



Audit Presentation

Town of Erwin

Fiscal Year June 30, 2024

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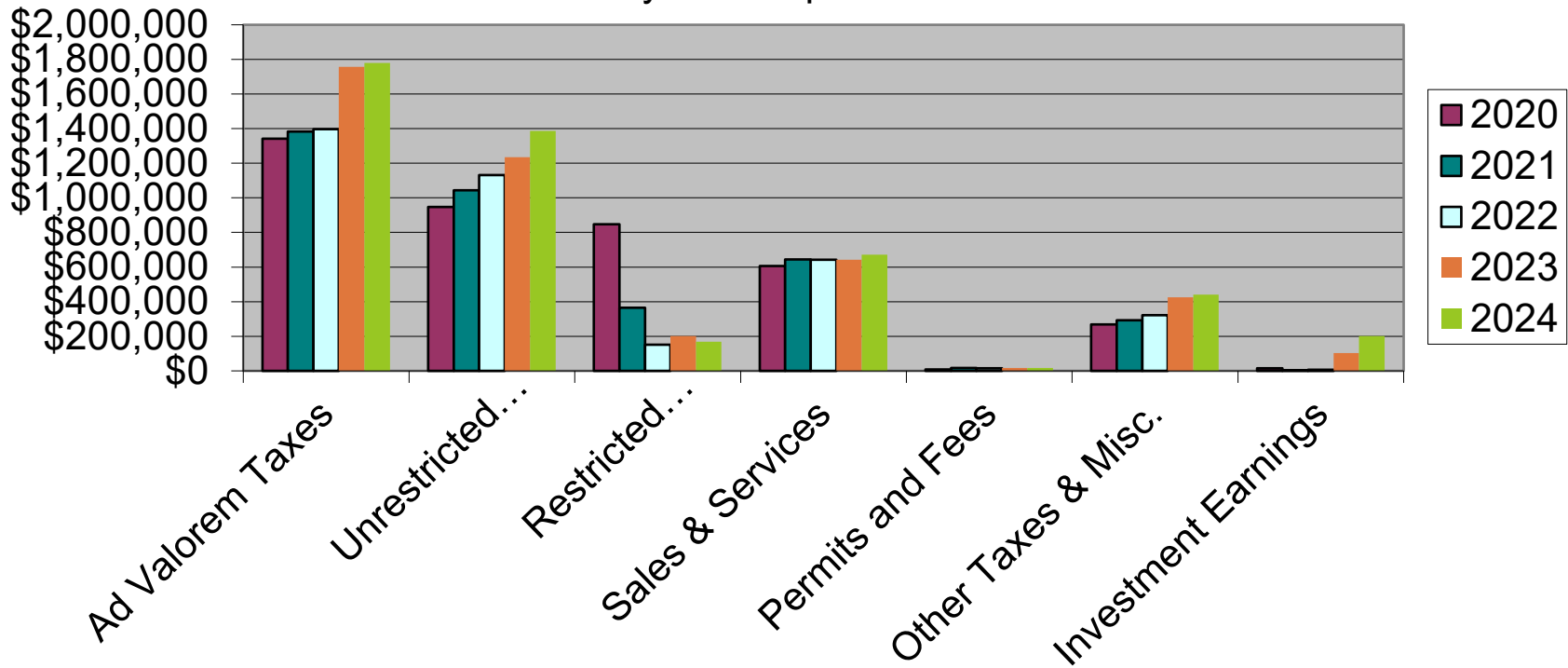
LGC Financial Indicators



Town of Erwin

General Fund Revenue

5 year comparison

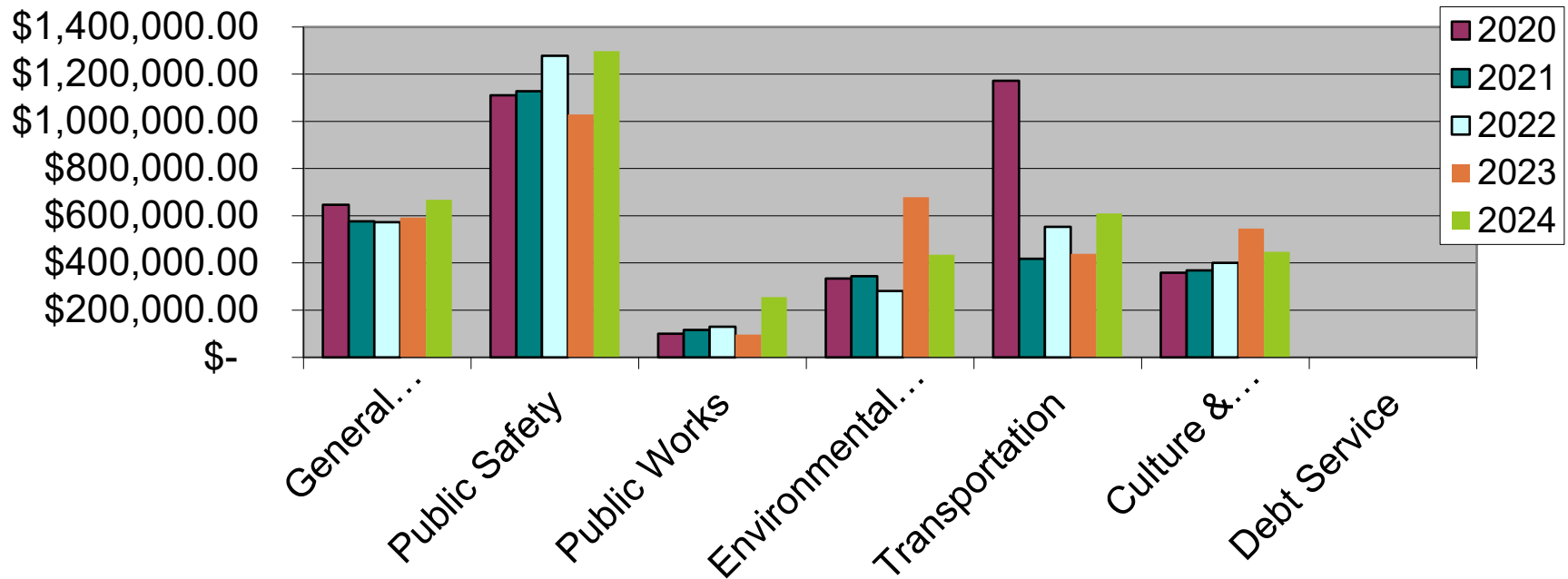




Town of Erwin

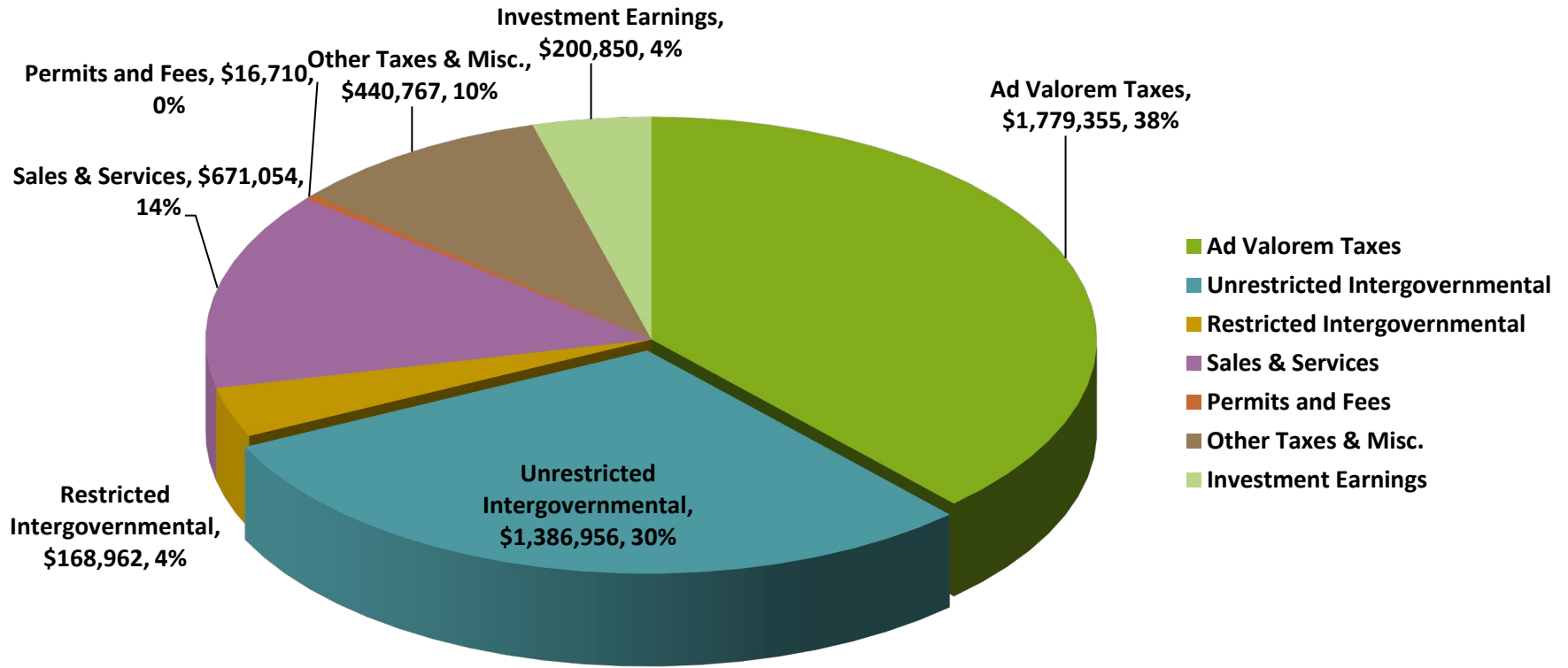
General Fund Expenditures

5 year comparison



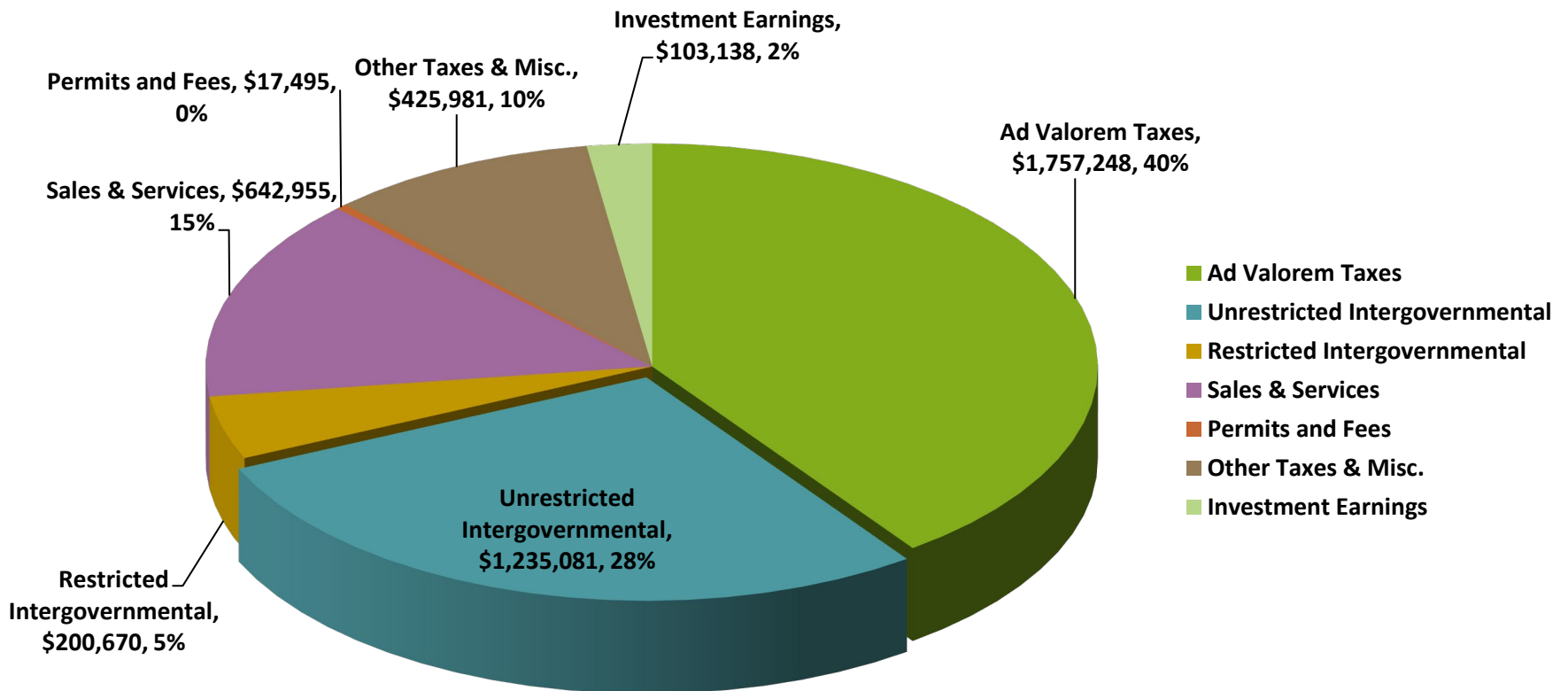


Town of Erwin 2024 Revenue



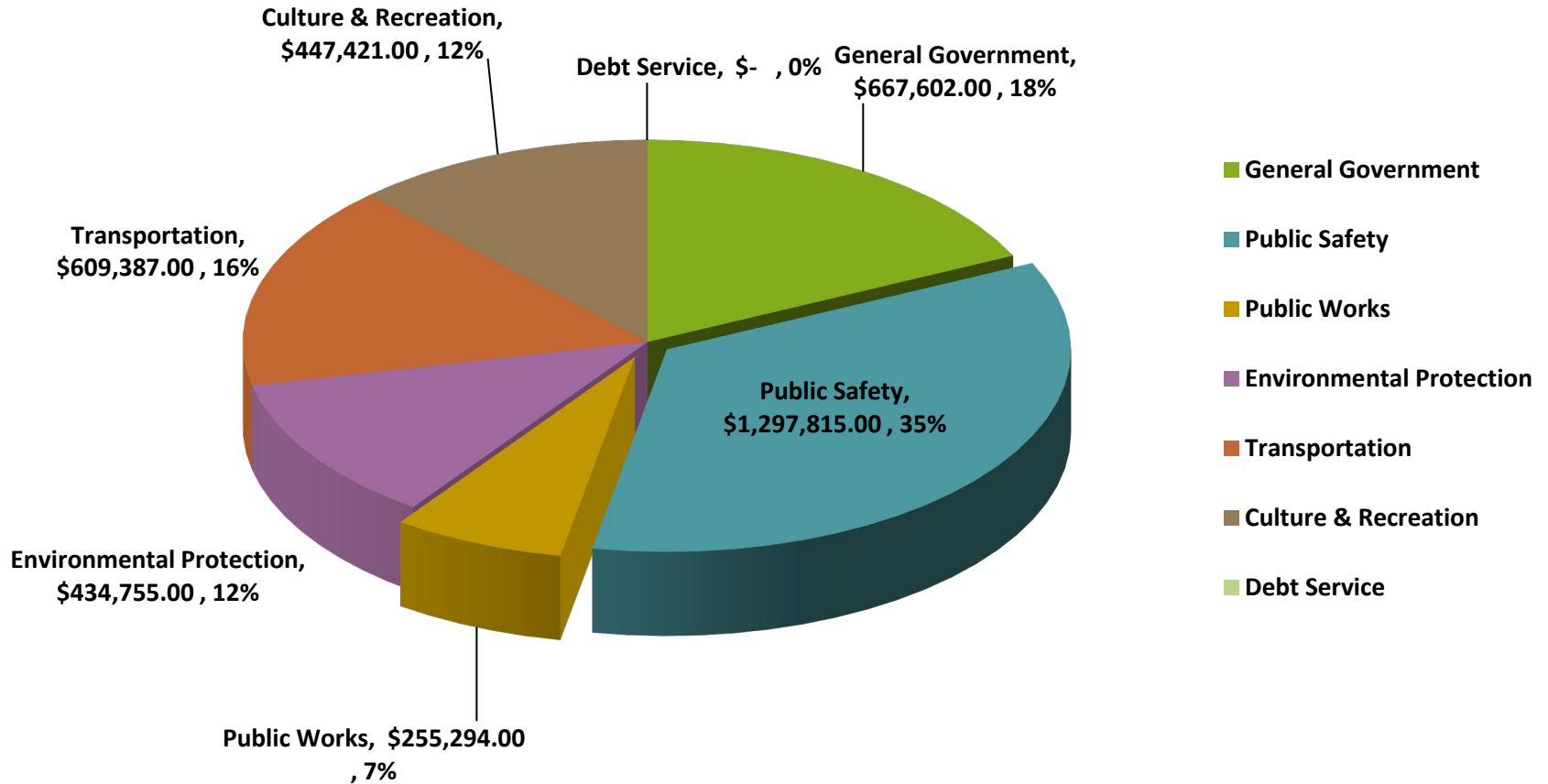


Town of Erwin 2023 Revenue



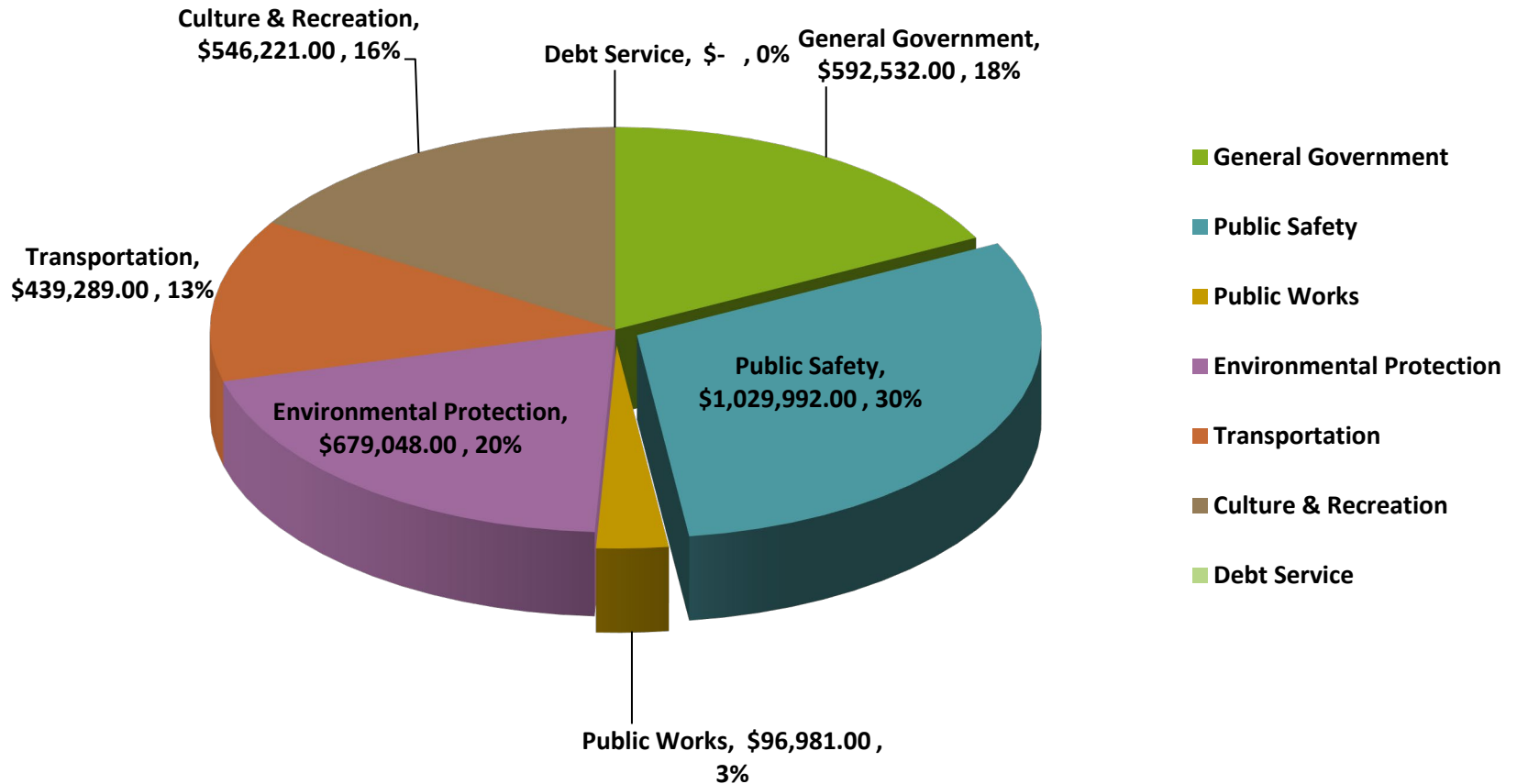


Town of Erwin 2024 Expenditures



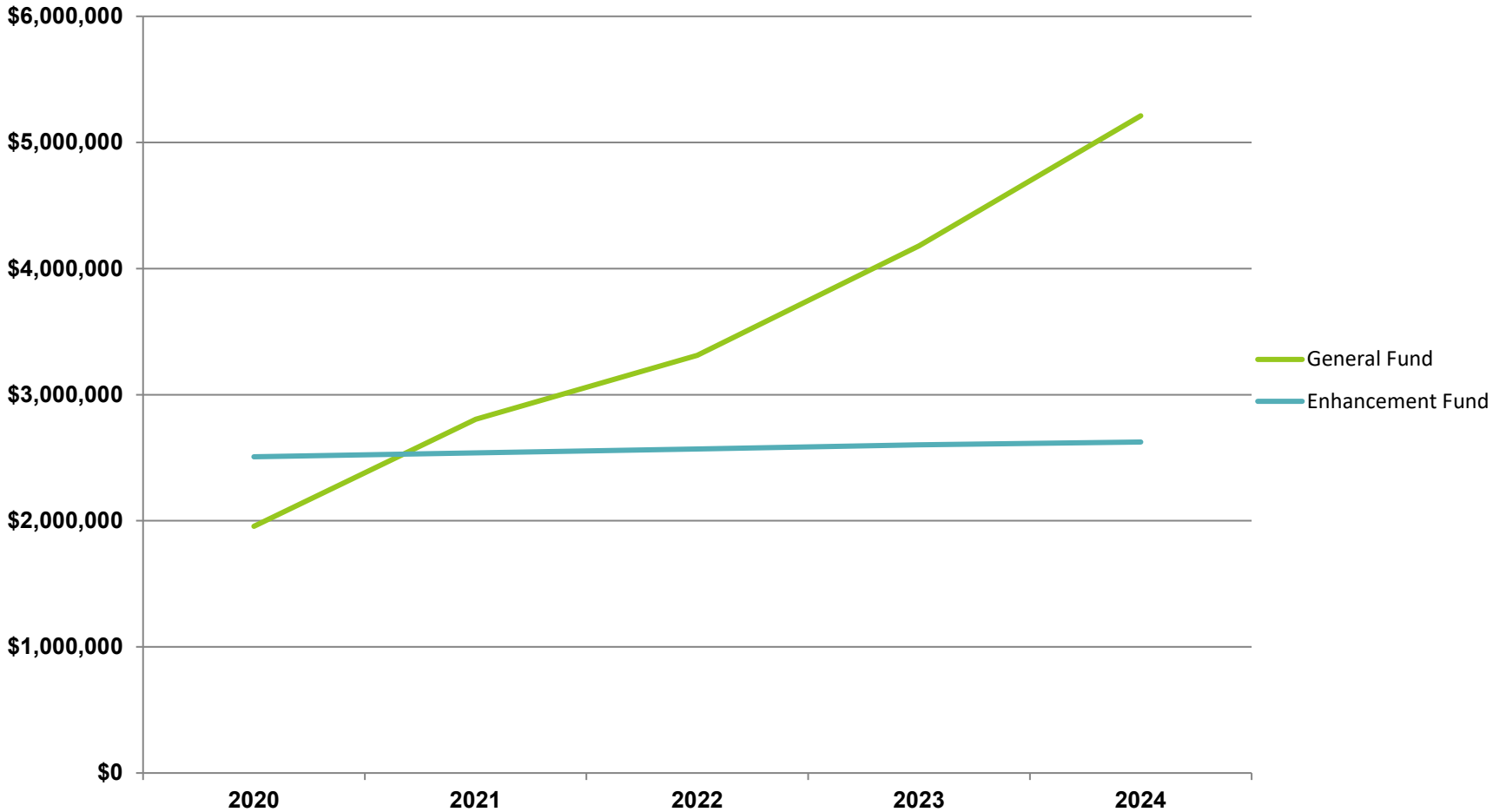


Town of Erwin 2023 Expenditures



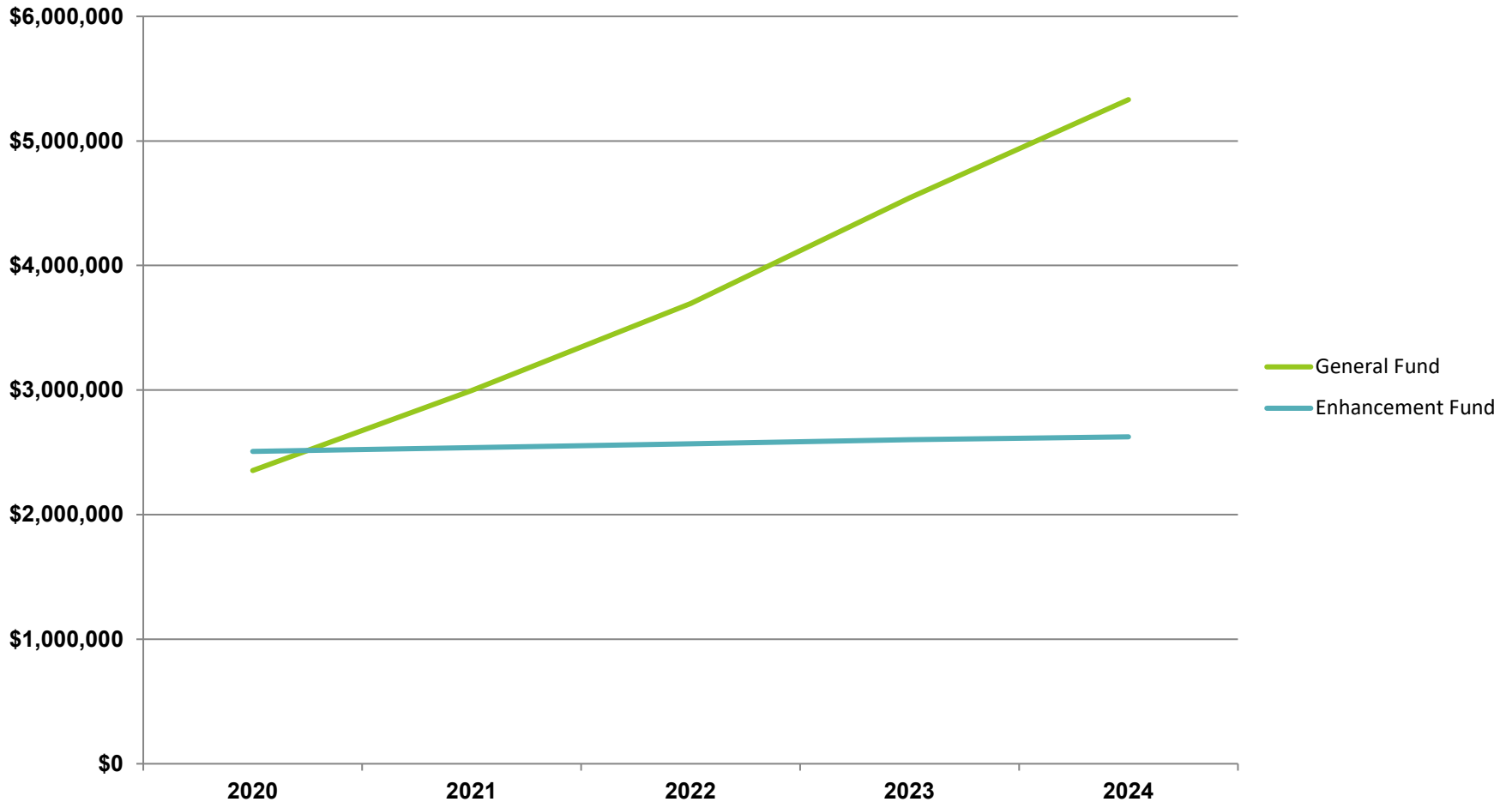


Cash Analysis-General Fund and Capital Enhancement Fund





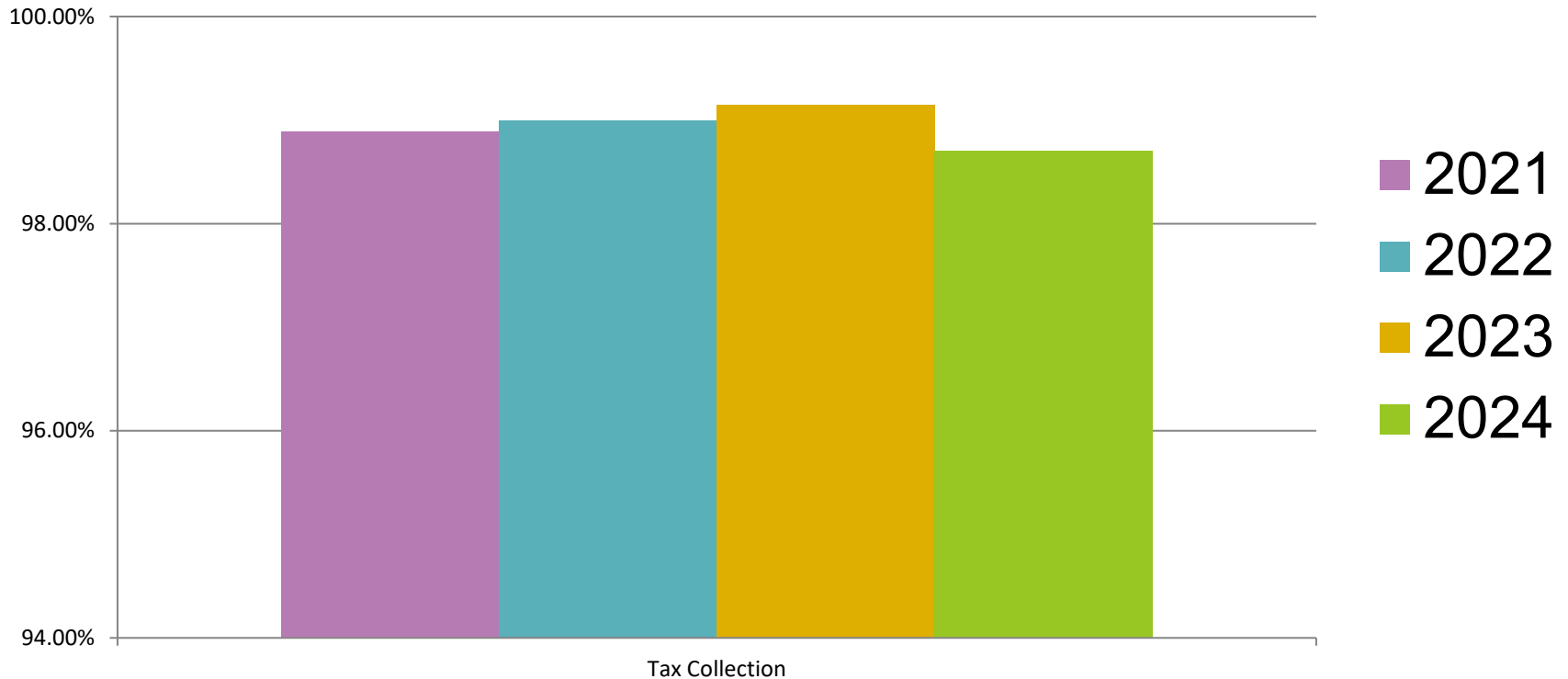
Fund Balance Analysis-General Fund and Capital Enhancement Fund





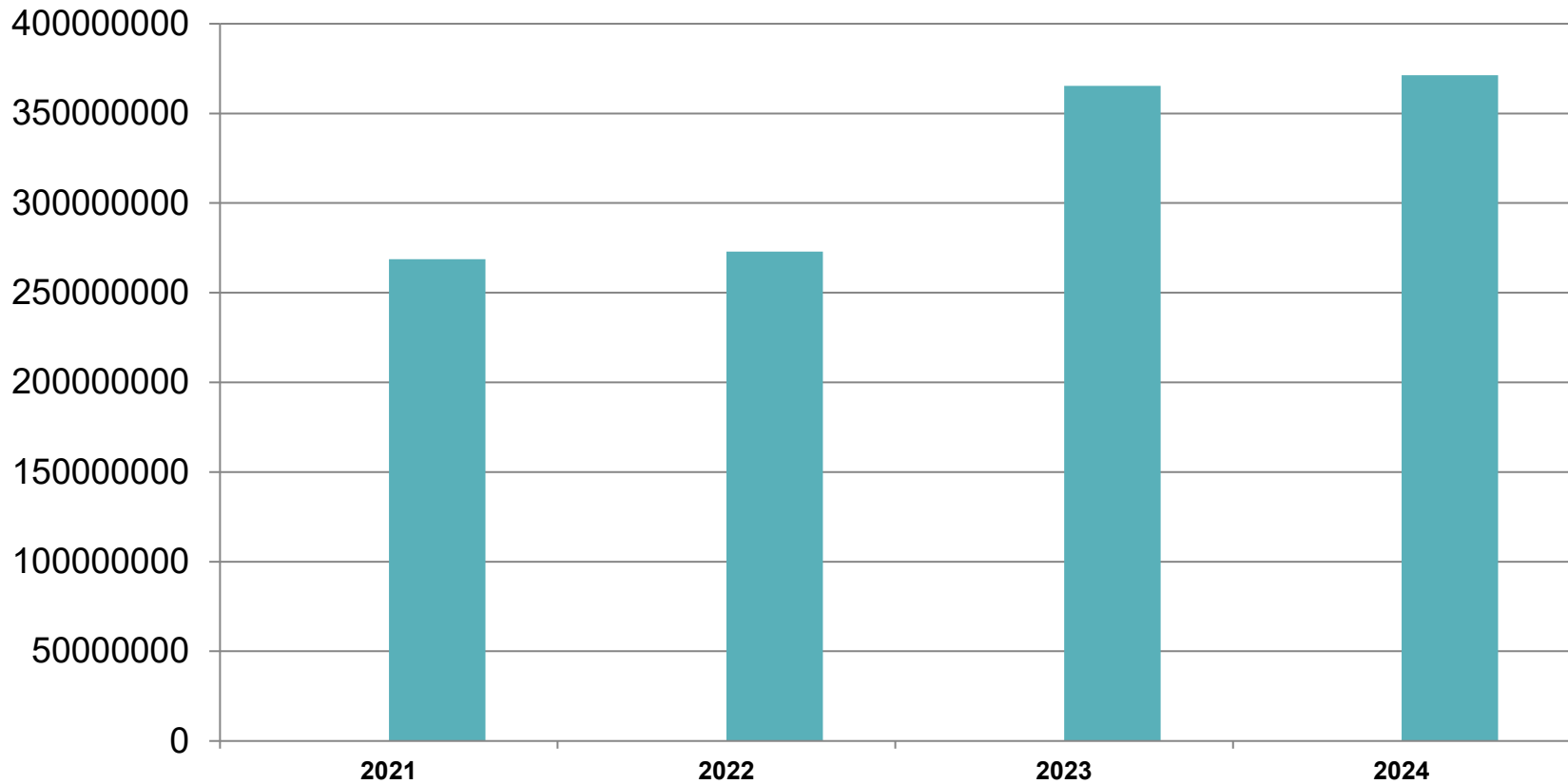
Town of Erwin

Tax Collection Rate 4 year comparison





Town of Erwin Property Tax Valuation



TOWN OF ERWIN

ERWIN, NORTH CAROLINA

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Required Auditor Communications

Town of Erwin

Fiscal Year June 30, 2024



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Required Auditor
Communications

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Required Auditor Communications

Area	Comments
Our Responsibility under Generally Accepted Auditing Standards	<ul style="list-style-type: none">● Express opinion on these financial statements in conformity with generally accepted accounting principles.● Plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.● Determine audit procedures based upon our risk assessment of material misstatement and evaluation of internal control.● Evaluating appropriateness of accounting policies, reasonableness of significant accounting estimates, and overall presentation of financial statements.● Consider the Town's ability to continue as a going concern for a reasonable period of time.● Communicating significant matters to management.● Accumulate all known and likely misstatements identified and communicate them to appropriate level of management.● We have no responsibility to perform procedures beyond those related to the financial statements.
Planned scope and timing of the audit	<ul style="list-style-type: none">● Perform the audit according to our letter to you dated May 1, 2024. (Copy available at your request.)



Required Auditor Communications

Area	Comments
Significant accounting policies	<ul style="list-style-type: none">● Management is responsible for selecting and implementing appropriate accounting policies.● See Note 1 to the financial statements.● No transactions entered into for which there was a lack of authoritative guidance.● Significant policies are listed in detail in the notes section. There are no unusual policies.
Adoption or change in accounting policies	<ul style="list-style-type: none">● None.
Significant accounting estimates	<ul style="list-style-type: none">● Based on management's knowledge/experience.● Significant estimates include uncollectable accounts, based on prior year write offs.● Estimates are reasonable.
Significant disclosures	<ul style="list-style-type: none">● Disclosures are neutral, consistent, and clear.
Difficulties encountered in Performing the audit	<ul style="list-style-type: none">● No significant difficulties performing the audit.
Disagreements with management	<ul style="list-style-type: none">● No such disagreements arose during the course of the audit.
Corrected/uncorrected misstatements	<ul style="list-style-type: none">● No uncorrected audit adjustments.● Management reviewed and accepted responsibility for all proposed adjusting entries.



Required Auditor Communications

Area	Comments
Management representation	<ul style="list-style-type: none">● Management signed those representations on October 14, 2024. (Copy available at your request.)
Consultations with other accountants	<ul style="list-style-type: none">● None to our knowledge.
Other issues	<ul style="list-style-type: none">● Discussed application of accounting principles and auditing standards prior to retention but not as a condition to our retention.
Other findings and comments	<ul style="list-style-type: none">● See compliance section of audit.● Local Government Commission's financial indicators.



Communication of Internal Control Related Matters

Report 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*

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Erwin, 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, each major fund and the aggregate remaining fund information of the Town of Erwin, North Carolina, as of and for the year ended June 30, 2024, and related notes to the financial statements, which collectively comprises the Town of Erwin's basic financial statements, and have issued our report thereon dated October 14, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Erwin'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 Town of Erwin's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency, 2024-001.



Communication of Internal Control Related Matters

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Erwin'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 determination of financial statement amounts. 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*.

Town of Erwin's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Erwin's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Thompson, Price, Scott, Adams & Co., PA

Elizabethtown, North Carolina

October 14, 2024



Schedule of Findings and Responses

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____yes none reported
- Significant Deficiency(s) identified? yes _____ none reported

Noncompliance material to financial statements noted?

_____yes no



Schedule of Findings and Responses

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

2024 – 001 Segregation of Duties

Criteria: The assignment of responsibilities should be segregated so that one person is not responsible for the authorization and recording of a transaction and the custody of the related asset. There needs to be a reconciliation or control activity to provide reasonable assurance that transactions are handled appropriately.

Condition: Key duties and functions are not segregated amount Town personnel. This is especially a concern in cash management, accounts receivable, purchasing, and payroll functions in all departments.

Effect: Transactions could be mishandled, due to errors or fraud that could lead to loss of assets or the reporting of misleading financial information.

Cause: There are a limited number of personnel for certain functions and lack of board oversight.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2023-001.

Recommendation: The duties should be separated as much as possible, by possibly training and utilizing non-financial personnel and utilizing alternative controls. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the correction action plan on page 63 in this audit report.

PERFORMANCE INDICATORS

The self-reported information from your unit's audit report was used to generate the following trends and performance indicators. We have created this Performance Indicator tab to make these indicators available to auditors and local governments when your audit is conducted. If any unit's results are shaded red, the unit must submit a "Response to the Auditor's Findings, Recommendations, and Fiscal Matters" within 60 days from the auditor's board presentation. The response must address all performance indicators shaded in red.

Unit Name:	Erwin	Fiscal Year 2024	Explanation of Performance Indicator
Unit Number:	50126		

In the past, units of government have been grouped by population to evaluate ratios and benchmarking (including Fund Balance Available). Beginning with fiscal year 2020, we have grouped units by General Fund expenditures for purposes of evaluating the minimum amount of fund balance a unit needs to operate. A unit's General Fund expenditures proved to be a better correlation to the amount of funds balance needed to operate, especially for units with large higher education or tourism populations. Activity from Debt Service Funds (if applicable) is included in the calculation because these funds typically originate from the General Fund and are transferred to a Debt Service Fund.

The table below lists the thresholds that are used in the analysis of your unit's fiscal health. These thresholds were determined based on an analysis of previous years general fund activity. These thresholds will be monitored and updated as applicable.

Municipalities			
General Fund Expenditures below:	Median FBA as % of Expenditures without Powell Bill	Minimum Thresholds FBA as % of Expenditures	# of Months FBA using Annualized Expenditures
\$100,000	260%	100%	12.00
\$100,000 to \$999,999	132%	71%	8.52
\$1,000,000 to \$9,999,999	63%	34%	4.08
Above \$10,000,000	46%	25%	3.00

Counties			
General Fund Expenditures below:	Median FBA as % of Expenditures without Powell Bill	Minimum Thresholds FBA as % of Expenditures	# of Months FBA using Annualized Expenditures
Below \$100,000,000	39%	20%	2.40
\$100,000,000 and above	32%	16%	1.92

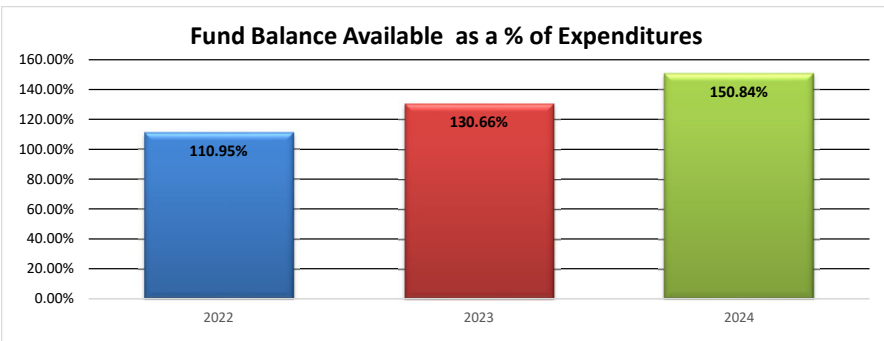
Units of government are grouped by general fund expenditures for purposes of evaluating available fund balance as a percentage of expenditures (GF FBA%). Each grouping category has its own minimum threshold. If you are in the lower quartile your GF FBA% might be considered a performance indicator of concern and you might be asked to communicate to us. To the left are the minimum thresholds for Municipalities and Counties.

GENERAL FUND:
 As of the publication date of this workbook, prior year self-reported numbers may not been received by the LGC staff, please contact LGC staff at lgcaudit@nctreasurer.com to have the prior year's financial data populated on this worksheet. Please include in email subject "Prior Year Financial Data."

Minimum Threshold

Unit Results

1.



34% -- Average of similar units is 63%

150.84%

Fund balance available for appropriation is an important reserve for local governments to provide cash flow during periods of declining revenues and to be used for emergencies and unforeseen expenditures. The information to the left indicates the amount of available cash on hand. You will also see the average for units of your size. **Note that 8.33% represents enough fund balance to cover only one month of expenditures.** Normally, a unit has to either increase revenues or decrease expenditures to increase fund balance available.

This calculation looks at fund balance available plus debt service fund balance (if applicable) less Powell Bill restricted fund balance. This number is then divided by the total of total expenditures plus transfers out less bond proceeds and less amount expended for Powell Bill Expenditures.

Unit Name:		Erwin		Fiscal Year 2024		Explanation of Performance Indicator	
Unit Number:		50126					
GENERAL FUND:				Minimum Threshold	Unit Results		
2.	There was appropriated fund balance for the General Fund in the 2023 budget AND your change in fund balance was negative. Please state if fund balance was used for operations or capital purposes in account 590 on the Unit Data from Audit Worksheet.			Positive Change in Fund Balance	N/A	If the General Fund has more expenditures than revenues because of operational issues and fund balance was appropriated to cover the loss, the continuation of this practice could result in deterioration of a unit's fund balance available.	
3.	The General Fund had total fund balance less than zero - Fund Deficit			Positive Fund Balance	\$5,900,130	The General Fund has a fund deficit which means that the unit's revenues and other receipts are inadequate to support its operations. G.S. 159 13(b)(2) requires that the board fund the full amount of a prior fiscal year's deficit in the current fiscal year's budget. Therefore, this deficit should have been funded immediately after the June 30, fiscal year-end. The law requires such action be taken to stop any further deterioration of the overall financial condition of the fund. Please let us know if the deficit was funded in the budget, and what actions the unit plans to take to bring the general fund balance up to an acceptable level.	

Unit Name:		Erwin			Fiscal Year 2024		Explanation of Performance Indicator								
Unit Number:		50126													
WATER SEWER FUND: As of the publication date of this workbook, prior year self-reported numbers may not been received by the LGC staff, please contact LGC staff at lgcaudit@nctreasurer.com to have the prior year's financial data populated on this worksheet. Please include in email subject "Prior Year Financial Data."					Minimum Threshold	Unit Results	Note: If more than one performance indicator is identified, one proposed solution may solve all water and sewer performance indicators.								
4.	<p style="text-align: center;">Quick Ratio-Water and Sewer</p> <table border="1"> <tr> <th>Year</th> <th>Quick Ratio</th> </tr> <tr> <td>2022</td> <td></td> </tr> <tr> <td>2023</td> <td></td> </tr> <tr> <td>2024</td> <td>0.00</td> </tr> </table>				Year	Quick Ratio	2022		2023		2024	0.00	Equal or greater than 1	#DIV/0!	A Quick Ratio less than 1 indicates that the unit owes mores for its current bills than what it has on hand in unrestricted cash and investments plus what is owed from customers (accounts receivable). This could indicate that the fund may have difficulty paying its current bills. If this pattern continues, the water and/or sewer system may not be sustainable.
Year	Quick Ratio														
2022															
2023															
2024	0.00														
Cash Flow Indicators:		2022	2023	2024	Minimum Threshold	Unit Results									
5.	Operating Net Income (Loss) excluding depreciation, including debt service principal and interest	N/A	N/A	N/A	Greater than zero	N/A	This calculation subtracts operating expenses from operating revenues. Depreciation expense is not included the calculation but debt principal and interest payments are included. A negative balance indicates that your rates are not covering your operating expenses and debt service payments.								
6.	Unrestricted cash /total expenses excluding depreciation, including debt service principal	N/A	N/A	N/A	Greater than 16% (2 months)	N/A	This indicator calculates how many month's worth of expenses (including debt principal but not depreciation) a unit can pay based on the amount of unrestricted cash at year-end. The typical billing cycle is one month (8.33%) and one extra month usually gives a local government enough cash to handle unusual monthly expenses (16.66%). This 16% would be the bare minimum necessary to keep the fund from experiencing cash flow issues.								
7.	It appears your Water Sewer Fund has transfers-in for the support of operations that are greater than 3% of the total of operating and non-operating expenses. Please discuss the purpose of such transfers-in and if you plan to continue these transfers-in.			No		No	The rate structure of the Water and Sewer Fund should support the operating expenses of the fund without operating subsidies or transfers from other funds.								
8	Water and Sewer Capital Assets Condition Ratio	#DIV/0!	#DIV/0!	#DIV/0!	Remaining useful life of asset greater than or equal to 0.50	#DIV/0!	This capital assets condition ratio formula calculates the remaining useful life. A remaining useful asset value less than 0.50 may signal the need to replace the assets in the near future.								

Unit Name:		Erwin			Fiscal Year 2024		Explanation of Performance Indicator								
Unit Number:		50126													
ELECTRIC FUND: As of the publication date of this workbook, prior year self-reported numbers may not been received by the LGC staff, please contact LGC staff at lgcaudit@nctreasurer.com to have the prior year's financial data populated on this worksheet. Please include in email subject "Prior Year Financial Data."					Minimum Threshold	Unit Results	Note: If more than one performance indicator is identified, one proposed solution may solve all electric performance indicators.								
9	<p style="text-align: center;">Quick Ratio-Electric</p> <table border="1"> <tr><th>Year</th><th>Quick Ratio</th></tr> <tr><td>2022</td><td></td></tr> <tr><td>2023</td><td></td></tr> <tr><td>2024</td><td>0.00</td></tr> </table>				Year	Quick Ratio	2022		2023		2024	0.00	Equal or greater than 1	#DIV/0!	A Quick Ratio less than 1 indicates that the unit owes mores for its current bills than what it has on hand in unrestricted cash and investments plus what is owed from customers (accounts receivable). This could indicate that the fund may have difficulty paying its current bills. If this pattern continues, the electric system may not be sustainable.
Year	Quick Ratio														
2022															
2023															
2024	0.00														
Cash Flow Indicators:		2022	2023	2024	Minimum Threshold	Unit Results									
10	Operating Net Income (Loss) excluding depreciation, including debt service principal and interest	N/A	N/A	N/A	Greater than zero	N/A	This calculation subtracts operating expenses from operating revenues. Depreciation expense is not included the calculation but debt principal and interest payments are included. A negative balance indicates that your rates are not covering your operating expenses.								
11	Unrestricted cash /total expenses excluding depreciation, including debt service principal	N/A	N/A	N/A	Greater than 16% (2 months)	N/A	This indicator calculates how many month's worth of expenses (including debt principal but not depreciation) a unit can pay based on the amount of unrestricted cash at year-end. The typical billing cycle is one month (8.33%) and one extra month usually gives a local government enough cash to handle unusual monthly expenses (16.66%). This 16% would be the bare minimum necessary to keep the fund from experiencing cash flow issues.								

Unit Name:		Erwin		Fiscal Year 2024		Explanation of Performance Indicator
Unit Number:		50126				
GENERAL PERFORMANCE INDICATORS:			2024	Target		
12	What date was the audit report submitted to the LGC? (Note audit reports are due four months after fiscal year end regardless of the contract submission date.)	10/28/2024		Response Not Required		As stewards of the public's resources, the governing body is responsible for ensuring that the audited financial statements are available to the public in a timely manner. External groups such as the North Carolina General Assembly, federal and State agencies that provide funding, and other public associations need current financial information about your local government as well.
		2024	Target			
13	The budgeted ad valorem tax (including motor vehicles) for the General Fund had more than 3% uncollected for the fiscal year audited. Decreases are shown by a negative percentage.	1.75%	Less than 3%	1.75%		This indicator shows that the local government did not collect 3% (or more) of its budgeted ad valorem taxes. This could be an indicator of negative economic events, inaccurate budgeting, and/or issues with the collection process. Uncollected revenues at the 3% level represent several pennies of the tax rate.
		2024	Target			
14	You indicated that you expect a decrease in property value for your next property revaluation. In your FPIC Response Letter please discuss the magnitude of the drop in valuation, the overall cause of the drop and how you plan to recover the lost revenues.	N/A	Any estimated decrease	N/A		You indicated that you expect a decrease in property value for your next property revaluation which could result in lost tax revenue.
		2024	Target			
15	Did your audit disclose any budget violations at the adopted ordinance level? (Yes or No)	No	No over-expenditures	No		The unit has expenditures that exceed the legal budget ordinance. This indicates that the unit's purchase order system, contract approval process and / or payment process is not in compliance with North Carolina General Statute 159.
		2024	Target			
16	The Unit had material weaknesses, significant deficiencies, statutory violations and/or items identified on the TD Info Completed by Auditor tab that should be addressed in the FPIC Response Letter.	No		No		This indicator identifies whether the unit has any material weaknesses, significant deficiencies, management letter comments or items identified on the TD Info Completed by Audit tab including 1055, 1056, 1058, 955 and 957, that require a response.
17	Did the unit have a board-appointed finance officer or board-appointed interim finance officer the entire fiscal year as required by G.S. 159-24 which provides that "each local government and public authority shall, at all times, have a finance officer appointed by the local government, public authority, or designated official to hold office at the pleasure of the appointing board or official?" (Yes or No)	Yes		Yes		The indicator is to determine if any time during the fiscal year, the unit was without a board-appointed finance officer.
18	Was the finance officer or interim finance officer bonded pursuant to G.S. 159-29 which requires that the finance officer give a true accounting and faithful performance bond in an amount not less than the greater of (1) \$50,000 or (2) an amount equal to 10% of the unit's annually budgeted funds, up to \$1,000,000? (Yes or No)	Yes		Yes		The indicator is to determine if any time during the fiscal year, the unit was board-appointed finance officer was not bonded.

Unit Name:		Erwin		Fiscal Year 2024		Explanation of Performance Indicator	
Unit Number:		50126					
GENERAL PERFORMANCE INDICATORS:				2024	Target		
19	The unit had problems with debt service payments being late and/or did not comply with the bond covenants.			N/A		N/A	This indicator advises whether or not the unit has issues with debt service payments or bond covenants.
				2024	Target		
20	<p>Electric transfers-out have exceeded the amounts described in GS 159B-39. If your unit is a member of the North Carolina Eastern Municipal Power Agency it appears you have violated the GS.</p> <p>OR</p> <p>If you are not a member of the Eastern Municipal Power Agency it appears that you have violated your unit's transfer policy.</p>			No		No	This indicator advises if there were electric transfers in violation of G.S. 159B-39 or in violation of the unit's transfer policy.
				2024	Target		
21	<p>Are there additional issues the unit should address that affect the fiscal health or internal controls of the unit that were communicated to the unit during the audit presentation? <u>Please include details of the issue in cell J46 to the right and in your FPIC Response.</u></p>			No		No	<u>This indicator advises if any other issues that the unit should address in the FPIC response letter.</u>