
BURKECOUNTY
ALL ABOUT ADVANCING

Presentation of Audit Results

Fiscal Year Ended
June 30, 2025

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS AND TAX ADVISORS

Alan W. Thompson, CPA
1626 S Madison Street
PO Box 398
Whiteville, NC 28472
910.642.2109 phone
910.642.5958 fax
www.tpsacpas.com

BURKE COUNTY

Presentation Agenda

	PAGE(S)
I. GENERAL COMMENTS	
II. REQUIRED COMMUNICATIONS AU-C 260	1-3
III. AUDIT RESULTS	4-11
IV. LGC REQUIRED COMMUNICATIONS	12
V. QUESTIONS AND COMMENTS	
VI. CLOSE	

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS AND TAX ADVISORS

Thompson, Price, Scott, Adams & Co, P.A.
P.O. Box 398
1626 S Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958

Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA

December 19, 2025

To the Board of Commissioners
Burke County
Morganton, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Burke County for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 27, 2025. Professional standards also required that we communicate to you the following information related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated February 27, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Board solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

<u>Significant Risks Identified</u>

We have identified the following significant risks:

- Management override of controls – this risk is presumed to be present in every audit under professional standard, regardless of the control environment. The rationale is that even the most robust internal control system can be overridden by management

- Improper revenue recognition – this risk refers to the intentional or unintentional misstatement of revenue in financial statements. This can include premature recognition or manipulation of cut-off procedures. It is one of the most common areas for financial reporting fraud and is therefore presumed to be a significant risk in every audit engagement

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Burke County are described in Note 1 to the financial statements. The County adopted GASB Statement 101, "Compensated Absences" and GASB Statement 102, "Certain Risk Disclosures" in the current year. We noted no transactions entered into by Burke County during the year for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Significant 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. 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. Significant estimate(s) for the County are allowance for doubtful accounts, compensated absences, and depreciation. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. One significant disclosure affecting the County's financial statements relates to the implementation of GASB 101 which is discussed in the footnotes to the financial statements.

Significant Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated December 19, 2025.

Management Consultations with Other Independent Accountants

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. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Matters, Findings, or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Burke County’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We disclosed items that were identified as technical errors in our review of the Medicaid program. Please review the schedule of findings and questioned cost in the audit report for a description of these errors. These items have been discussed with the DSS director, and a corrective action plan is in place to address the issues noted (see Findings 2025-001).

The Local Government Commission (LGC) will no longer initiate communications about concerns or findings (formerly considered unit letters). They have created a spreadsheet that has to be completed and submitted with the audit report. If that worksheet identifies what they consider a "Financial Performance Indicators of Concern" (FPICs), we are required to communicate those items to the Board. The County is required to submit a response within 60 days of the Board meeting in which the financial statements are presented. The detailed audit response should be presented to the entire Board, and signed by the entire Board, Finance Officer, and Manager. The County has one FPIC to address related to the remaining useful life of Water and Sewer Assets being less than 50%.

Other Matters

We applied certain limited procedures to the Schedule of County’s Proportionate Share of Net Pension Liability (LGERS), Schedule of County Contributions (LGERS), Schedule of County’s Proportionate Share of Net Pension Asset (ROD), Schedule of County Contributions (ROD), Schedule of Changes in Total Pension Liability - Law Enforcement Officer’s Special Separation Allowance, and Schedule of Changes in Total OPEB Liability and Related Ratios, which is 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 combining and individual non-major fund statement schedules, budgetary schedules, and other schedules, and the schedule of expenditures of federal and State awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, 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.

We were not engaged to report on the Introductory Section and Statistical Section, which were included for purposes of obtaining the Certificate of Excellence in Financial Reporting. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Please ensure that management and the Board is aware of the new GASB pronouncements for the upcoming fiscal year. Be especially mindful of GASB No.103: *Financial Reporting Model Improvements*, as the implementation of this standard may take a significant amount of time and resources to properly implement.

Restriction on Use

This information is intended solely for the use of the Board of Commissioners and management of Burke County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co, P.A.

BURKE COUNTY

FINANCIAL INFORMATION FOR 5 YEARS

	2025	2024	2023	2022	2021
Total Fund Balance - General Fund	$ 43,629,278	$ 41,036,942	$ 39,798,252	$ 40,534,537	$ 36,164,364
Unavailable Fund Balance - Nonspendable and Restricted by State Statute	20,237,307	11,248,379	5,063,323	7,034,255	5,397,494
Other Restricted, Committed, Assigned Fund Balance	2,982,267	2,906,343	3,146,520	3,194,447	2,387,077
General Fund Expenditures (including Transfers out less installment debt)	114,053,410	118,296,741	117,874,811	94,858,789	86,206,252
Fund Balance Available as % of General Fund Expenditures	20.51%	25.18%	29.47%	35.32%	35.69%
Unassigned Fund Balance	20,409,704	26,882,220	31,588,409	30,305,835	28,379,793
Unassigned Fund Balance as % of General Fund Expenditures	17.89%	22.72%	26.80%	31.95%	32.92%

2025 - Fund Balance Available as a % of General Fund Expenditures and Unassigned Fund Balance as % of General Fund Expenditures adjusted for funds that will be reimbursed once FEMA funds are received would be 29.76% and 27.14%, respectively.

2024 - Unassigned Fund Balance as % of General Fund Expenditures adjusted for netting of ISF activity for Wellness would result in an unassigned Fund Balance as a percentage of expenditures of 24.24%.

Revenues over (under) expenditures before transfers and contributions					
General Fund	5,610,340	6,403,760	942,285	1,493,687	3,111,710
Other Governmental Funds	(26,687,035)	3,146,344	24,859,712	15,273,966	6,982,756
Water/Sewer Fund	(473,268)	(268,587)	(554,403)	(229,942)	(499,074)
Solid Waste Fund	2,134,166	(1,661,943)	(515,055)	(122,666)	(281,003)
Depreciation & Amortization Expense					
Water and Sewer Fund	885,934	874,514	860,358	832,142	837,164
Solid Waste Fund	618,021	455,121	447,299	415,826	362,689
Cash & Investments vs. Accumulated Depreciation -Water / Sewer Fund					
Total Fixed Assets	31,347,327	31,127,069	31,052,590	30,839,217	30,602,773
Accumulated Depreciation	18,422,463	17,536,529	16,662,015	15,801,657	15,033,324
Cash	1,522,655	2,103,331	943,535	954,588	715,930
Cash & Investments vs. Fund Balance					
Cash & Investments- General	28,777,381	36,877,658	37,859,675	41,227,685	37,465,826
Cash & Investments - Other	59,725,392	69,143,793	62,312,345	51,321,392	30,206,758
Cash & Investments - Water /Sewer	1,522,655	2,103,331	943,535	954,588	715,930
Cash & Investments - Solid Waste Fund	6,214,068	4,494,703	4,939,457	1,475,024	1,288,537
Fund Balance - General	43,629,278	41,036,942	39,798,252	40,534,537	36,164,364
Fund Balance - Other Governmental	47,194,001	69,404,026	60,868,796	37,872,285	26,224,922
Net Position - Water/Sewer Fund	13,925,590	14,815,337	14,083,924	14,555,987	14,685,314
Net Position - Solid Waste Fund	6,316,630	2,220,720	3,251,210	275,605	(423,559)
Property Tax Rates	0.560	0.560	0.695	0.695	0.695
Collection Percentages	98.38%	99.00%	98.80%	98.73%	98.75%
Collection Percentages (excluding Motor Vehicle)	98.20%	98.89%	98.65%	98.58%	98.60%
Total Property Valuation	10,877,868,365	10,468,905,092	7,930,036,472	7,485,456,840	7,428,838,294
Total Levy Amount	61,480,747	59,755,001	54,650,843	52,663,068	51,867,085

BURKE COUNTY

FINANCIAL INFORMATION FOR 5 YEARS

	2025	2024	2023	2022	2021
Debt Analysis (excluding Compensated Absences, OPEB, and Net Pension Liabilities)					
Governmental - General Obligation Bonds	-	-	-	235,000	475,000
Governmental - Direct Borrowings and Direct Placements	29,571,977	34,834,100	38,815,000	44,485,000	50,240,000
Governmental - Premiums	2,419,713	2,631,198	2,842,683	3,054,168	3,265,653
Total Governmental Debt	31,991,690	37,465,298	41,657,683	47,774,168	53,980,653
Business-type - Direct placement and direct borrowing	910,240	979,004	1,047,776	1,116,556	1,185,318
Total Business-type Debt	910,240	979,004	1,047,776	1,116,556	1,185,318
Total Debt Outstanding (excluding Compensated Absences, OPEB, and Net Pension Liabilities)	$ 32,901,930	$ 38,444,302	$ 42,705,459	$ 48,890,724	$ 55,165,971
Breakdown of General Fund Revenues					
Ad Valorem Taxes	61,081,410	59,859,598	54,452,431	52,522,312	51,768,457
Other taxes and licenses	20,665,216	19,753,454	12,777,693	11,961,010	10,794,939
Unrestricted intergovernmental	3,491,357	2,811,225	3,859,161	3,885,586	2,976,500
Restricted intergovernmental	15,251,887	14,942,488	16,380,923	15,650,069	13,737,370
Permits and fees	2,689,865	2,524,241	2,574,742	2,703,473	2,308,930
Sales and services	8,011,688	5,749,775	5,600,494	5,259,830	4,542,140
Investment Earnings	2,167,836	2,523,577	1,135,408	63,102	123,774
Miscellaneous*	518,567	7,741,291	218,174	297,227	443,758
Total	$ 113,877,826	$ 115,905,649	$ 96,999,026	$ 92,342,609	$ 86,695,868
Breakdown of General Fund Expenditures					
General Government**	15,551,059	21,640,674	13,904,336	11,928,062	9,077,599
Public Safety	35,377,006	32,394,037	25,776,659	23,913,712	22,772,304
Transportation	74,820	107,367	71,094	70,865	70,850
Economic and physical development	2,092,535	2,052,363	2,484,796	2,782,543	1,700,137
Environmental protection	803,585	649,092	838,196	534,505	555,613
Human Services	28,049,711	26,767,133	22,737,043	22,845,383	20,491,861
Cultural and recreational	3,021,888	2,993,019	2,672,247	2,288,680	2,106,389
Education	23,296,882	22,898,204	19,986,618	18,676,815	18,729,940
Debt Service***	-	-	7,585,752	7,808,357	8,079,465
Total	$ 108,267,486	$ 109,501,889	$ 96,056,741	$ 90,848,922	$ 83,584,158

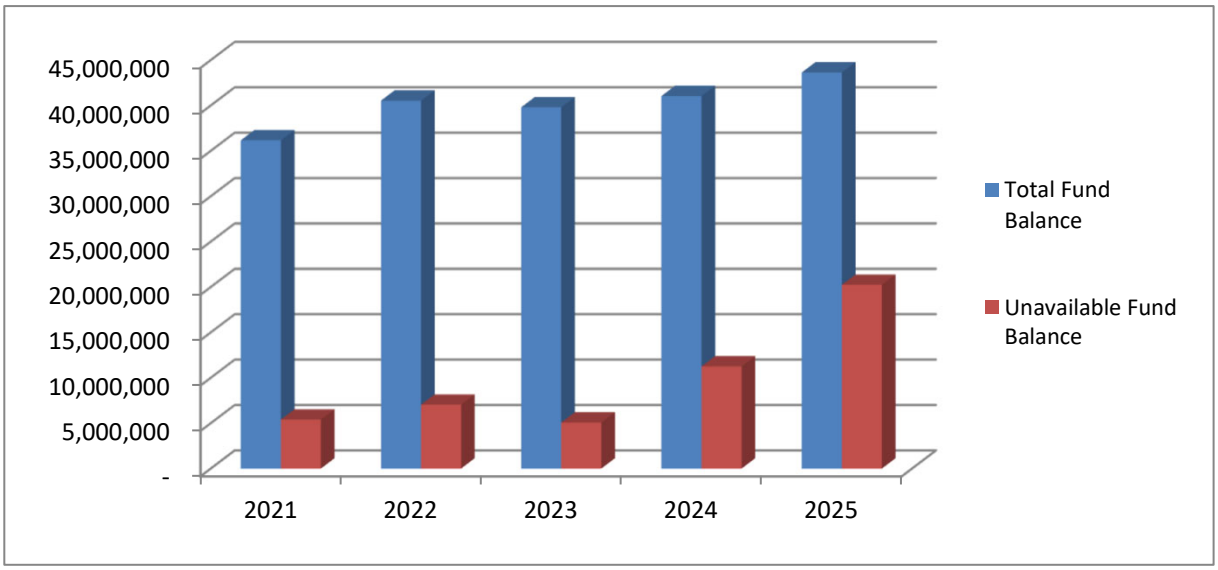
*In 2024, increase in miscellaneous revenue due to Internal Service Fund presentation. Recorded $7,389,289 as "Contributions to the Risk Plans" that were shown in Miscellaneous subcategories on the Budget to Actual Statement.

**In 2024, reported expenses of $7,444,559 as Risk Management under the General Governmental Activities section on the Budget to Actual Statement that were for Internal Service Fund Activity (Wellness).

***In 2024, started paying debt service payments out of debt service fund instead of general fund.

BURKE COUNTY

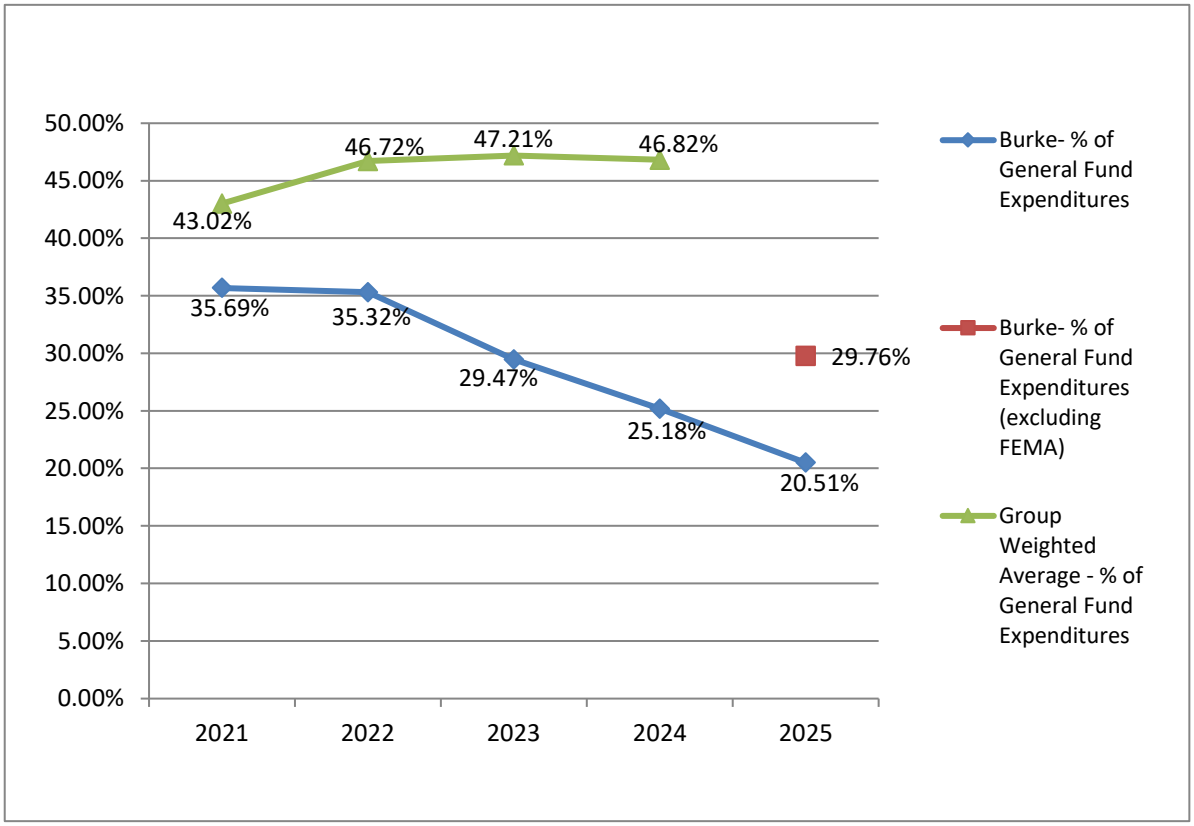
Analysis of Fund Balance



BURKE COUNTY

Analysis of Fund Balance Available

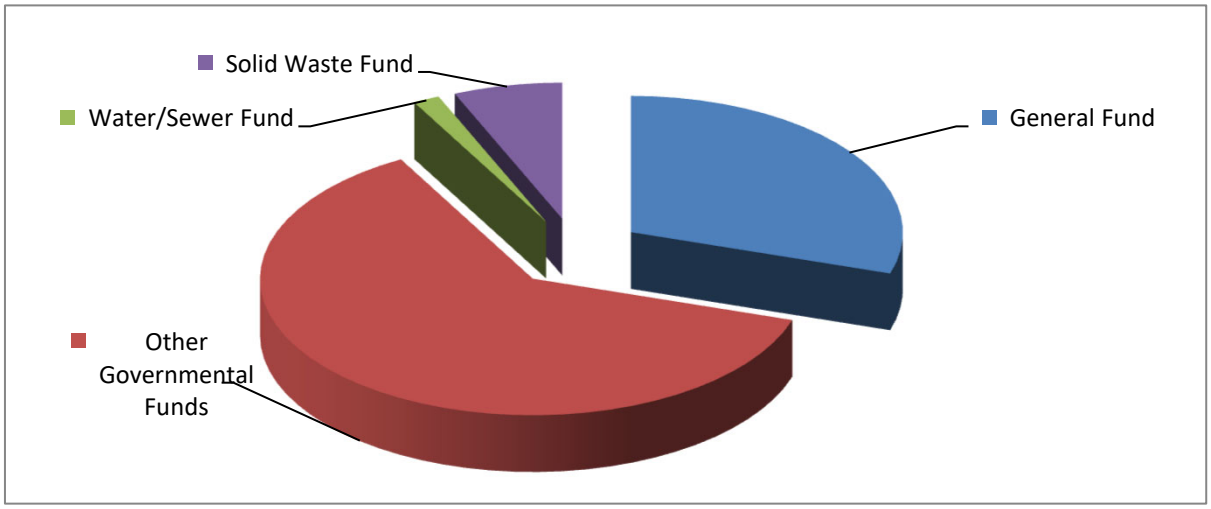
(Note - 2025 Group Weighted Average Not Available at Date of Presentation)



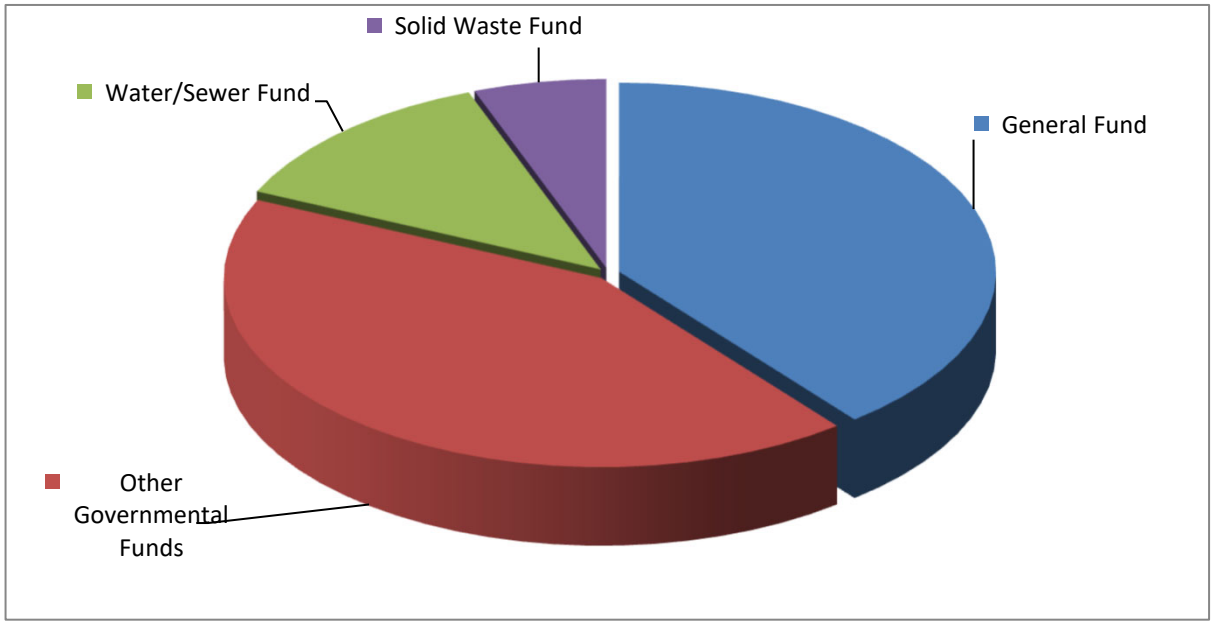
BURKE COUNTY

Analysis of Cash & Investments vs Fund Balance / Net Position
at June 30, 2025

CASH & INVESTMENT BALANCES



FUND BALANCE / NET POSITION

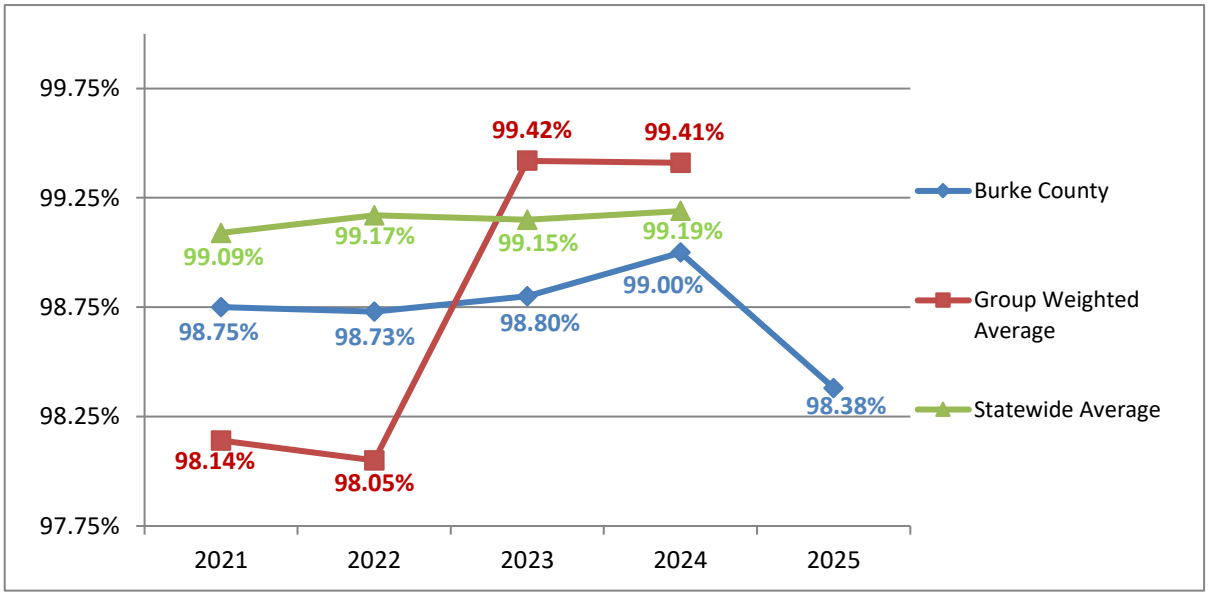


	2025	
	Cash Balances	Fund Balance / Net Position
General Fund	$ 28,777,381	$ 43,629,278
Other Governmental Funds	59,725,392	47,194,001
Water/Sewer Fund	1,522,655	13,925,590
Solid Waste Fund	6,214,068	6,316,630
Total	$ 96,239,496	$ 111,065,499

BURKE COUNTY

Tax Collection Percentages

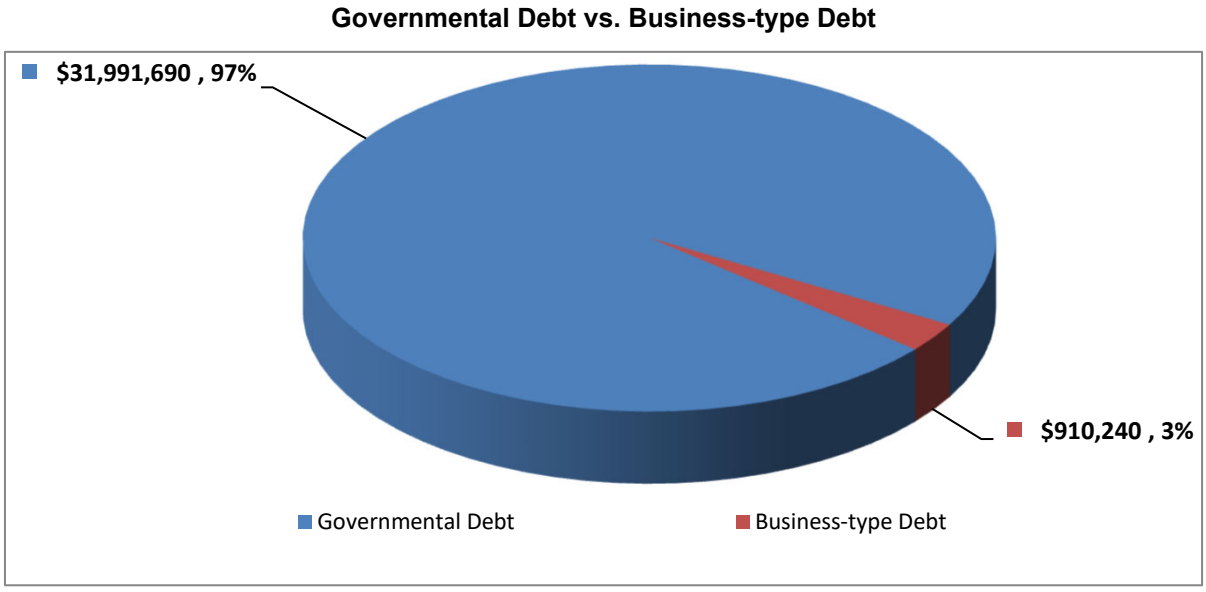
(Note - 2025 Group Weighted Average Not Available at Date of Presentation)



BURKE COUNTY

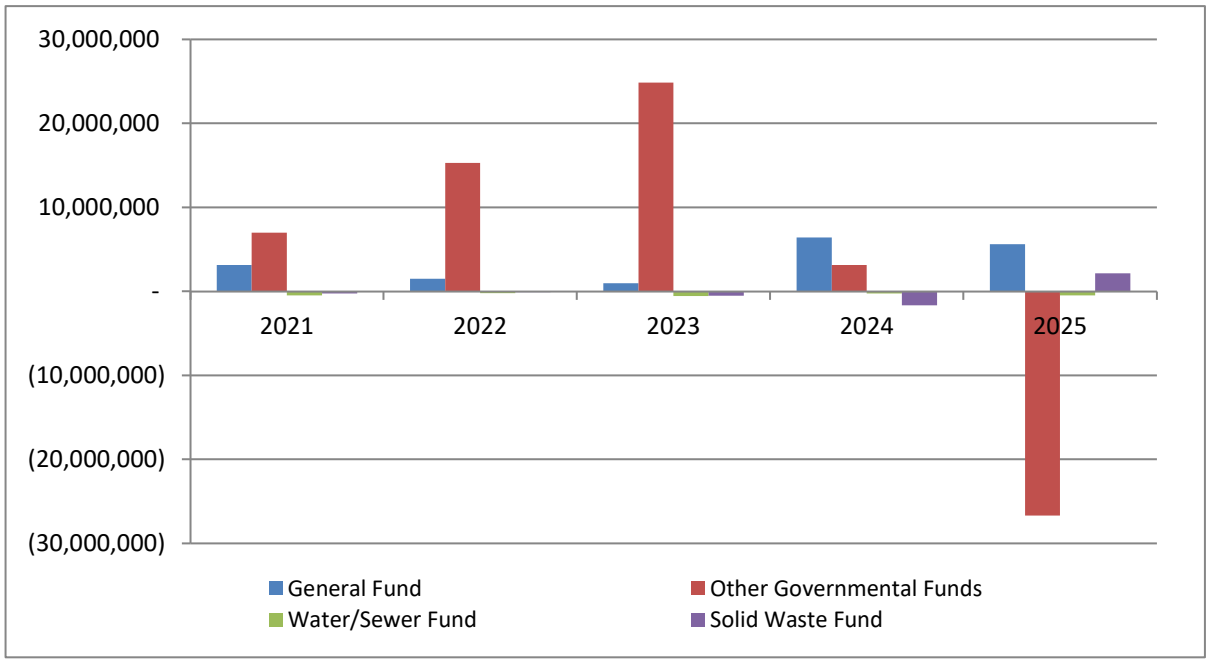
Debt Analysis (excluding Compensated Absences, OPEB, and Net Pension Liabilities)

FYE June 30, 2025



BURKE COUNTY

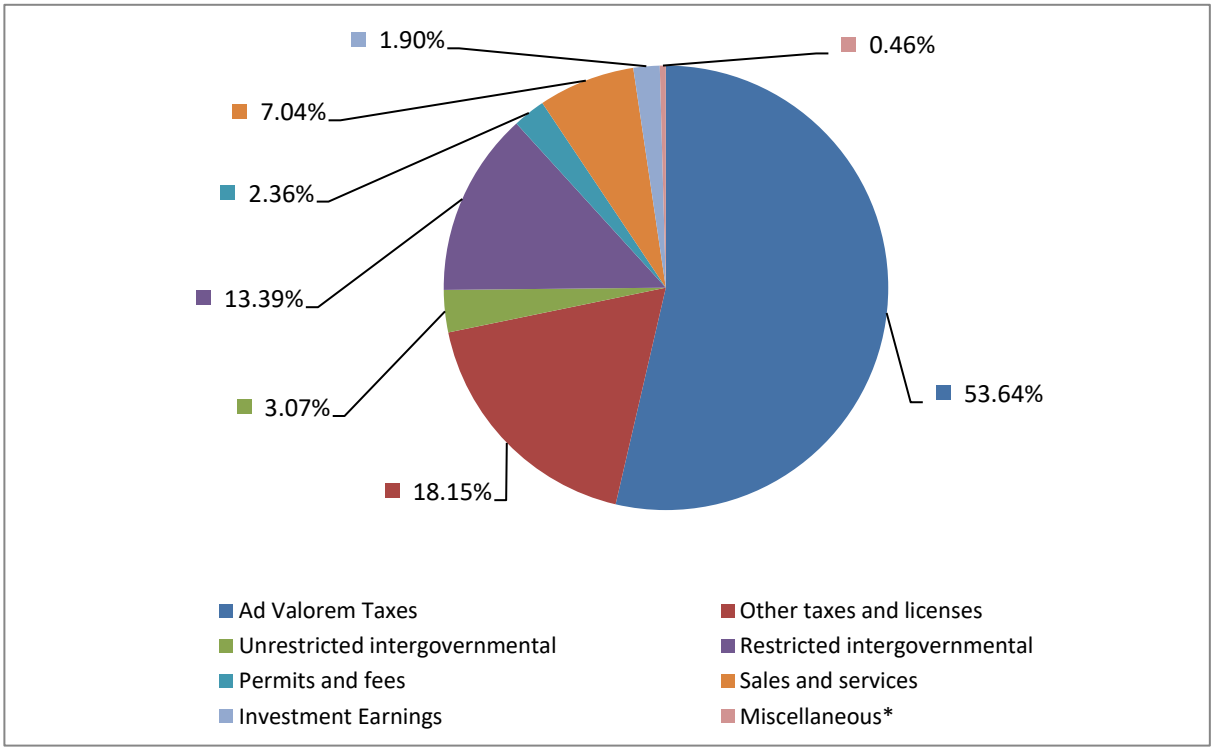
Revenues Over (Under) Expenses Before Transfers and Capital Contributions



BURKE COUNTY

General Fund Revenues

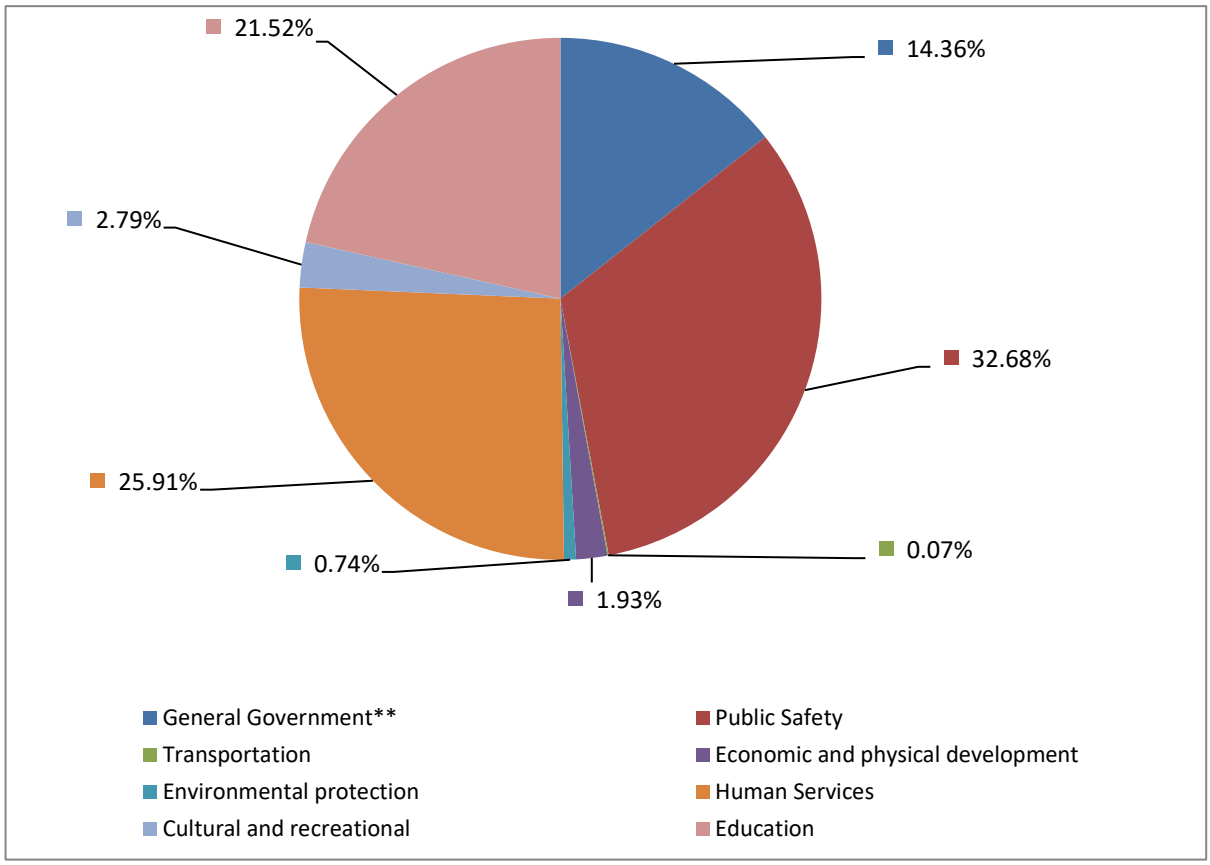
FYE June 30, 2025



BURKE COUNTY

General Fund Expenditures

FYE June 30, 2025



ADDITIONAL REQUIRED COMMUNICATIONS

Changes to the Audit Process

The Local Government Commission (LGC) will no longer initiate communications about concerns or findings (formerly considered unit letters). They have created a spreadsheet that has to be completed and submitted with the audit report. If that worksheet identifies what they consider a "Financial Performance Indicators of Concern" (FPICs), we are required to communicate those items to the Board.

You are required to submit a response within 60 days of the Board meeting in which the financial statements are presented. The detailed audit response should be presented to the entire Board, and signed by the entire Board, Finance Officer, and Manager.

The responses are required to be uploaded on the LGC's website. The following are the items that have to be addressed by responding directly to the LGC with a corrective action plan:

The remaining useful life of Water and Sewer Assets are less than 50%.