



**DURHAM
COUNTY**



**Presentation of Audit Results
June 30, 2025**



Agenda

- Engagement Team
- Overview of:
 - Audit Opinion
 - Compliance Reports
 - Audit Findings
 - Financial Performance Indicators of Concerns
- Required Communications
- Accounting Recommendations and Related Matters
- Answer Questions



MAULDIN & JENKINS BY THE NUMBERS



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

100+ year
HISTORY
OF QUALITY SERVICE

Serve 725+
GOVERNMENT CLIENTS

GOVERNMENTAL PARTNERS & DIRECTORS **43**



750+ EXPERIENCED PROFESSIONALS FIRMWIDE

PARTNERS & DIRECTORS **120+**



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



440+
SINGLE AUDITS PERFORMED LAST YEAR COVERING OVER \$7 BILLION OF FEDERAL GRANTS



166,000+
HOURS ANNUALLY PROVIDED TO GOVERNMENTAL CLIENTS

180+ CURRENT CLIENTS AWARDED THE GFOA CERTIFICATE OF EXCELLENCE

8 STATES | **19** OFFICES



NATIONALLY FOCUSED

Engagement Team Leaders

- LeAnn Bagasala, Engagement Partner | Christopher McKellar, Quality Review Partner | Kayla O'Sullivan & Chad Jackson, Managers



Audit Opinion

- **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS)**
 - We considered the internal control structure for the purpose of expressing our opinion on **Durham County, North Carolina's (the "County")** basic financial statements and not for the purpose of providing an opinion on the effectiveness of internal controls.
 - 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.
 - The basic financial statements are the responsibility of the County's management.
- **Report on Basic Financial Statements**
 - We issued an **unmodified** ("clean") opinion on 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.



Compliance Report and Audit Scopes & Procedures

- **Government Auditing Standards (“Yellow Book”) Report**

- The financial report package contains a report on our tests of the County’s internal controls and compliance with laws, regulations, etc. The report is not intended to provide an opinion on internal controls nor is it intended to provide a legal determination on the County’s compliance with applicable laws and regulations.
- This report and the procedures performed are required by *Government Auditing Standards*.
- Material weaknesses were reported.



Compliance Report and Audit Scopes & Procedures

• Compliance Reports

- We were required to perform Single Audit procedures on seven (7) major programs (five Federal and two State programs).
 - 93.778 Medicaid Cluster
 - 93.558 Temporary Assistance for Needy Families (TANF)
 - 93.659 Adoption Assistance
 - 93.658 Foster Care
 - 10.561 Supplemental Nutrition Assistance Program (SNAP)
 - Public School Building Capital Fund – Lottery Proceeds
 - Opioid Settlement
- We issued a report on the County's federal programs in accordance with the Uniform Guidance. That report contained an unmodified opinion on compliance, and a material weakness was noted.
- We issued a report on the County's state programs in accordance with the State of North Carolina Single Audit Implementation Act. That report contained an unmodified opinion on compliance and no significant deficiencies or material weaknesses in internal controls over compliance were noted.



Audit Findings

Finding 2025-001: Prior Period Adjustments

Category: Material Weakness

Status: Corrected by management.

Finding 2025-002: General Financial Reporting

Category: Material Weakness

Status: Corrected by management.



Audit Findings

Finding 2025-003: Preparation of the Schedule of Expenditures of Federal and State Awards

Category: Material Weakness

Status: Corrected by management.

Finding 2025-004: Eligibility Second Party Reviews

Category: Material Weakness

Status: Corrective action plan in place.



Financial Performance Indicators of Concerns

Within 45 days of report submission



The auditor must present the audit report and Financial Performance Indicators to the unit; must notify the unit if an FPIC response is required (20 NCAC 03 .0502).

Within 60 days of audit presentation to unit



An FPIC response signed by a majority of governing board members is due to the secretary of the LGC (20 NCAC 03 .0508).



Financial Performance Indicators of Concerns

Water Sewer Fund

- Included in the LGC's performance indicators is a Water and Sewer Capital Assets Condition Ratio of less than 50%

Durham County's capital asset condition ratio is currently 45%, reflecting the remaining useful life of its assets. A ratio at or below 50% indicates that assets are approaching the end of their useful life and may require replacement in the near future. To address this, plans are underway for the modernization of the wastewater treatment plant (WWTP), which began in 2024, with the most recent updates presented at the March 2, 2026, BOCC meeting.

General Indicators

- Late submission – 3/24/2026

As part of a peer review process, the County's prior auditor was required to perform additional audit procedures on a FY 2024 grant program, including reassessing the program at a different level. This supplemental work extended beyond the original audit timeline and was not completed until late February 2026. The results of the review did not identify any findings. Due to the timing of this required follow-up work, certain components of the current year audit were placed on hold until the prior year procedures were finalized. As a result, there was a period of overlap during which both the prior and current auditors were engaged. This sequence of events contributed to a delay in the completion and submission of the ACFR.

- Material weaknesses(presented in previous slides)



Required Communications

- **Significant Accounting Policies**

- Management is responsible for the selection and use of appropriate accounting policies.
- The significant accounting policies used by the County are described in Note 1 to the basic financial statements.
- During the current year, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* and GASB 102, *Certain Risk Disclosures*.
- The policies used by the County are in accordance with generally accepted accounting principles.
- In considering the qualitative aspects of its policies, the County is not involved in any controversial or emerging issues for which guidance is not available.

- **Management Judgment/Accounting Estimates**

- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.
- The County uses various estimates as part of its financial reporting process – including actuarial assumptions, fair value of investments, useful lives of capital assets.



Required Communications (Continued)

- **Relationship with Management**

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

- **Management Representation**

- We will request, and receive, 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.

- **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.



Required Communications (Continued)

- **Audit Adjustments**

- There was one passed audit adjustments that was determined to be immaterial individually and in the aggregate.
 - To propose and pass on a prior period adjustment for interest expense being overstated in the prior year instead of running it through the current year. Debt Fund- amount \$390,250.

- **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.

- **Information in Documents Containing Audited Financial Statements**

- Our responsibility for other information in documents containing the County's basic financial statements and our report thereon does not extend beyond the information identified in our report. If you intend 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. You 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 County and their respective financial reporting processes.



New Accounting Pronouncements

- **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 County's fiscal year ended June 30, 2026. This new standard will change a few things in the County'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 County'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 roll-forward. 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 County's footnotes. In addition, this new Standard will require the County 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 County's fiscal year ending June 30, 2026.



Govt. Clients – Free Quarterly Continuing Education

FREE QUARTERLY CONTINUING EDUCATION AND NEWSLETTERS FOR GOVERNMENTAL CLIENTS

Free Continuing Education. We provide free quarterly continuing education for all of our governmental clients. Each quarter we pick a couple of significant topics 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 among our governmental clients. Examples of subjects addressed in the past few quarters include:

- ACFR Preparation - GASB Updates - Grant Accounting Processes and Controls - GASB 68 (Pensions)
- Internal controls over revenue and cash receipting and accounts payable, payroll, and cash disbursements
- American Recovery & Reinvestment Act (ARRA) information, issues and updates - Single audits for auditees
- Collateralization of Deposits and Investments - Internal Controls over Accounts Payable, Payroll and Controls
- Policies and Procedures Manuals - Segregation of Duties – GASB 75 (OPEB) – GASB 87 (Leases)
- Data Security and General Information Technology Controls and Best Practices

Communication. In an effort to better communicate our free continuing education plans and newsletters, please email Paige Vercoe at pvercoe@mjcpc.com (send corresponding copy to lbagasala@mjcpc.com), and provide to her individual names, mailing addresses, email addresses and phone numbers of anyone you wish to participate and be included in our database.



Questions & Comments



Thank You for the Opportunity to Serve