that one participant did not have a reviewed and signed application. The applicant was deemed eligible.

**Effect:** Participant file did not include documentation of a reviewed application form, which could allow benefits to be provided to individuals who are not eligible.

**Cause:** Grant staff failed to review application form.

**Questioned Costs:** None. The applicant was eligible; therefore, no questioned costs are applicable.

**Recommendation:** Implement stronger review procedures over the reporting process to ensure accuracy.

**Name of Contact Person:** [REDACTED]

**Views of Responsible Officials and Planned Corrective Action:** Management concurs with this finding. Please refer to the Corrective Action Plan.

# MARTIN ♦ STARNES & ASSOCIATES, CPAs, P.A.

*"A Professional Association of Certified Public Accountants and Management Consultants"*

## Independent Auditor's Report

To the Board of Commissioners  
Town ██████████ North Carolina


### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town ██████████ North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, 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, each major fund, and the aggregate remaining fund information of the Town of ██████████ North Carolina, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Grants Special Revenue Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *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 (*Government Auditing Standards*). 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 Town of Huntersville, 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. 

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

Management is responsible for the preparation and fair presentation of the 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 raise substantial doubt about the ~~entity's~~ ability to continue as a going concern for 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 from 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 *Government Auditing Standards* ~~will always~~ detect a 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 GAAS and *Government Auditing Standards*, we:

- exercise professional judgement and maintain 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 responsive 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 Town'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 Town'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, the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, the Other Post-Employment Benefits' Schedules of Changes in the Total OPEB Liability and Related Ratios, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered-Employee Payroll be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted 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 [REDACTED] basic financial statements. The combining and individual fund financial statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. Code of Federal Regulations 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. In our opinion, the 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 October 28, 2024, on our consideration of the Town of Huntersville'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 solely 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 the [REDACTED] 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 the Town of [REDACTED] internal control over financial reporting and compliance.

*Martin Starnes & Associates, CPAs, P.A.*

Martin Starnes & Associates, CPAs, P.A.  
Hickory, North Carolina  
October 28, 2024