

# *Presentation of Audit Results*

## *June 30, 2025*



TOWN OF  
**CHAPEL HILL**

DRAFT

**MJ**  
MAULDIN & JENKINS

**Tim Lyons, CPA, CGMA**  
*Engagement Partner*



# Agenda

---

- Engagement Team
- Results of the 2025 Audit
- Financial Ratios and Trends
- Comments, Recommendations, and Other Issues
- Questions & Comments

DRAFT





# Engagement Team



CONSISTENTLY RANKED AS A TOP ACCOUNTING FIRM IN THE U.S.

**100+ year**  
HISTORY  
OF QUALITY SERVICE

**Serve 725+**  
GOVERNMENT CLIENTS

GOVERNMENTAL  
PARTNERS &  
DIRECTORS  
**25**



**150+**  
TEAM MEMBERS DEDICATED  
TO SERVING THE  
GOVERNMENTAL INDUSTRY



*To be a trusted advisor, earning trust and building respect through our consistent commitment to sustainable excellence, leadership, and integrity.*



**220+**  
SINGLE AUDITS PERFORMED LAST  
YEAR COVERING OVER \$6 BILLION  
OF FEDERAL GRANTS



**156,000+**  
HOURS ANNUALLY  
PROVIDED TO  
GOVERNMENTAL CLIENTS

**175+**  
CURRENT CLIENTS AWARDED  
THE GFOA CERTIFICATE OF  
EXCELLENCE

**6**  
STATES  
|  
**14**  
OFFICES



PRESENTATION OF  
2025 AUDIT RESULTS

Going Further.



# Results of 2025 Audit

- Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS) and *Government Auditing Standards*
  - We considered the internal control structure for the purpose of expressing our opinion on the Town's basic financial statements and not providing assurance on the internal control structure.
  - Our audit was performed in accordance with GAAS and *Government Auditing Standards*.
  - Our objective is to provide reasonable—not absolute—assurance that the basic financial statements are free of material misstatement.
  - We did not audit the financial statements of the Orange Water & Sewer Authority (OWASA). We relied on the report of other auditors for amounts included in the Town's ACFR related to OWASA.
  - The basic financial statements are the responsibility of the Town's management.
- Report on 2025 Basic Financial Statements
  - We issued **UNMODIFIED** ("clean") opinions on the basic financial statements.
  - Presented fairly in accordance with accounting principles generally accepted in the United States of America.
  - Our responsibility does not extend beyond financial information contained in our report.

DRAFT





# Results of 2025 Audit (Continued)

## □ Significant Accounting Policies

- The significant accounting policies used by the Town are described in Note A ("Summary of Significant Accounting Policies") to the basic financial statements beginning on page 41 in the ACFR.
- The policies used by the Town are in accordance with generally accepted accounting principles and similar government organizations in the State of North Carolina.
- In considering the qualitative aspects of its policies, the Town is not involved in any controversial or emerging issues for which guidance is not available.
- The Town was required to implement the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*.

## □ Management Judgment/Accounting Estimates

- The Town uses various estimates as part of its financial reporting process – including valuation of accounts receivable, depreciation of capital assets, and pension and OPEB assumptions.
- Management's estimates used in preparation of financial statements were deemed reasonable in relation to the financial statements taken as a whole. We considered this information and the qualitative aspects of management's calculations in evaluating the Town's significant accounting estimates.

DRAFT





# Results of 2025 Audit (Continued)

## □ Financial Statement Disclosures

- The footnote disclosures to the financial statements are also an integral part of the financial statements and the process used by management to accumulate the information included in the disclosures was the same process used in accumulating the statements. The overall neutrality, consistency, and clarity of the disclosures was considered as part of our audit.

## □ Relationship with Management

- We received full cooperation from the Town's management and staff.
- There were no disagreements with management on accounting issues or financial reporting matters.

## □ Audit Adjustments

- We did not have any passed audit adjustments for FY25.

## □ Management Representation

- We requested, and received, written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us.

DRAFT





# Results of 2025 Audit (Continued)

## □ Consultation with Other Accountants

- To the best of our knowledge, management has not consulted with, or obtained opinions from, other independent accountants during the year, nor did we face any issues requiring outside consultation.

## □ Significant Issues Discussed with Management

- There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements.

## □ Information in Documents Containing Audited Financial Statements

- Our responsibility for other information in documents containing the Town's annual comprehensive financial report and our report thereon does not extend beyond the information identified in our report. If the Town intends to publish or otherwise reproduce the financial statements and make reference to our firm, we must be provided with printers' proof for our review and approval before printing. The Town must also provide us with a copy of the final reproduced material for our approval before it is distributed.

## □ Auditor Independence

- In accordance with AICPA professional standards, M&J is independent with regard to the Town and its financial reporting process.
- There were no fees paid to M&J for management advisory services during fiscal year 2025 that might affect our independence as auditors.





# Results of 2025 Audit (Continued)

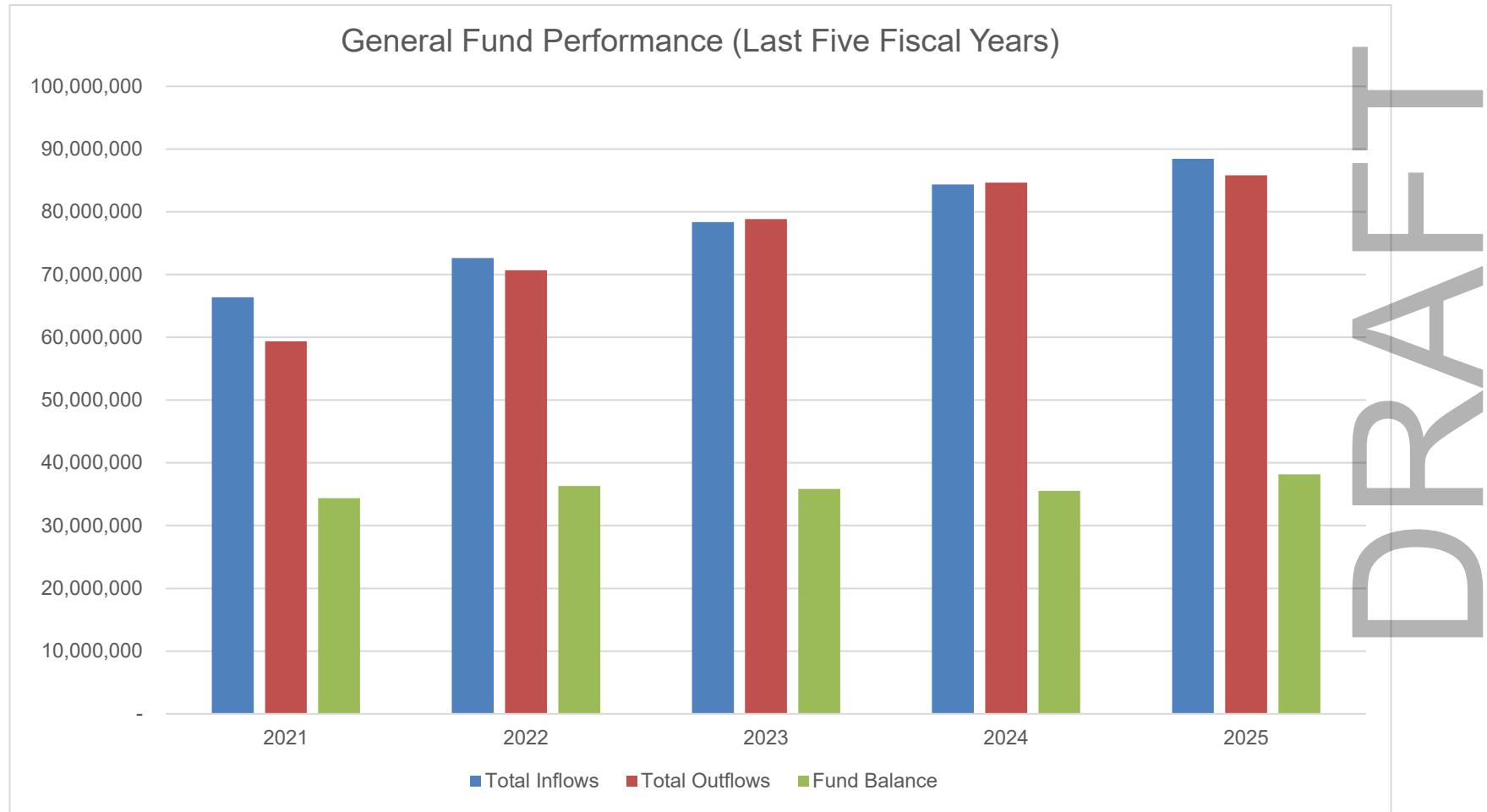
## □ Federal and State Compliance Audits

- During the fiscal year 2025 audit, we conducted compliance tests for the Town's expenditures of Federal and State Award programs
- Town is reporting approximately \$20.4 million in Federal funding and approximately \$6.9 million in State funding.
- The Town continues to be a low-risk auditee meaning that we are only required to obtain 20% coverage for both.
  - Programs tested:
    - » US Department of Transportation Federal Transit Cluster: \$8.2 million
    - » North Carolina Department of Transportation State Maintenance Assistance for Urban and Small Urban Areas: \$3.6 million
    - » North Carolina Department of Environmental Quality VW Mitigation Phase I: \$668,000





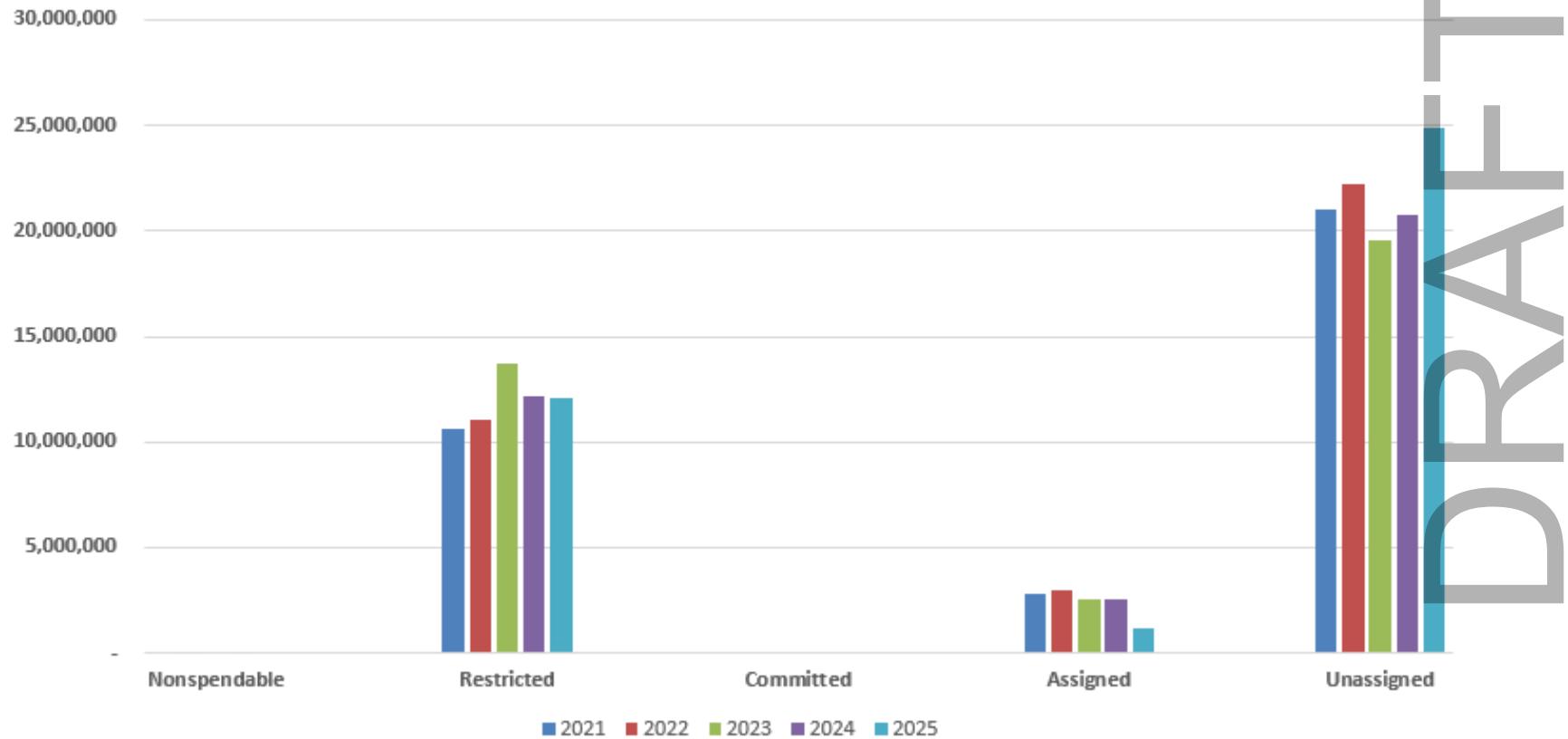
# Town General Fund





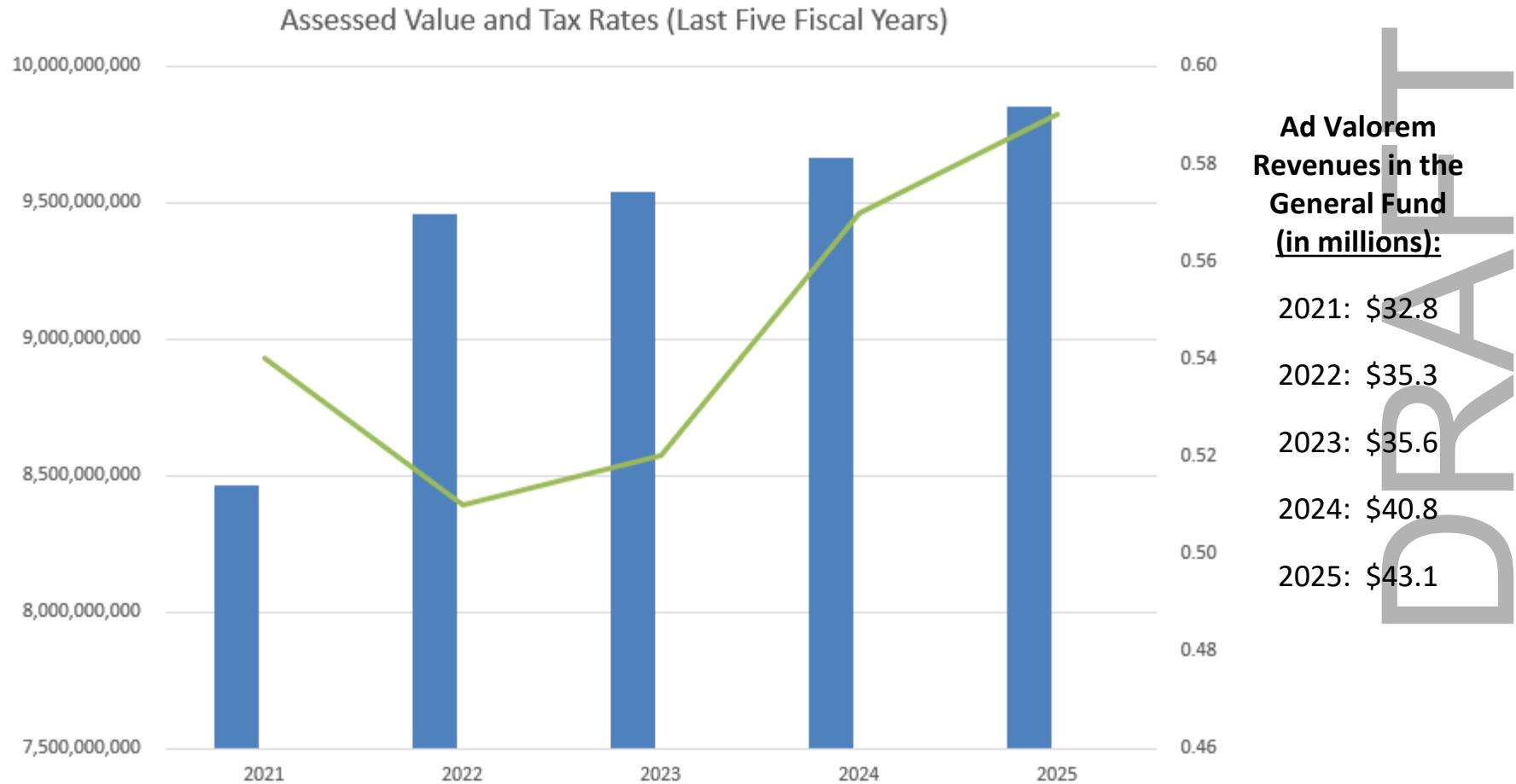
# Town General Fund

Fund Balance by Category in the Town's General Fund





# Property Taxes





# Comments and Recommendations

## □ New GASB Pronouncements for Future Years

- Statement No. 103, *Financial Reporting Model Improvements*, was issued in 2024 and is effective for fiscal years beginning after June 15, 2025, which means the Town's fiscal year ended June 30, 2026. This new standard will change a few things in the Town's ACFR (Management's Discussion and Analysis; presentation of budgetary comparison schedules; and the statement of revenues, expenses and changes in net position for the Town's enterprise funds).
- Statement No. 104, *Disclosure of Certain Capital Assets*, clarifies information that is required to be disclosed in the capital asset footnote and rollforward. With the introduction of a new class of assets in recent years (right-to-use assets), the GASB has clarified how those items need to be presented in the Town's footnotes. In addition, this new Standard will require the Town to separately disclose the historical cost and accumulated depreciation (as of the financial statement date) for any capital assets that are held for sale. The requirements of this Standard are effective for fiscal years beginning after June 15, 2025, which means the Town's fiscal year ending June 30, 2026.





# Governmental Client CPE

- **Since March of 2009 – For Over 15 Years !!**

- Mauldin & Jenkins provides free quarterly continuing education for all of our governmental clients. Topics are tailored to be of interest to governmental entities. In an effort to accommodate our entire governmental client base, we offer the sessions several times per quarter at a variety of client provided locations resulting in greater networking and knowledge sharing among our governmental clients. We normally see approximately 180 people per quarter. Examples of subjects addressed in the past few quarters include:

- Accounting for Debt Issuances
- Achieving Excellence in Financial Reporting
- Best Budgeting Practices, Policies and Processes
- Budget Preparation
- ACFR Preparation (two (2) day hands-on course)
- Capital Asset Accounting Processes and Controls
- Collateralization of Deposits and Investments
- Component Units
- Cybersecurity Risk Management
- Evaluating Financial and Non-Financial Health of a Govt.
- Financial Report Card – Where Does Your Govt. Stand?
- Financial Reporting Model Improvements
- GASB Nos. 74 & 75, OPEB Standards
- GASB No. 77, Tax Abatement Disclosures
- GASB No. 84, Fiduciary Activities
- GASB No. 87 and 96, Leases and SBITAs
- GASB Projects & Updates (ongoing & several sessions)
- Human Capital Management
- Grant Accounting Processes and Controls
- Internal Controls Over Accounts Payable, Payroll and Cash Disbursements
- Internal Controls Over Receivables & the Revenue Cycle
- IRS Issues, Primarily Payroll Matters
- Legal Considerations for Debt Issuances & Disclosures
- Policies and Procedures Manuals
- Segregation of Duties
- Single Audits for Auditees
- Special Purpose Local Option Sales Tax (SPLOST)
- Accounting, Reporting & Compliance
- Uniform Grant Reporting Requirements and the New Single Audit

DRAFT





TOWN OF  
**CHAPEL HILL**

DRAFT

*Questions & Comments*



**Thank You for the Opportunity to Serve**