

CITY OF ROCKY MOUNT, NORTH CAROLINA

**REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS IN ACCORDANCE WITH
THE UNIFORM GUIDANCE, STATE SINGLE
AUDIT IMPLEMENTATION ACT, AND
*GOVERNMENT AUDITING STANDARDS***

FOR THE YEAR ENDED JUNE 30, 2023

CITY OF ROCKY MOUNT, NORTH CAROLINA

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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**INDEPENDENT AUDITOR'S 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**

**To the Honorable Mayor and
Members of the City Council
City of Rocky Mount, North Carolina**

We have audited, in accordance with 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, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Rocky Mount, North Carolina** (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 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.

Our consideration of 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, and 2023-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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*.

City of Rocky Mount, North Carolina's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 results 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.



Raleigh, North Carolina
December 28, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Honorable Mayor and
Members of the City Council
City of Rocky Mount, North Carolina

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the **City of Rocky Mount, North Carolina** (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rocky Mount, North Carolina as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated December 28, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Raleigh, North Carolina
December 28, 2023

Mauldin & Jenkins, LLC



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR
STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS IN ACCORDANCE WITH APPLICABLE
SECTIONS OF THE OMB UNIFORM GUIDANCE AND THE STATE SINGLE
AUDIT IMPLEMENTATION ACT**

To the Honorable Mayor and
Members of the City Council
City of Rocky Mount, North Carolina

Report on Compliance for the Major State Program

Opinion on the Major State Program

We have audited the **City of Rocky Mount, North Carolina** (the "City") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City's state programs for the year ended June 30, 2023. The City's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major state program for the year ended June 30, 2023.

Basis for Opinion on the Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's state programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above, and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Implementation Act

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rocky Mount, North Carolina as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon, dated December 28, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Mauldin & Jenkins, LLC

Raleigh, North Carolina
December 28, 2023

CITY OF ROCKY MOUNT, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Grantor Number	Grant Award (w/o Match)	Federal Expenditures	State Expenditures	Local Match/ Program Income Expenses	Pass-through to Subrecipients
FEDERAL FINANCIAL ASSISTANCE PROGRAMS:							
U.S. Department of Transportation							
Direct Program -							
Federal Transit Administration:							
Federal Transit Cluster:							
Federal Transit - Formula Grants							
Operating, Section 9 (50 fed /50 local) 2022 NC-2022-018-00	20.507		\$ 698,622	\$ 477,856	\$ 147,438	\$ 200,691	\$ -
Capital, Section 5307-2A (80fed/10local/10smap) NC-2022-018-00	20.507		848,625	480,755	77,561	32,543	-
Urban Operating- American Rescue Plan	20.507		441,893	203,003	-	-	-
COVID-19 Urban Capital CARES ACT	20.507		2,386,422	347,311	-	-	-
COVID-19 Urban Operating CARES ACT	20.507		2,208,836	133,454	-	-	-
Total Federal Transit Cluster			6,584,398	1,642,379	224,999	233,234	-
Passed through North Carolina Department of Transportation:							
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research							
Planning, Section 5303 (80/10/10) #22-08-115	20.505	36230.25.21.6	53,952	43,155	5,397	5,395	-
Formula Grants for Rural Areas and Tribal Transit Program							
Rural, Section 5311 Admin 2020 #23-CT-043 (80/5/15)	20.509	36233.24.21.1	298,350	255,260	13,435	1,848,192	-
COVID-19 Rural Operating CARES ACT	20.509	49233.75.1.2	1,499,395	185,623	-	1,353	-
Total Transit Services Programs Cluster			1,797,745	440,883	13,435	1,849,545	-
Federal Highway Administration							
Highway Planning and Construction Cluster:							
Highway Planning and Construction							
C-5549-PE Rocky Mount Sidewalks	20.205-1CL	51019.1.1	114,427	7,774	-	1,944	-
PWP Transportation Planning FY2022(80fed/20 local)	20.205-5	49599.1.177	251,395	145,084	-	36,271	-
Total Highway Planning and Construction Cluster			365,822	152,858	-	38,215	-
Total U.S. Department of Transportation			8,801,917	2,279,275	243,831	2,126,389	-
U.S. Department of Housing and Urban Development							
Direct Program -							
Community Development Block/Entitlement Grants Cluster:							
Community Development Entitlement Grant-2017	14.218		503,720	5,370	-	-	-
Community Development Entitlement Grant-2019	14.218		565,761	7,130	-	-	-
Community Development Entitlement Grant-2020	14.218		560,957	18,919	-	-	-
Community Development Entitlement Grant-2021	14.218		526,640	84,968	-	23,614	-
Community Development Entitlement Grant-2022	14.218		514,419	85,689	-	936	10,500
Community Development Entitlement Grant-2023	14.218		460,426	324,034	-	6,208	39,008
COVID-19 Community Development Entitlement Grant-CARES ACT	14.218		638,048	255,664	-	-	239,497
Total Community Development Block/Entitlement Grants Cluster			3,769,971	781,774	-	30,758	289,005
Home Investment Partnerships Program:							
Community Development Home Grant -2017	14.239		431,595	76	-	-	-
Community Development Home Grant -2018	14.239		409,785	200	-	-	-
Community Development Home Grant -2019	14.239		597,456	37,500	-	-	37,500
Community Development Home Grant -2020	14.239		537,505	822	-	-	-
Community Development Home Grant -2021	14.239		579,911	11,895	-	-	-
Community Development Home Grant -2022	14.239		407,772	108,055	-	-	-
Community Development Home Grant -2023	14.239		455,813	44,483	-	-	-
Community Development Home Grant -American Rescue Plan	14.239		1,476,477	32,916	-	-	-
Total Community Development/HOME GRANTS			4,896,314	235,947	-	-	37,500
Total U.S. Department of Housing and Urban Development			8,666,285	1,017,721	-	30,758	326,505
U.S. Department of Treasury							
Direct Program- Treasury Equitable Sharing Program							
American Rescue Plan/ State & Local Coronavirus Relief Funds	21.016		-	2,208	-	-	-
	21.027		11,521,180	10,000,000	-	-	-
Passed through North Carolina Department of Transportation:							
Rural Operating- American Rescue Plan	21.027	50371.39.1.2	400,000	379,800	-	-	-
Total U.S. Department of Treasury			11,921,180	10,382,008	-	-	-

CITY OF ROCKY MOUNT, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Grantor Number	Grant Award (w/o Match)	Federal Expenditures	State Expenditures	Local Match/ Program Income Expenses	Pass-through to Subrecipients
U.S. Department of Justice							
Direct Program -							
Bulletproof Vest Partnership Grant 2021	16.607		\$ 19,227	\$ 6,776	\$ -	\$ 6,776	\$ -
2019 Edward Byrne Memorial JAG (2020-DJ-BX-0929)	16.738		35,048	10,000	-	-	-
2021 Edward Byrne Memorial JAG (15PBJA-22-GG-02398-JAGX)	16.738		389,009	12,200	-	-	-
2022 Edward Byrne Memorial JAG (15PBA-22-GG-02398-JAGX)	16.738		43,917	27,505	-	-	-
COVID-19 Coronavirus Emergency Supplemental Funding (DOJ)	16.034		121,771	33,059	-	-	-
Justice Equitable Sharing Program	16.922		-	41,387	-	-	-
Total U.S. Department of Justice			608,972	130,927	-	6,776	-
Federal Emergency Management Agency (Covid-19) Public Assistance	FEMA-4487-DR	NCDR-4487	146,857	67,139	-	-	-
Total Federal Emergency Management Agency			146,857	67,139	-	-	-
Total Federal Financial Assistance Programs			30,145,211	13,877,070	243,831	2,163,923	326,505
STATE FINANCIAL ASSISTANCE PROGRAMS:							
North Carolina Department of Transportation:							
Division of Highways:							
State Street-Aid Allocation Fund (Powell Bill)			1,669,425	-	832,229	-	-
Total N.C. Department of Transportation			1,669,425	-	832,229	-	-
North Carolina Housing Finance Agency:							
NC Housing Trust Funds - Urgent Repair - URP22			100,000	-	-	15,845	-
NC Housing Trust Funds - Urgent Repair - URP23			132,000	-	82,000	37,630	-
Total North Carolina Housing Finance Agency			232,000	-	82,000	53,475	-
North Carolina Department of Commerce							
Building Reuse Grant -LS Tractor			190,000	-	76,882	-	-
Building Reuse Grant - SePro			190,000	-	101,179	-	-
Total North Carolina Dept of Commerce			380,000	-	178,061	-	-
North Carolina Department of Cultural & Natural Resources							
North Carolina Science Museums Program			75,000	-	75,000	-	-
North Carolina Environmental Quality/Division of Water Resources			199,873	-	192,773	96,387	-
North Carolina Parks and Recreation Trust Fund (50/50)			350,000	-	180,352	90,175	-
North Carolina Parks and Recreation- Land and Water Conservation Fund			500,000	-	273,493	136,747	-
Total North Carolina Dept of Natural and Cultural Resources			1,124,873	-	721,618	323,309	-
Total State Assistance Programs			3,406,298	-	1,813,907	376,784	-
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAMS			\$ 33,551,509	\$ 13,877,070	\$ 2,057,738	\$ 2,540,707	\$ 326,505

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of Federal and State Awards (SEFSA) includes the federal and State grant activity of the City of Rocky Mount under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Implementation Act*. Because the Schedule presents only a selected portion of the operations of the City of Rocky Mount, it is not intended to and does not present the financial position, changes in net position or cash flows of the City of Rocky Mount.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The City of Rocky Mount has elected not to use the 10 percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF ROCKY MOUNT, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major federal programs? Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major program:

Assistance Listing Number

21.027

Name of Federal Program or Cluster

Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

CITY OF ROCKY MOUNT, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

SECTION I SUMMARY OF AUDIT RESULTS (CONTINUED)

State Awards

Internal control over major state programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for
major state programs?

Unmodified

Any audit findings disclosed that are required to be reported in
accordance with the State Single Audit Implementation Act?

_____ Yes X No

Identification of major State program:

Program Name

Non-State System Street Aid Allocation (Powell Bill)

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2023-001 Restatement of Prior Year Balances

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of the City in accordance with generally accepted accounting principles (GAAP).

Condition: Internal controls were not sufficient to timely detect material misstatements in the City's financial statements for the year ended June 30, 2022.

Context/Cause: During our audit for the year ended June 30, 2023, material misstatements in the opening balances of the City were identified and thus audit adjustments were required as follows:

- An understatement in the recording of the September 2022 sales tax distribution resulted in an adjustment of \$1,624,214 to correct the beginning equity of the general fund.
- An error in the recording of a new installment note in April 2022 resulted in an adjustment of \$305,329 to beginning equity of the governmental activities.
- An input error in the recording of the right-to-use lease asset and related lease liability resulted in an adjustment of \$207,691 to beginning equity of the governmental activities.

Effects: As a result of the issues identified above, material audit adjustments were required to correct previously reported balances of the City. Restatements to beginning balances of the City totaled approximately \$2.1 million.

CITY OF ROCKY MOUNT, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

SECTION II

FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2023-001 Restatement of Prior Year Balances (Continued)

Recommendation: We recommend the City carefully review the financial statements and the applicable reporting requirements under GAAP to ensure that all information and financial data is properly reported.

Auditee's Response: We concur with the finding.

2023-002 Reporting of Capital Assets and Related Balances

Criteria: Internal controls should be in place to ensure that the capital asset activity is properly reported and presented in the City's financial statements, in accordance with generally accepted accounting principles (GAAP).

Condition: Material audit adjustments were required to properly report capital asset and related balances of the City as of and for the fiscal year ended June 30, 2023.

Context/Cause: During our audit for the fiscal year ended June 30, 2023, audit adjustments were required to correct material misstatements in the reporting of the City's capital assets and related balances. The nature and magnitude of these adjustments are as follows:

- In the Gas fund, an entry of \$211,918 was required to record renovations to a building that was previously expensed.
- In the Water fund, an entry of \$134,624 was required to record two separate purchases of machines/equipment that were previously expensed.
- In the Sewer fund, an entry of \$925,783 was required to record three separate purchases of machines/equipment and one separate purchase of an infrastructure asset that were previously expensed.
- In the Electric fund, an entry of \$828,748 was required to record four separate purchases of a machine/equipment, an infrastructure asset and two construction in progress invoices that were previously expensed.

Effects: Audit adjustments totaling approximately \$2.1 million were needed to correct capital assets and related balances of the City as of and for the year ended June 30, 2023.

Recommendation: We recommend the City carefully review the outlays of the City's funds to ensure all capital related costs are properly identified and recorded in the subsidiary capital asset ledger as well as on the balance sheet of the proprietary funds.

Auditee's Response: We concur with the finding.

CITY OF ROCKY MOUNT, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

SECTION II

FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2023-003 Accounts Payable

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of the City in accordance with generally accepted accounting principles (GAAP).

Condition: Misstatements were detected in the recognition and reporting of liabilities in the Sewer fund and government-wide activities as of June 30, 2023.

Context/Cause: During our testing of accounts payable, issues were identified that required audit adjustments to be posted to properly report the balances. The nature and magnitude of this adjustment is as follows:

An adjustment of \$65,850 was made to the Sewer fund to record an expense and related accounts payable for an invoice relating to fiscal year 2023.

An adjustment of \$478,069 was made to governmental activities to record additional self-insurance liabilities for fiscal year 2023.

Effects: Audit adjustments totaling \$453,919 were needed to correct the above accounts in the City's general ledger as of and for the year ended June 30, 2023.

Recommendation: We recommend the City reconcile the balance sheet, each month, to the subsidiary ledgers in order to timely address variances in the account balance which are outside of expectations.

Auditee's Response: We concur with the finding.

SECTION III

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV

STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF ROCKY MOUNT, NORTH CAROLINA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

None reported.



ROCKY MOUNT
FINANCE
THE CENTER OF IT ALL

CORRECTIVE ACTION PLAN

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

II. Financial Statement Findings and Responses

Finding: 2023-001, Restatement of Prior Year Balances

Name of Contact Person: Krystal Hunter, Finance Director

Corrective Action/Management's Response: This finding is primarily a result of turnover and extended key personnel vacancies. The City is working to attract and retain highly skilled staff, ensure that they are appropriately trained, and that new and updated accounting processes and procedures are in place. These measures will ensure that the City carefully reviews the financial statements and the applicable reporting requirements under GAAP to ensure that all information and financial data is properly reported.

Proposed Completion Date: As soon as the discrepancy was identified by the auditor, adjustments were made to correct previously reported balances as of and for the year ended June 30, 2023.

Finding: 2023-002, Reporting of Capital Assets and Related Balances

Name of Contact Person: Krystal Hunter, Finance Director

Corrective Action/Management's Response: This finding is primarily a result of a need for updated processes and procedures. The City is working to update its capital assets processes and procedures and improve coordination across City departments. These measures will ensure that the City carefully reviews the outlays of the City's funds to ensure all capital related costs are properly identified and recorded in the subsidiary capital asset ledger as well as on the balance sheet of the proprietary funds.

Proposed Completion Date: As soon as the discrepancy was identified by the auditor, adjustments were made as of and for the year ended June 30, 2023.

Finding: 2023-003, Accounts Payable

Name of Contact Person: Krystal Hunter, Finance Director

Corrective Action/Management's Response: This finding is primarily a result of a need for updated processes and procedures. The City is working to update its accounts payable processes and procedures and improve coordination across City departments. These measures will ensure the City reconciles the balance sheet, each month, to the subsidiary ledgers in order to timely address variances in the account balance which are outside of expectations.

Proposed Completion Date: As soon as the discrepancy was identified by the auditor, adjustments were made as of and for the year ended June 30, 2023.