

Buncombe County, North Carolina

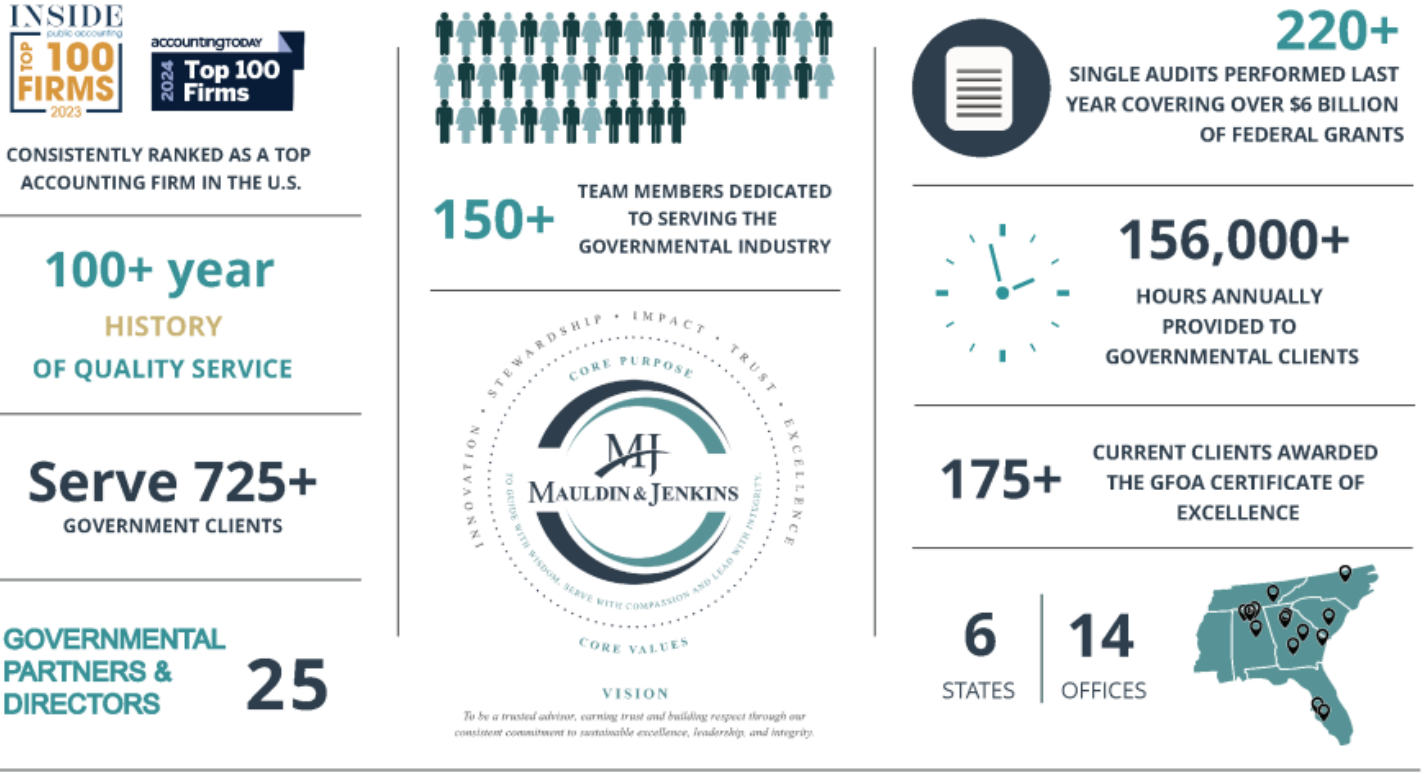
Presentation of Audit Results

June 30, 2025

Agenda

- Introduction to M&J and the County's Engagement Team
- Overview of:
  - Audit Opinion
  - Compliance Reports
- Required Communications
- General Fund Trends
- Accounting Recommendations and Related Matters
- Answer Questions

MAULDIN & JENKINS BY THE NUMBERS



Engagement Team Leaders

- Tim Lyons, Engagement Partner | Brian Nicholson, Quality Review Partner | Kayla O'Sullivan, Engagement Manager

Audit Opinion

- **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS) and *Government Auditing Standards* (GAS)**

  - We considered the internal control structure for the purpose of expressing our opinion on **Buncombe County, North Carolina's (the "County")** basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal controls over financial reporting.
  - 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 have issued **unmodified** ("clean") opinions 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 over financial reporting and on the County's 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*.

  - Our report includes one item (Finding 2025-001) that we are required to report as a material weakness in internal controls over financial reporting as it pertains to the correction of an error in previously issued financial statements. The nature of the item noted is as follows:

    - The County overstated capital assets within the County's governmental activities on the government- wide statement of net position. These assets were part of the County's solar panel projects that were built at various locations and once installation was complete, the assets became the responsibility of Buncombe County Schools and Asheville City Schools; however, the amounts for these items that belong to the schools were incorrectly carried by the County in the County's capital assets balances. As a result of this issue, an adjustment to beginning net position of the County was required to remove the historical cost ($6,409,690) and related accumulated depreciation ($252,645) that had been reported through June 30, 2024. The resulting net effect was a decrease to beginning net position of the County's governmental activities of $6,157,045.

Compliance Report and Audit Scopes & Procedures

- ## Single Audit Reports

  - The financial reporting package also contains two (2) reports covering the Single Audit: a report in accordance with the Uniform Guidance (federal) and a report in accordance with the State Single Audit Implementation Act (state).

  - Current year programs audited include:
    - Medicaid Cluster (Federal and State)
    - Formula Grant for Rural Areas (Federal and State)
    - Foster Care – Title IV-E (Federal and State)
    - TANF (Federal)
    - Cash Flow Loan State Program (State)
    - Juvenile Crime Prevention Council (State)

  - Our reports express unmodified or "clean" opinions on compliance; our reporting package does include one (1) significant deficiency in internal controls over compliance related to employee time tracking. For Medicaid, one (1) day sheet out of our sample of forty (40) and for Foster Care, two (2) day sheets out of our sample of forty (40) included more time than what was reported on the monthly 1571 report for NCDHHS.

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, etc.

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 requested, and received, 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 unrecorded or passed audit adjustment.

- **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.

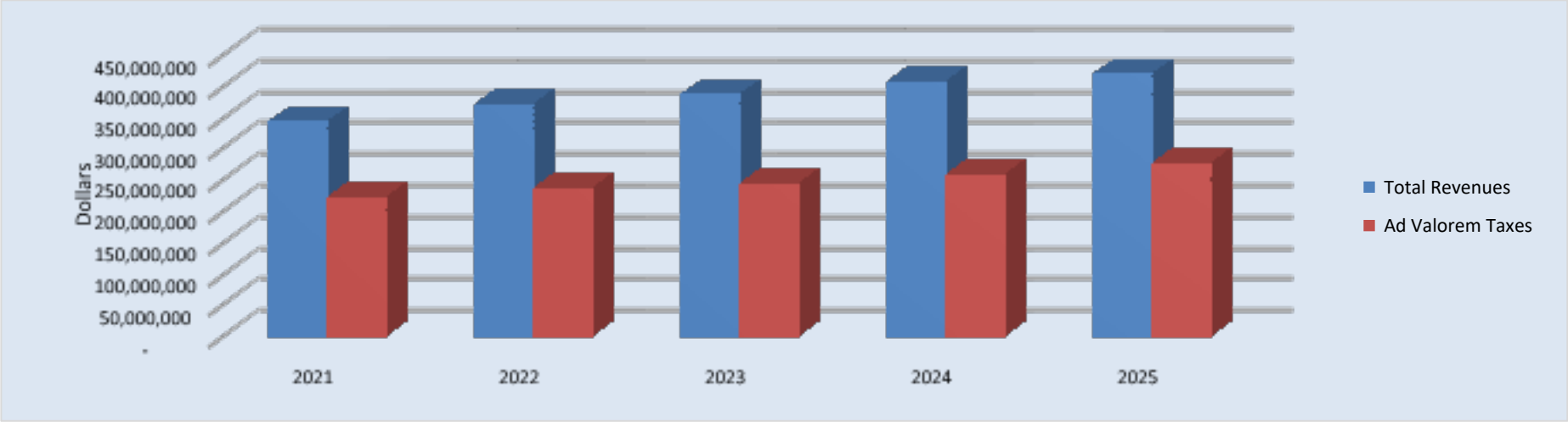
- **Information in Documents Containing Audited Financial Statements**
  - Our responsibility for other information in documents containing the County's basic financial statements and our report thereon does not extend beyond the information identified in our report. If you intend to publish or otherwise 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 its respective financial reporting processes.

General Fund Financial Trends



General Fund Financial Trends



Accounting Recommendations and Related Matters

New GASB Pronouncements for Future Years

- **Statement No. 103, *Financial Reporting Model Improvements,*** was issued by the GASB in the Spring of 2024. This Standard revisits the financial reporting model that has been in use at state and local governments since the adoption of Statement No. 34 in 2001. Specific to the County, this new standard includes some changes to the management's discussion and analysis (MD&A) as well as to the presentation of the budgetary comparison information that the County includes in its ACFR.

Current / Pending Major GASB Projects

- **Revenue and Expense Recognition** is another long-term project where the GASB is working to develop a comprehensive application model for recognition of revenues and expenses from non-exchange, exchange, and exchange-like transactions. The final standard is expected in late 2026 / early 2027.
- **Going Concern Uncertainties and Severe Financial Stress** is major project where the goal is to address issues related to disclosures regarding going concern uncertainties and severe financial stress. This technical topic is being examined by the GASB due to a wide diversity in practice regarding required presentation on the face of the financial statements, disclosures, etc. An exposure draft on this topic is expected by mid-2025.

Governmental Advisory Services

Core Offerings

Strategy

Develops and defines the future vision, goals, and objectives

- Innovation
- Long-Term Planning
- Organization Management
- Workforce of the Future Planning
- Internet of Things/Market Disruptors Assessment
- Artificial Intelligence/Robotics
- Service Delivery Model Planning
- Strategy Mapping
- Technology Consulting/ERP
- Technology Solution/Vendor Selection
- Operational Vision
- Business Case

Operational Efficiency and Effectiveness

Ensures business processes and service delivery are provided in a manner maximizing targeted goals

- Cost Containment
- Operations Improvement
- Program Delivery
- Revenue Enhancement
- Staffing Assessments
- Benchmarking
- Technology Utilization
- Governance
- Policy/Procedure Assessments
- Operations/Management Reviews

Transformation

Allows for the successful change from the current state to the desired environment or outcome

- Change Management and Organizational Transformation Strategies
- Customer Service Optimization
- Service Delivery Modeling
- Technology/Workflow Design
- Human Capital Management

Performance Measurement

Ensures outputs and outcomes are producing desired results

- Budget Forecasting & Design
- Cost Accounting
- Data Science
- Grant Strategy
- Risk Assessments
- Internal Controls & Compliance
- KPI Design
- Benchmarking
- Project Management
- Independent Verification & Validation
- Management/Dashboard Reporting

Govt. Clients – Free Quarterly Continuing Education

- **Since March of 2009 – For Over 15 Years !!**
  - Mauldin & Jenkins provides free quarterly continuing education for all of our governmental clients. Topics are 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 and knowledge sharing among our governmental clients. We normally see approximately 180 people per quarter. Examples of subjects addressed in the past few quarters include:

- Accounting for Debt Issuances
- Achieving Excellence in Financial Reporting
- Best Budgeting Practices, Policies and Processes
- Budget Preparation
- ACFR Preparation (two (2) day hands-on course)
- Capital Asset Accounting Processes and Controls
- Collateralization of Deposits and Investments
- Component Units
- Cybersecurity Risk Management
- Evaluating Financial and Non-Financial Health of a Govt.
- Financial Report Card – Where Does Your Govt. Stand?
- Financial Reporting Model Improvements
- GASB Nos. 74 & 75, OPEB Standards
- GASB No. 77, Tax Abatement Disclosures
- GASB No. 84, Fiduciary Activities
- GASB Projects & Updates (ongoing & several sessions
- Human Capital Management
- Grant Accounting Processes and Controls
- Internal Controls Over Accounts Payable, Payroll and Cash Disbursements
- Internal Controls Over Receivables & the Revenue Cycle
- IRS Issues, Primarily Payroll Matters
- Legal Considerations for Debt Issuances & Disclosures
- Policies and Procedures Manuals
- Segregation of Duties
- Single Audits for Auditees
- Special Purpose Local Option Sales Tax (SPLOST)
- Accounting, Reporting & Compliance
- Uniform Grant Reporting Requirements and the New Single Audit

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Questions & Comments

Thank You for the Opportunity to Serve