

Union County, North Carolina **Audit Executive Summary**

February 6, 2026

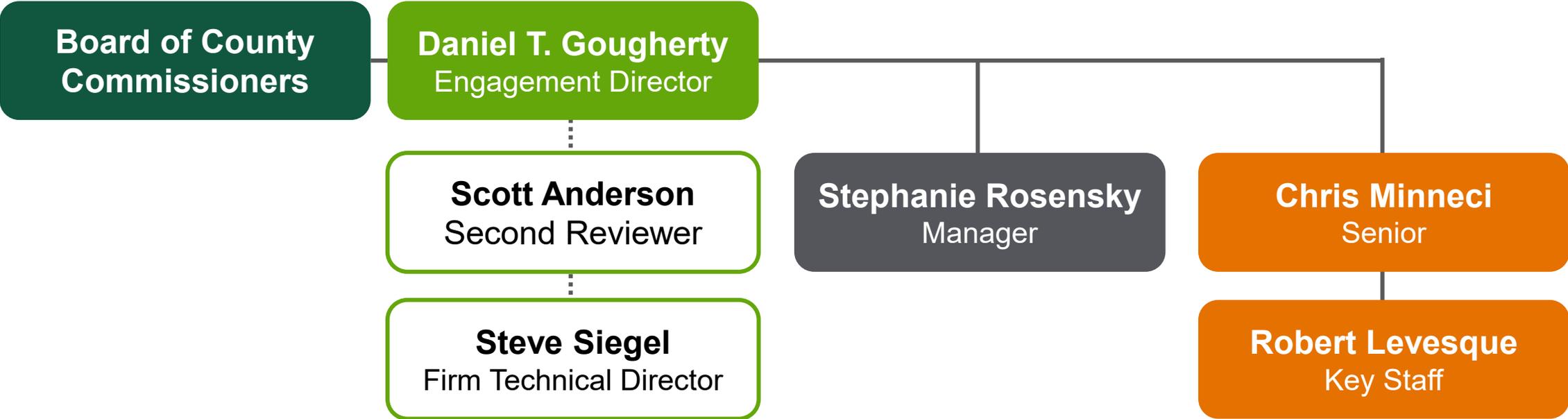
Agenda

- ▶ Client Service Team
- ▶ Results of the Audit
- ▶ Internal Control Communication
- ▶ Internal Control and Compliance
- ▶ Corrected and Uncorrected Misstatements
- ▶ Qualitative Aspects of Accounting Practices
- ▶ Independence Considerations
- ▶ Other Required Communications
- ▶ Other Matters
- ▶ Upcoming Financial Reporting Changes
- ▶ Local Government Commission Performance Indicators

This information is intended solely for the use of the Board of County Commissioners charged with governance and, if appropriate, management of Union County and is not intended to be, and should not be, used by anyone other than these specified parties



Client Service Team

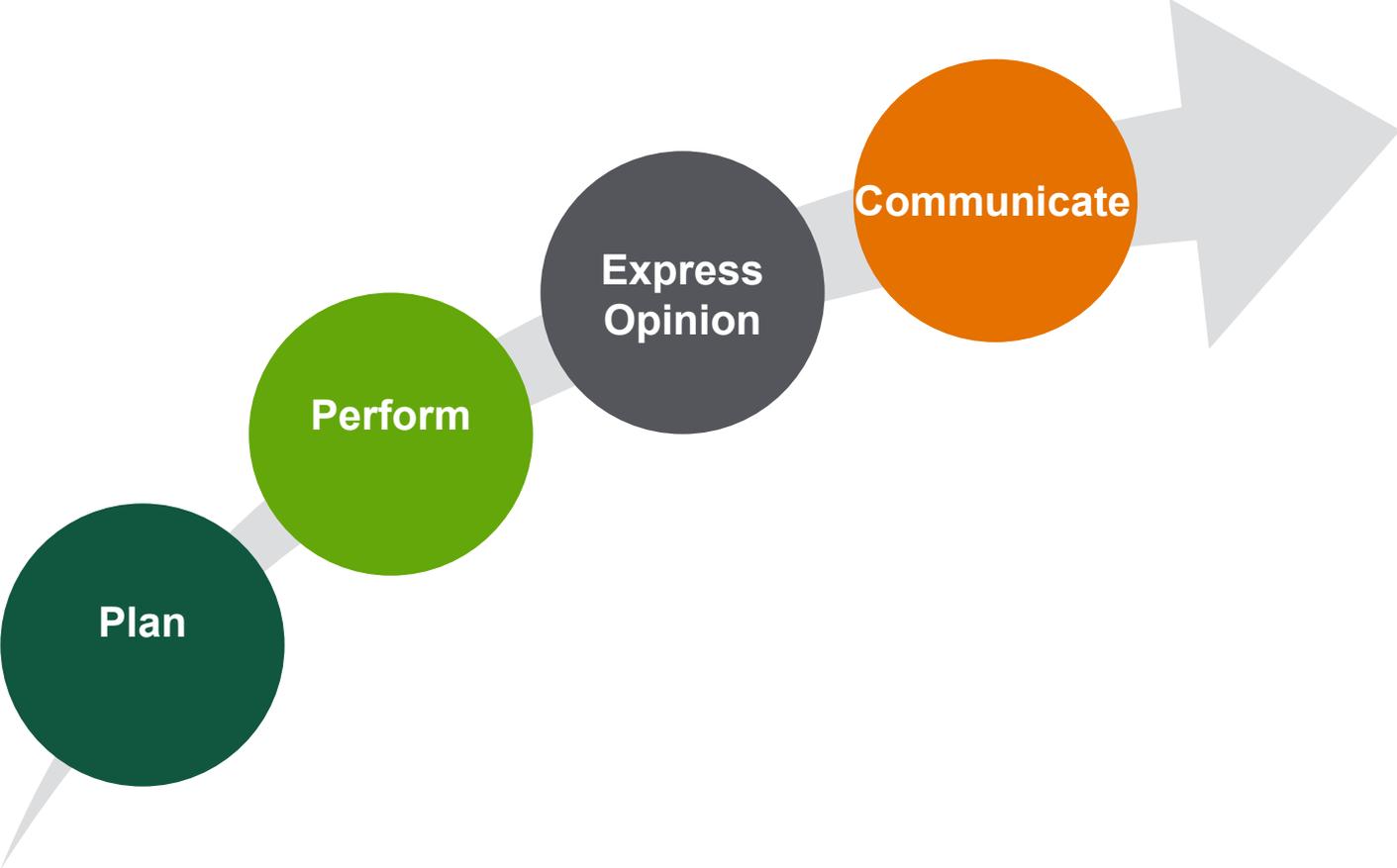


Results of the Audit

We have audited the financial statements of Union County, North Carolina (the “County”) for the year ended June 30, 2025 in accordance with generally accepted auditing standards and Government Auditing Standards and have issued our report dated November 6, 2025.

We have also audited the County’s compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina that could have a direct and material effect on each of the County’s major federal and state programs for the year ended June 30, 2025.

We have issued unmodified opinions on the financial statements on compliance related to the federal and state single audits completed in accordance the Uniform Grant Guidance and the State Single Audit Implementation Act.



Internal Control Communication

In planning and performing our audit, we considered 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 opinion on the financial statements and on compliance with Uniform Guidance and the N.C. State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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.



Internal Control Communication

Material Weakness

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

Significant Deficiency

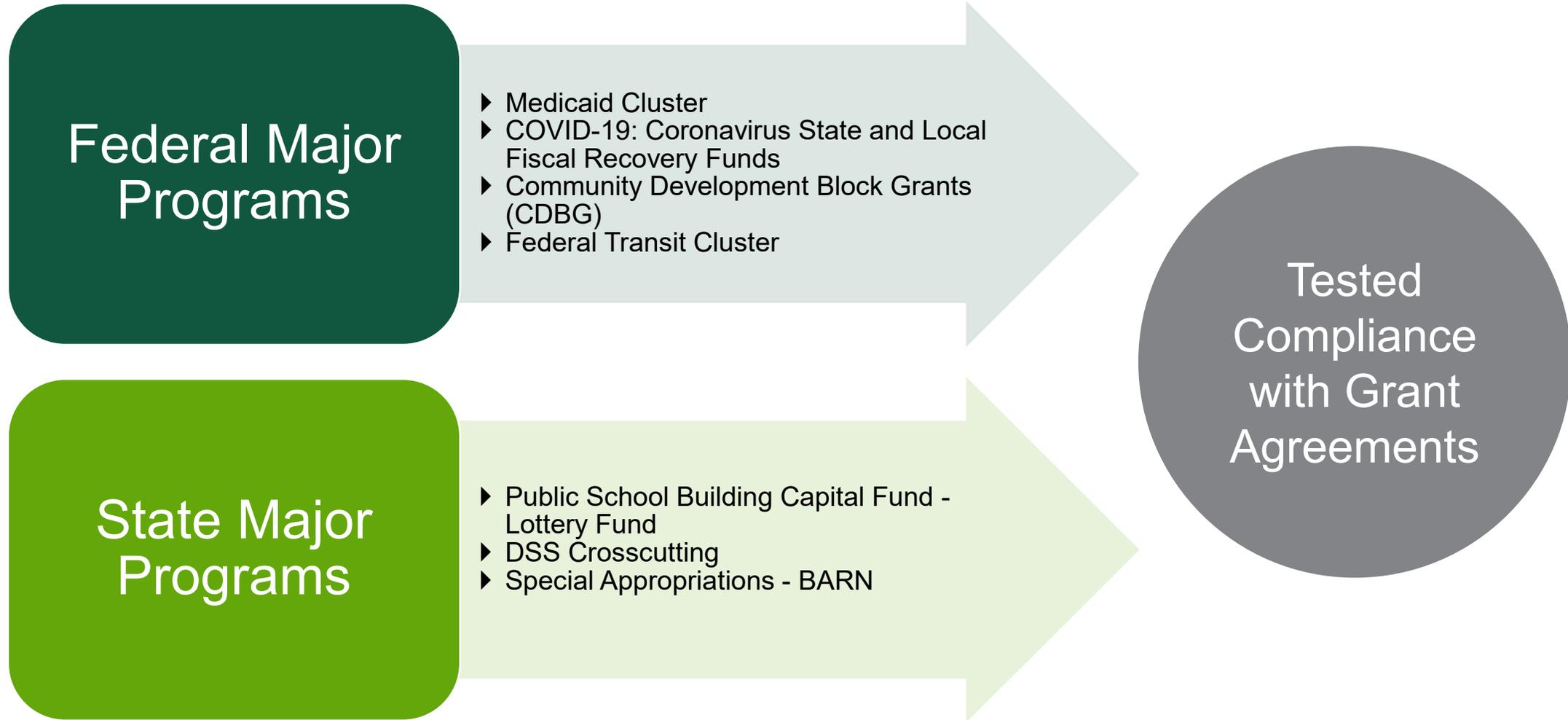
- ▶ A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We noted the deficiencies as finding 2025-001 that we believe to be a material weakness.



Internal Control and Compliance

Single Audit (Grants)



Internal Control Communication

Single Audit (Grants)

Material Weakness and Nonmaterial Noncompliance – Eligibility

Finding 2025-001

Program Name: Medical Assistance

Federal Assistance Listing Number: 93.778

- ▶ Compliance: 3 out of 60 samples where an individual was improperly determined to be eligible. This resulted in improper benefit payments of \$18,734 being made by the State based on the County's improper eligibility determinations.
- ▶ Control: 15 instances out of 60 program participants where the County did not remediate the errors identified within their internal review timely.



Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Corrected Misstatements

- ▶ Restatement to increase beginning fund balance in the non-major governmental funds of \$1,123,853 related to the Opioid Settlement MOA and reduction of current year revenue by the same amount.
- ▶ Restatement to increase beginning net position in the government-wide statements to record entire Opioid Settlement amount of \$13,891,765 as receivable.
- ▶ These adjustments were required due to the change in revenue recognition from a non-exchange transaction to an exchange transaction.



Corrected and Uncorrected Misstatements

Uncorrected Misstatements

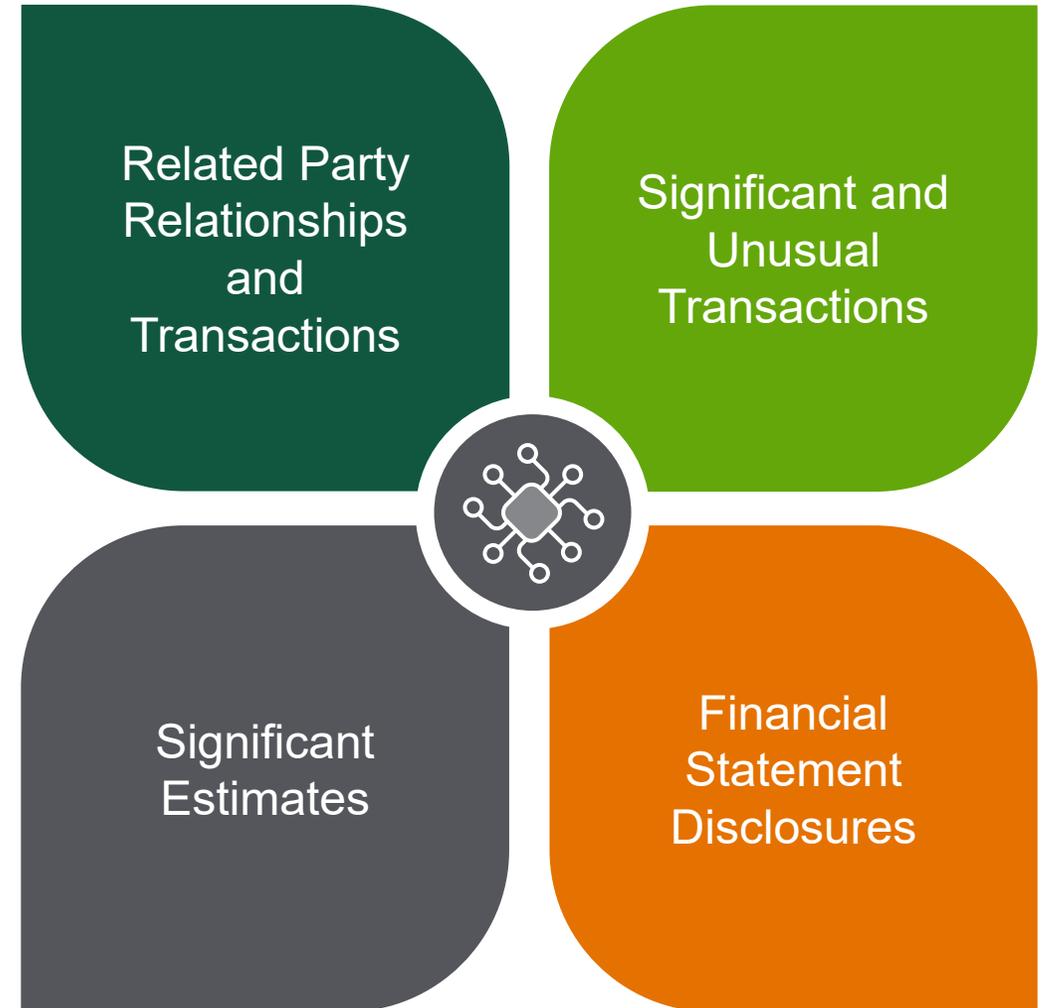
- ▶ Overstatement of expenditures and accounts payable in the General Special Revenue Fund in the amount of \$57,222.



Qualitative Aspects of Accounting Practices

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 financial statements.

The County changed accounting policies related to compensated absences liability by adopting Governmental Accounting Standards Statement 101, *Compensated Absences*, implemented during fiscal year June 30, 2025.

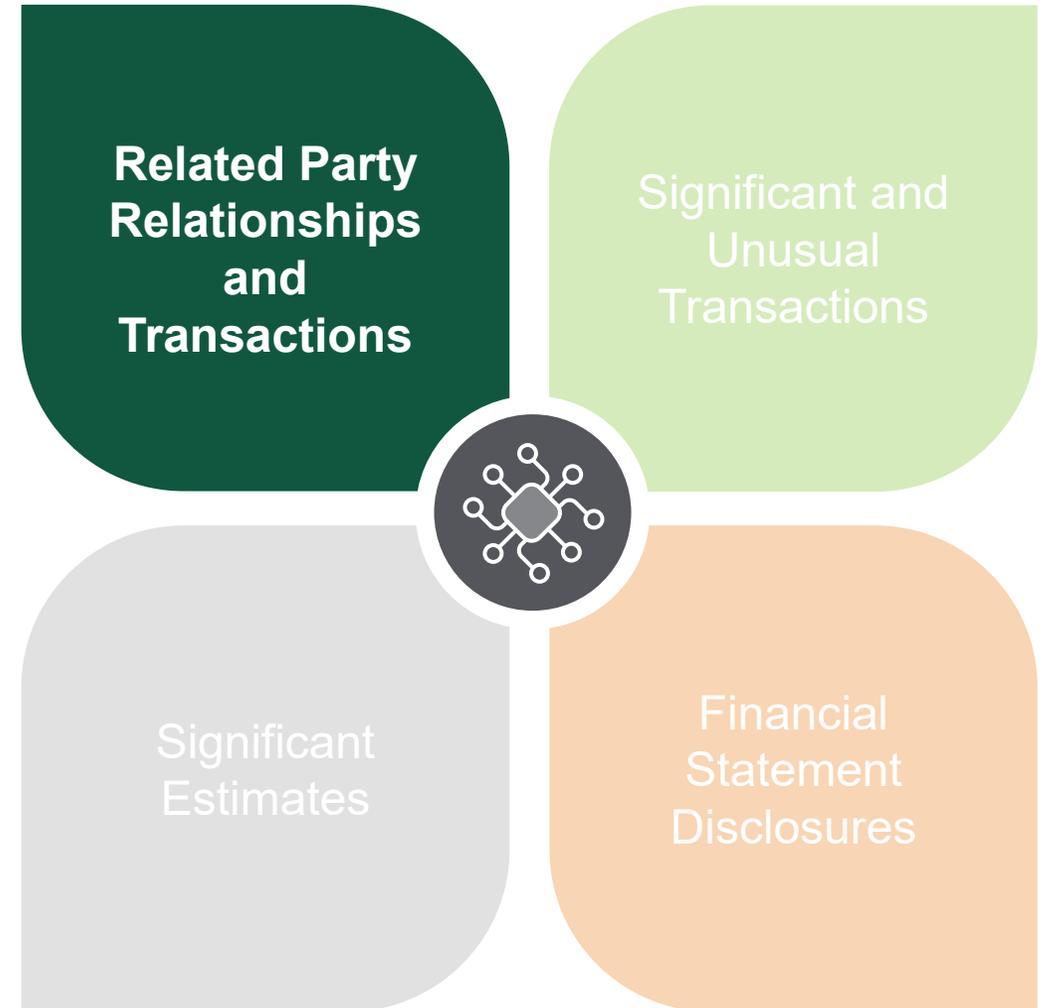


Qualitative Aspects of Accounting Practices

As part of our audit, we evaluated the County's identification of, accounting for, and disclosure of the County's relationships and transactions with related parties as required by professional standards.

We noted none of the following:

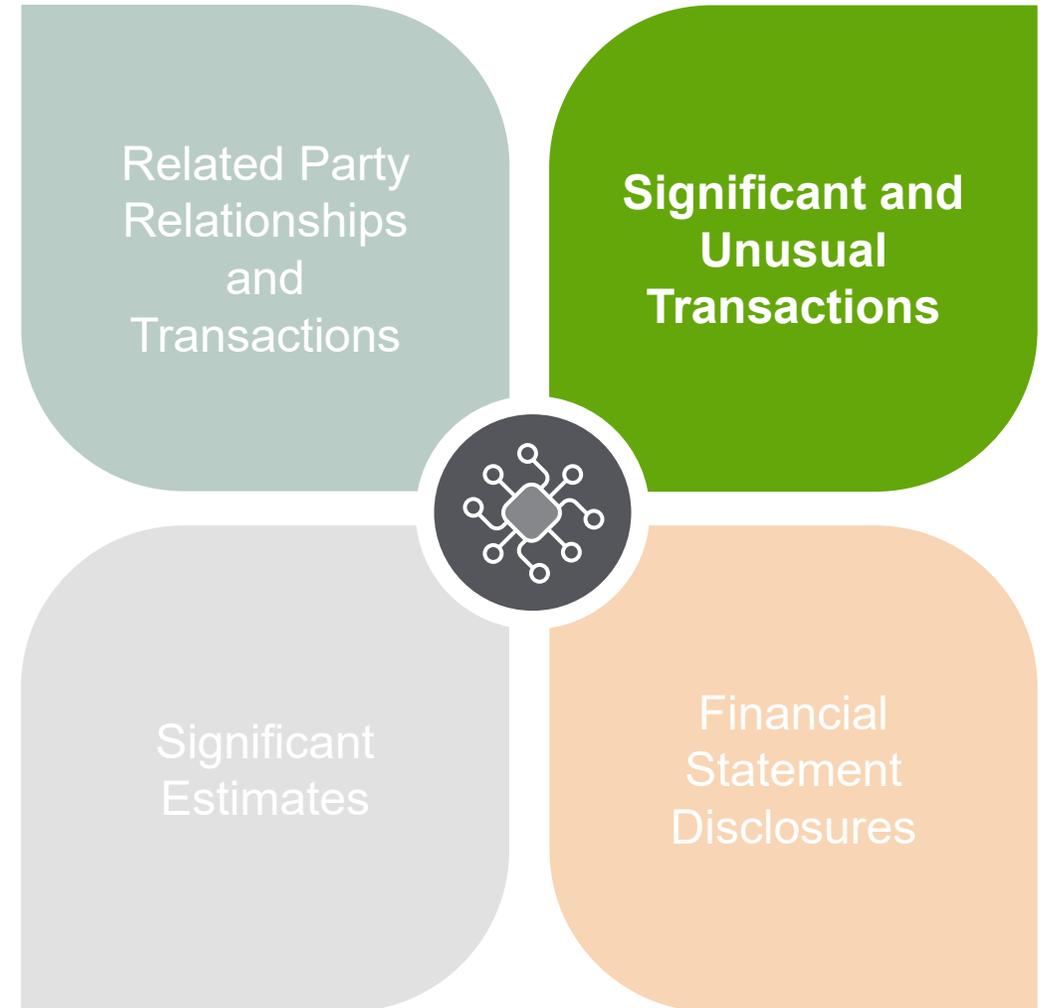
- Related parties or related party relationships or transactions that were previously undisclosed to us;
- Significant related party transactions that have not been approved in accordance with the County's policies or procedures or for which exceptions to the County's policies or procedures were granted;
- Significant related party transactions that appeared to lack a business purpose;
- Noncompliance with applicable laws or regulations prohibiting or restricting specific types of related party transactions; and
- Difficulties in identifying the party that ultimately controls the County's.



Qualitative Aspects of Accounting Practices

We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

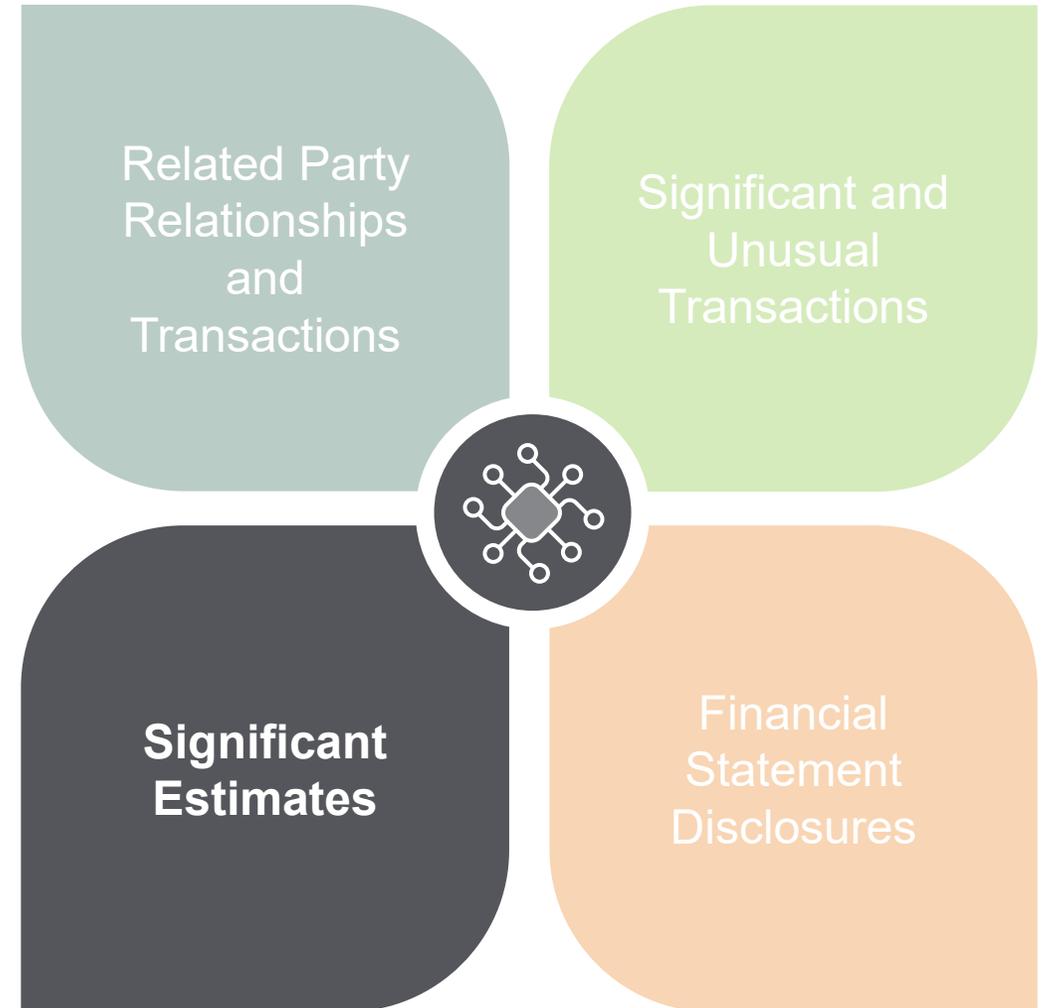
For purposes of this presentation, professional standards define significant unusual transactions as transactions that are outside the normal course of business for the County or that otherwise appear to be unusual due to their timing, size, or nature. We noted no significant unusual transactions during our audit.



Qualitative Aspects of Accounting Practices

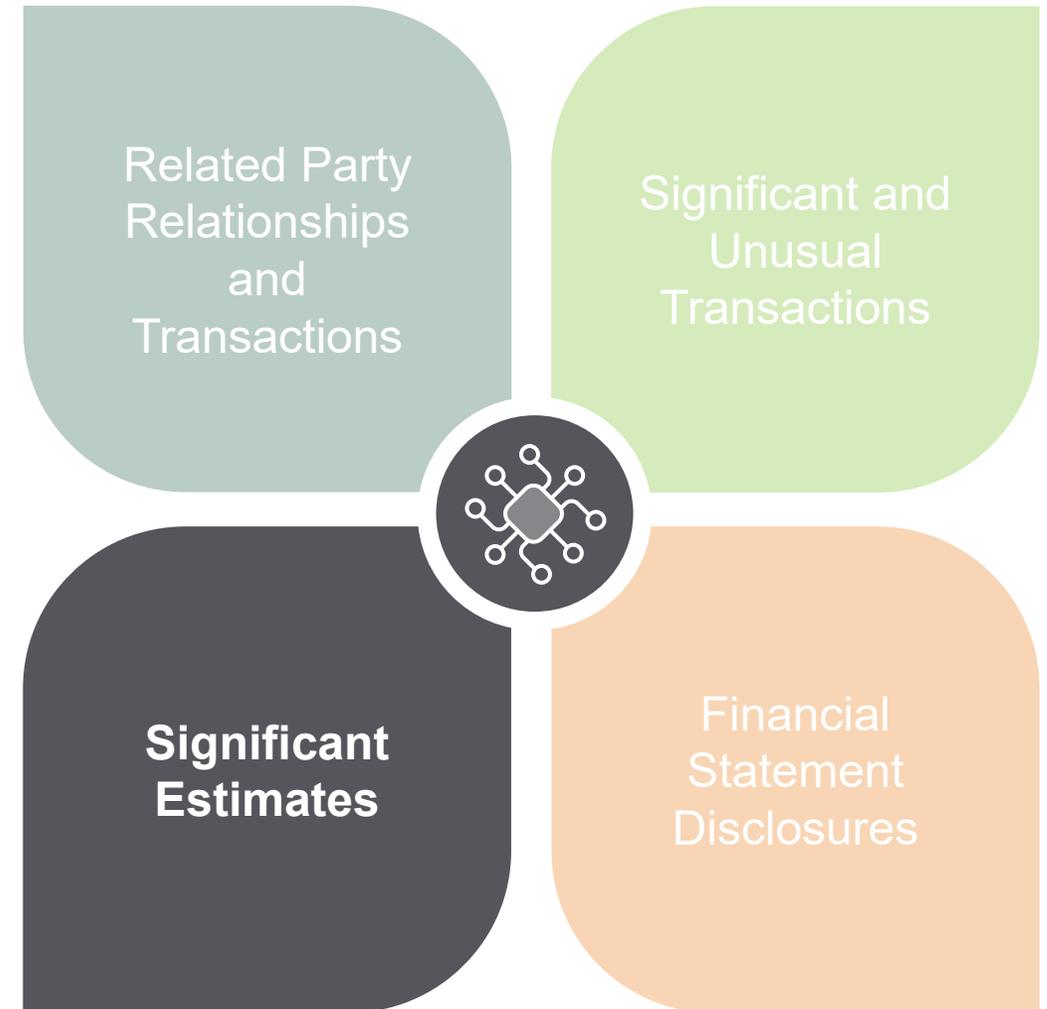
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Allowance for doubtful accounts
- Depreciation expense (estimated useful lives of assets)
- Fair value of investments
- Pensions, OPEB, and IBNR liabilities, and related deferred outflows and inflows
- Landfill liability
- Lease and SBITA liabilities and receivables
- Right-of-use assets



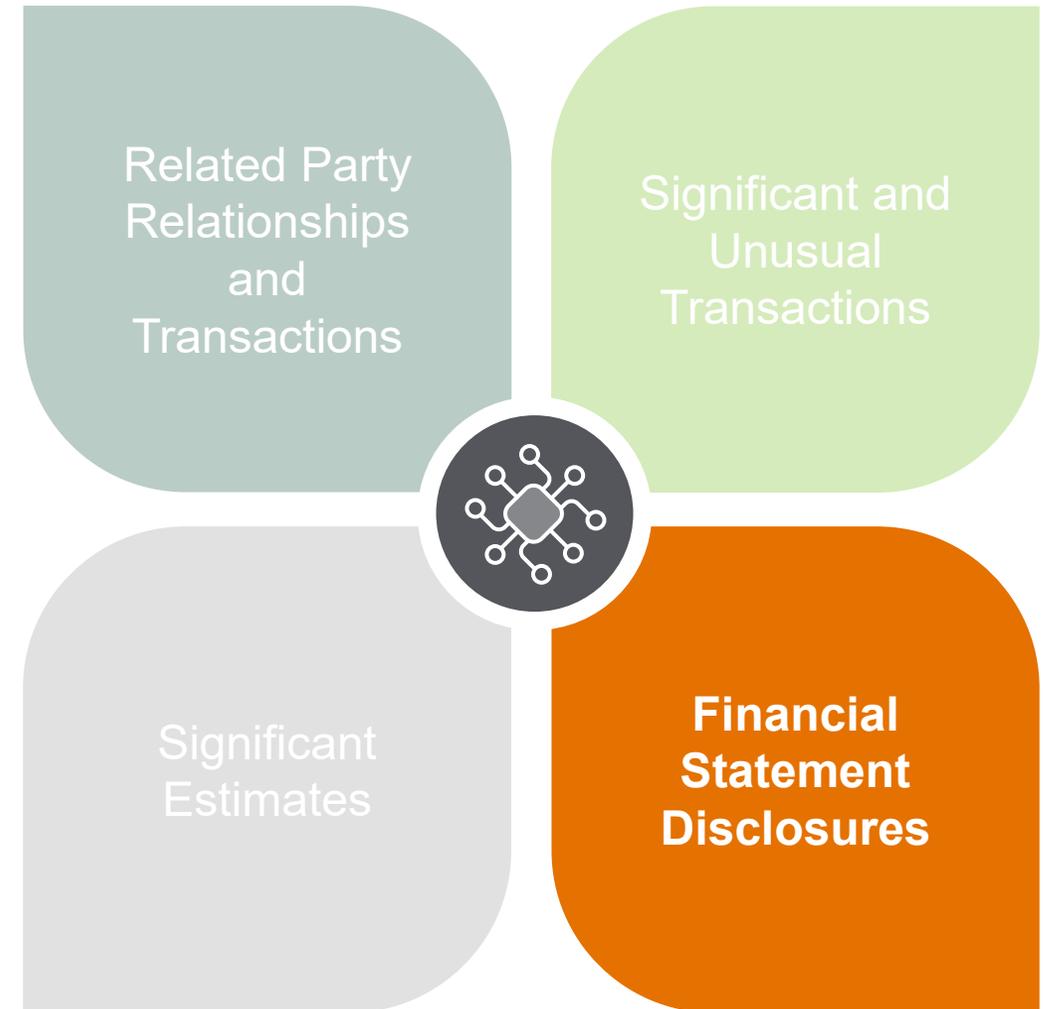
Qualitative Aspects of Accounting Practices

- Management's estimate of the identified above estimates are based on the analysis of historical collection trends, estimated useful life of the asset, third party pricing, actuarial valuations, engineers estimates for closure and post closure costs and the County's incremental borrowing rate and lease/SBITA terms.
- We evaluated the key factors and assumptions used to develop these estimates in determining it is reasonable in relation to the financial statements taken as a whole.



Qualitative Aspects of Accounting Practices

The financial statement disclosures are neutral, consistent, and clear.



Independence Considerations

Nonattest Services

- ▶ Preparation of the Data Collection Form.
- ▶ For all nonattest services we perform, you are responsible for designating a competent employee to oversee the services, make any management decisions, perform any management functions related to the services, evaluate the adequacy of the services, and accept overall responsibility for the results of the services.



Independence Conclusion

- ▶ We are not aware of any other circumstances or relationships that create threats to auditor independence.
- ▶ We are independent of the County and have met our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.



Other Required Communications

Difficulties Encountered

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

Includes disagreements on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report no such disagreements arose during the course of our audit.

Auditor Consultations

We noted no matters that are difficult or contentious for which the auditor consulted outside the engagement team.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated the date of our audit report.



Other Required Communications

Management Consultations

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. To our knowledge, there were no such consultations with other accountants.

Other Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Fraud and Illegal Acts

As of the date of this presentation, no fraud, illegal acts, or violations of laws and regulations noted.

Going Concern

No events or conditions noted that indicate substantial doubt about the County’s ability to continue as a going concern.



Other Matters

Required Supplementary Information

We applied certain limited procedures to the required supplementary information (“RSI”) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI. We were engaged to report on the other supplementary information which accompanies the financial statements, but which is not RSI.



Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introduction and statistical sections but does not include the basic financial statements and our auditor’s report thereon. Our opinion 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.



Upcoming Financial Reporting Changes

These standards will be effective for the County in the upcoming years and may have a significant impact on the County's financial reporting.

We would be happy to discuss with management the potential impacts on the County's financial statements and how we may be able to assist in the implementation efforts

- ▶ *GASB Statement 103, Financial Reporting Model Improvements - 2026*
- ▶ *GASB Statement 104, Disclosure of Certain Capital Assets - 2026*



Local Government Commission Performance Indicators

Audit Report –

- ✓ Budgeted tax levy for the General Fund did not have more than 3% uncollected.
- ✓ Positive General Fund total fund balance.
- ✓ Effective pre-audit process to avoid pervasive budget violations.
- ✓ No late debt service payments or debt covenant compliance issues.
- ✓ No statutory violation within Annual Comprehensive Financial Report.



Questions

Contacts

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