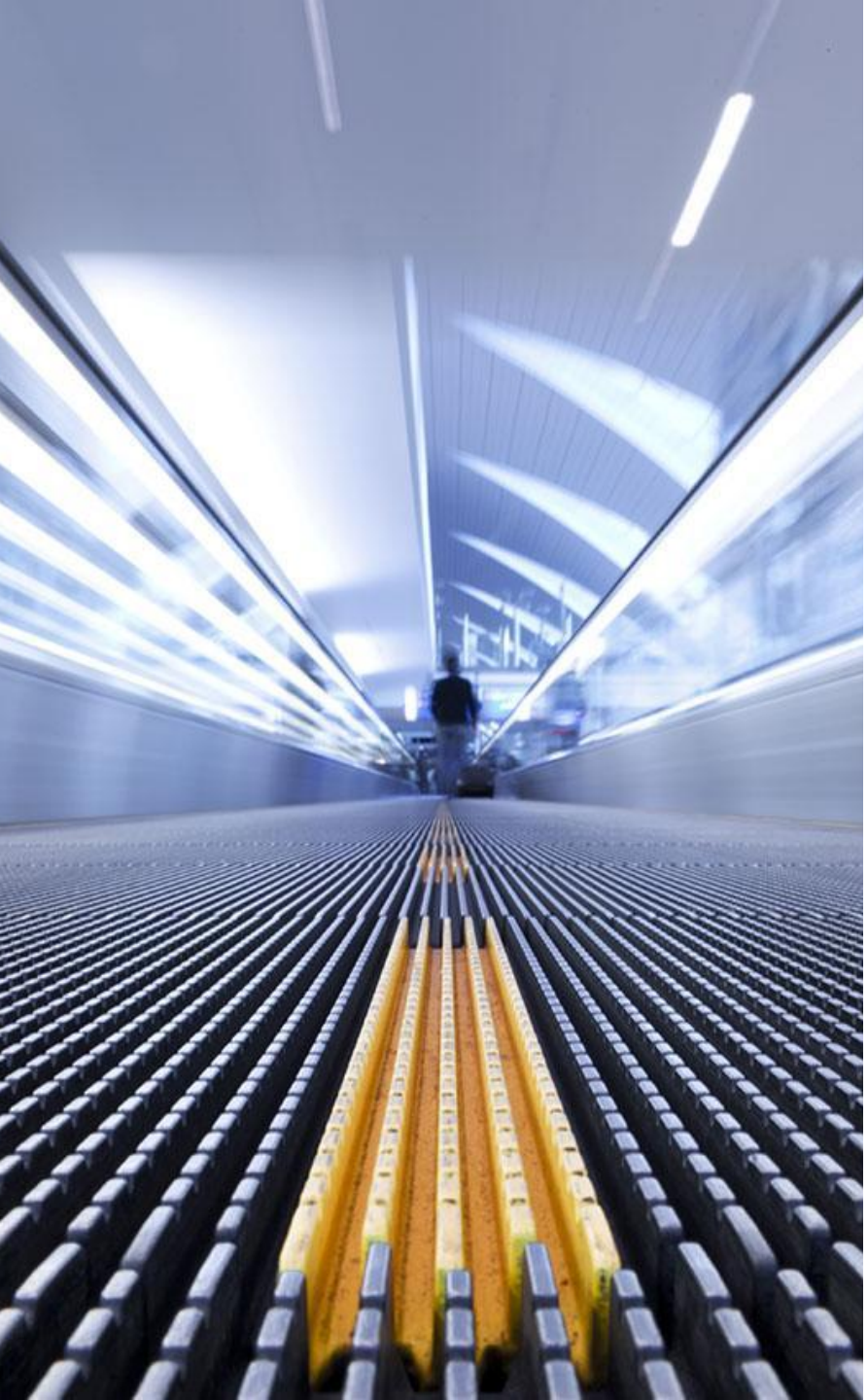
City of Asheville

Audit Executive Summary

December 12, 2023

Cherry Bekaert LLP
Your Guide Forward

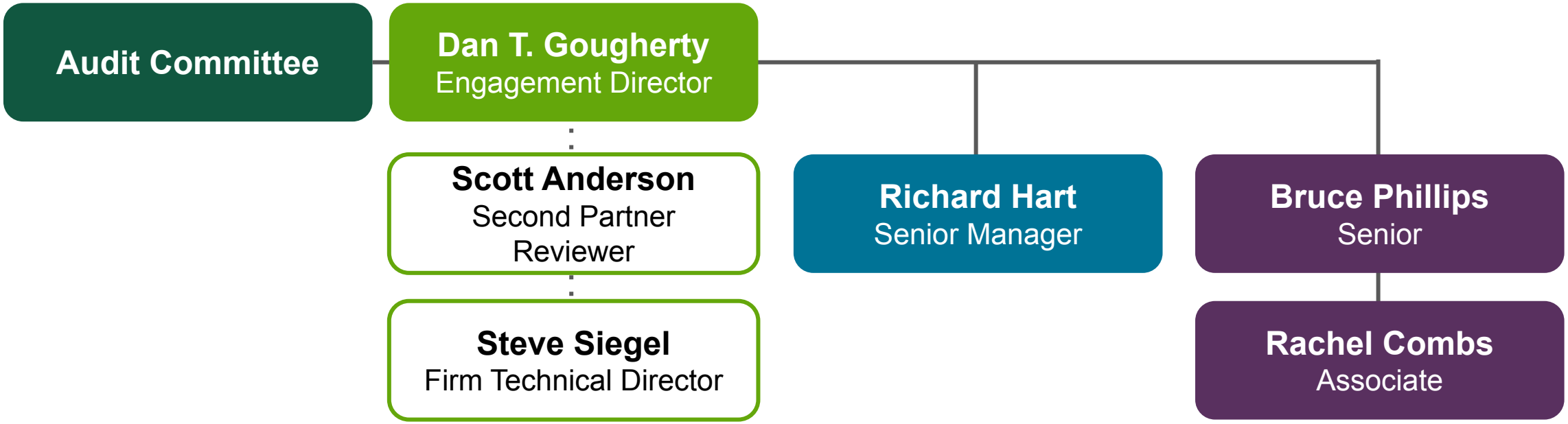


Agenda

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

This information is intended solely for the use of City Council and, if appropriate, management of the City of Asheville and is not intended to be, and should not be, used by anyone other than these specified parties.

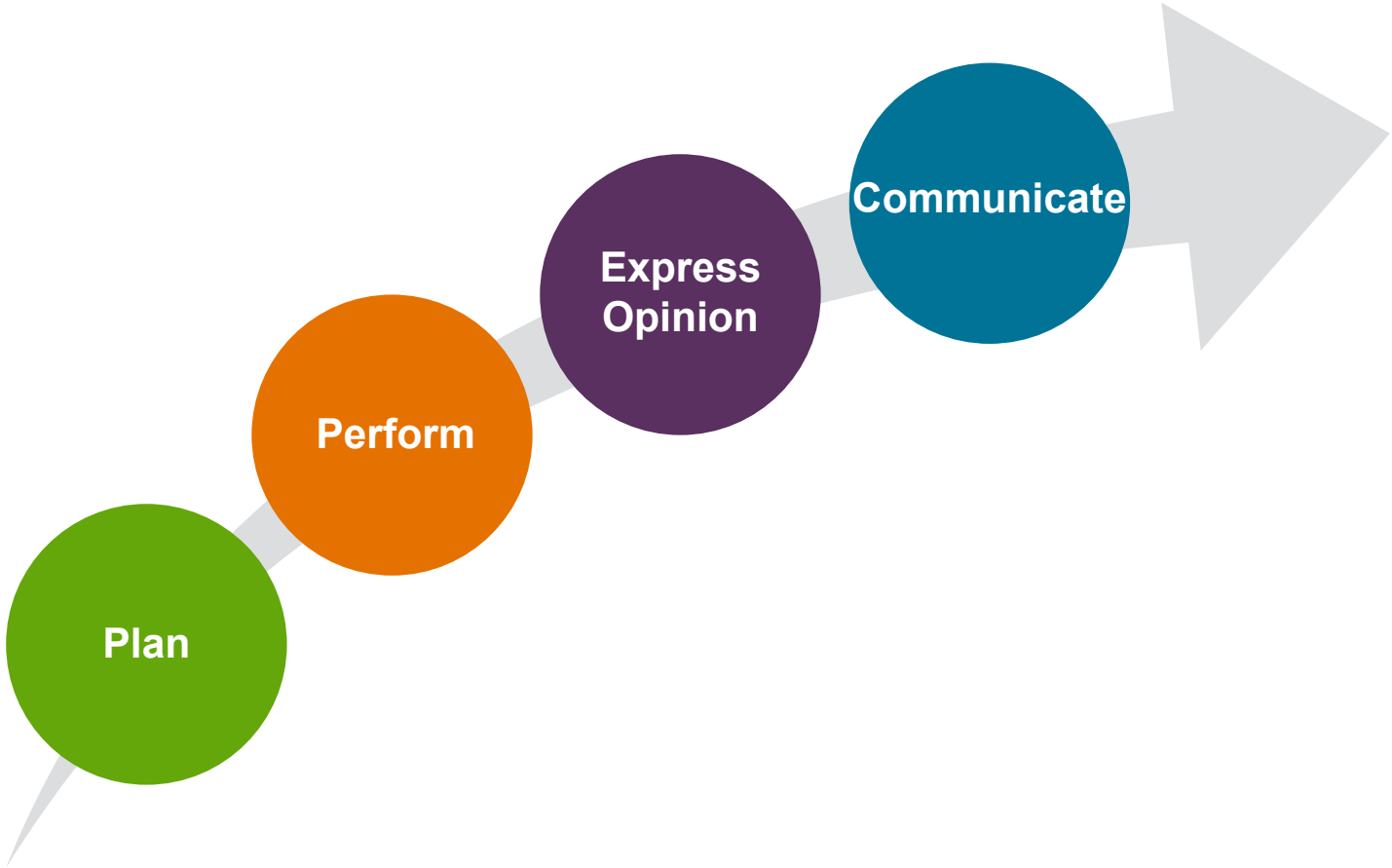
Client Service Team



Results of the Audit

We have audited the financial statements of City of Asheville (the “City”) as of and for the year ended June 30, 2023, in accordance with generally accepted auditing standards and *Government Auditing Standards and* have issued our reports dated November 1, 2023.

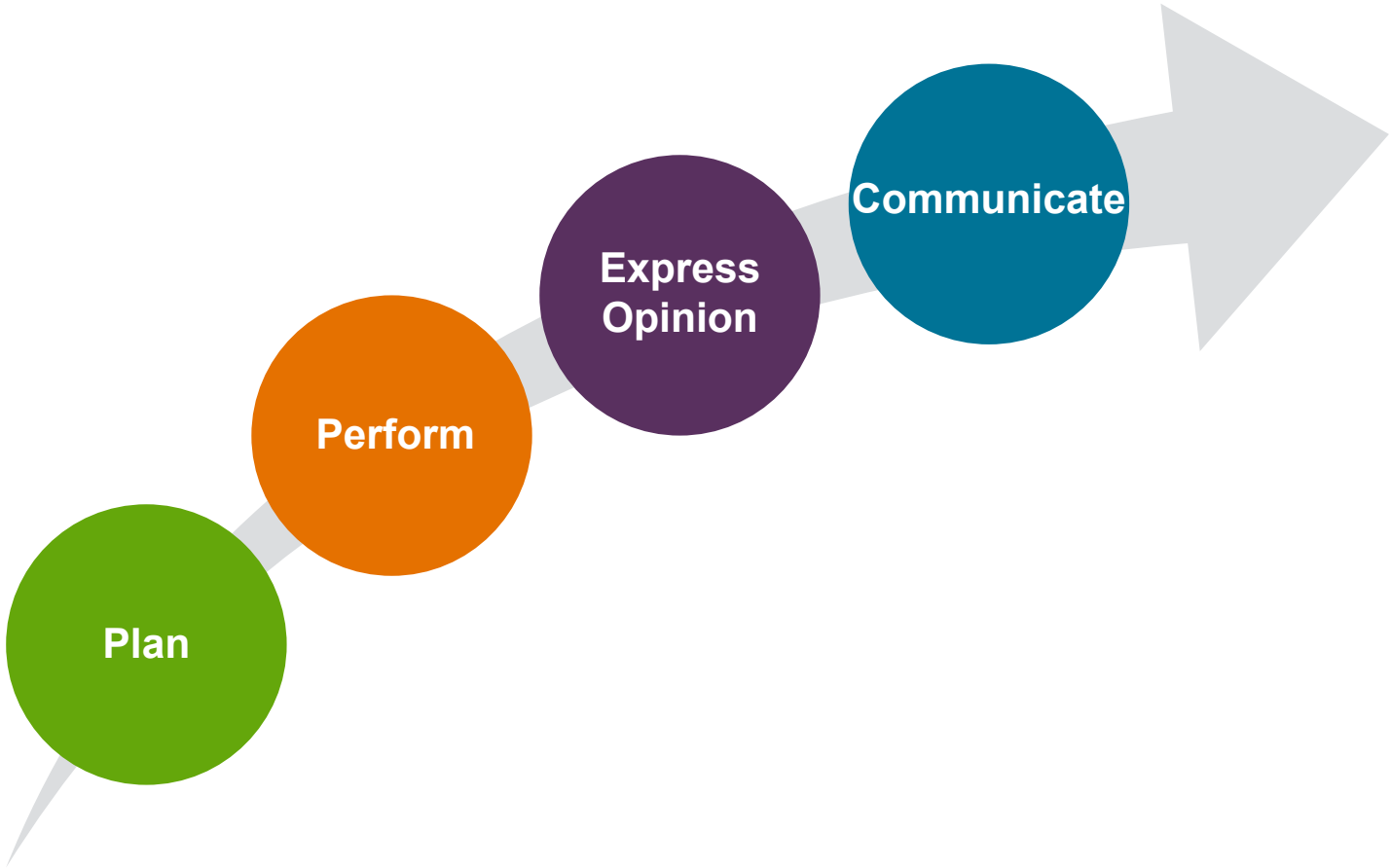
We have also audited the City’s compliance with the types of compliance requirements described in the OMB Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina that could have a direct and material effect on each of the City’s major federal and state programs for the year ended June 30, 2023. We have issued our reports dated November 1, 2023.



Results of the Audit

We have issued **unmodified opinions** on the financial statements and on compliance of the City's major federal and state awards identified in the schedule of findings and questioned costs.

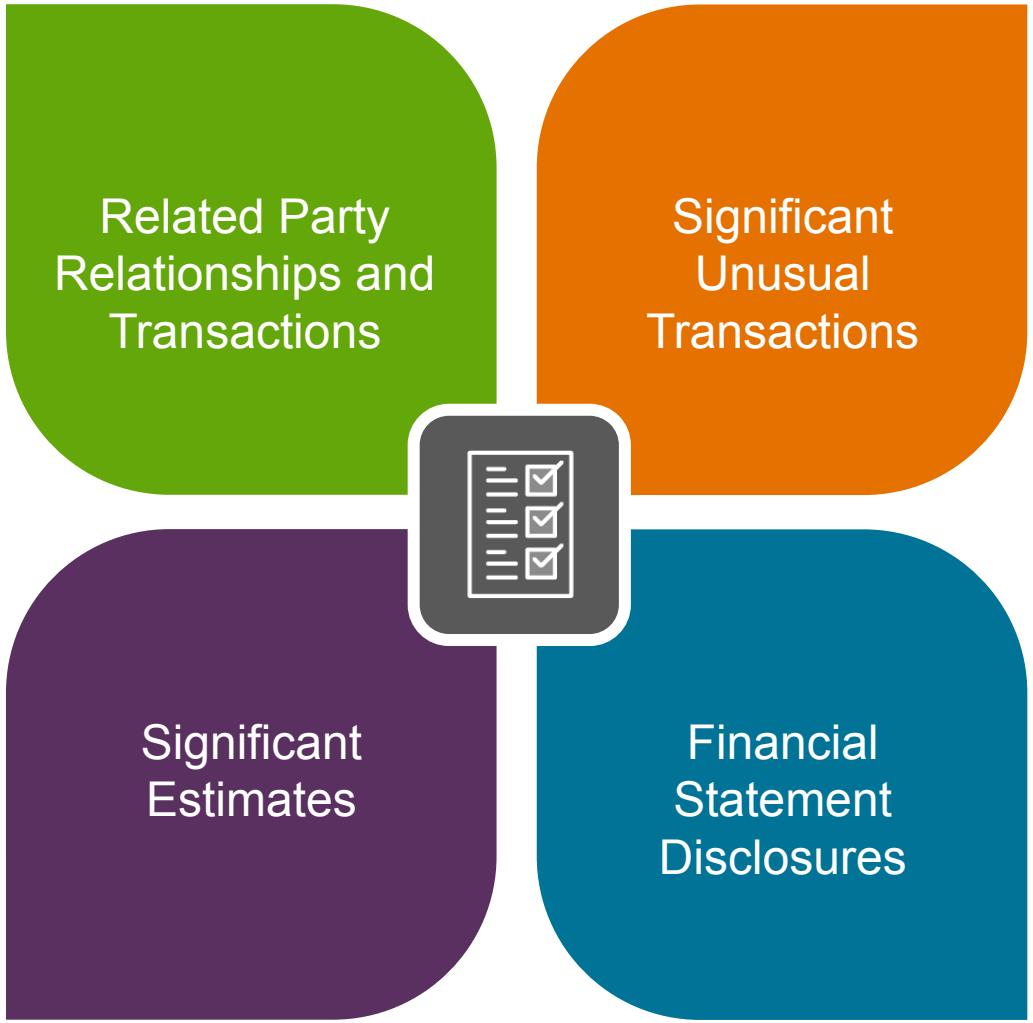
An unmodified opinion is also known as a *"clean opinion"* and is the highest-level opinion we can give under our auditing standards.



Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements.

As described in Note 1, the City changed accounting policies related to Subscription-Based Information Technology Arrangements by adopting GASB Statement No. 96, Subscription-Based Information Technology Arrangements, effective July 1, 2022.

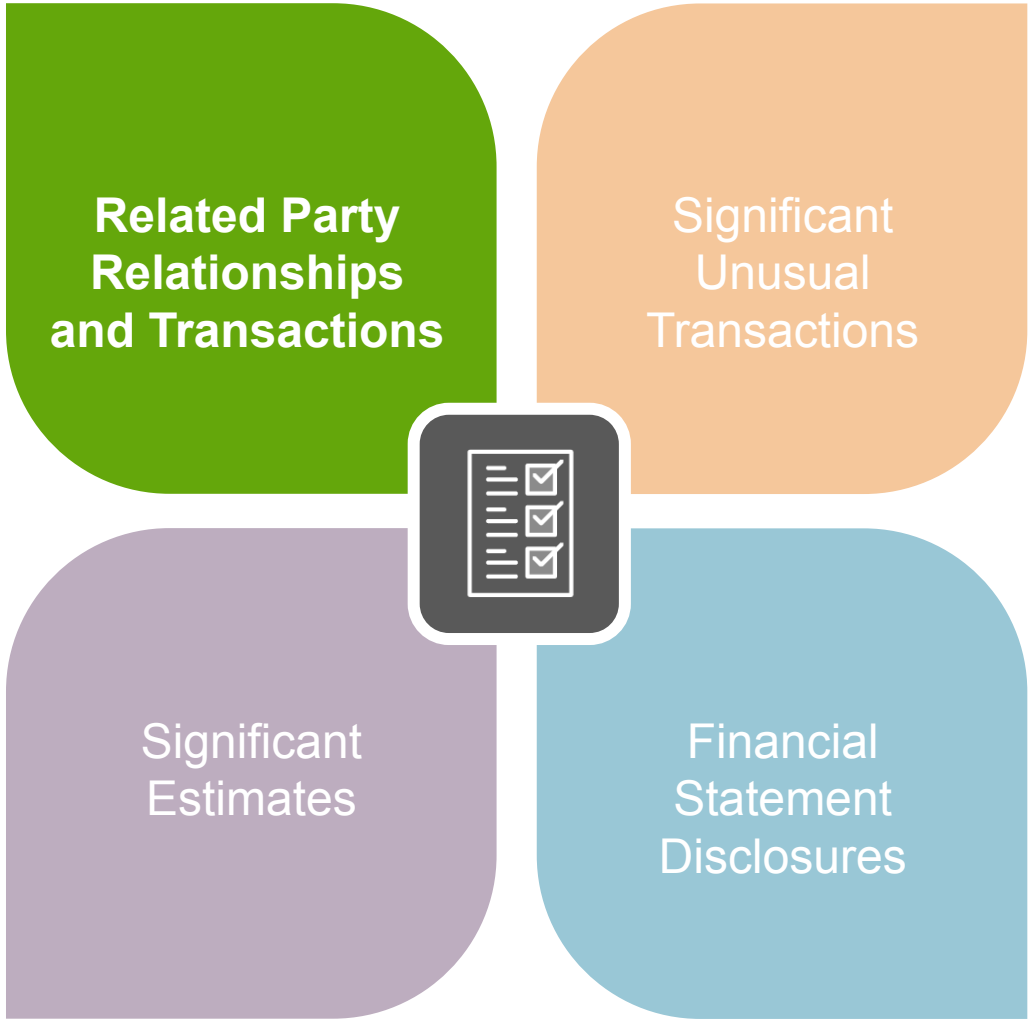


Qualitative Aspects of Accounting Practices

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

We noted none of the following:

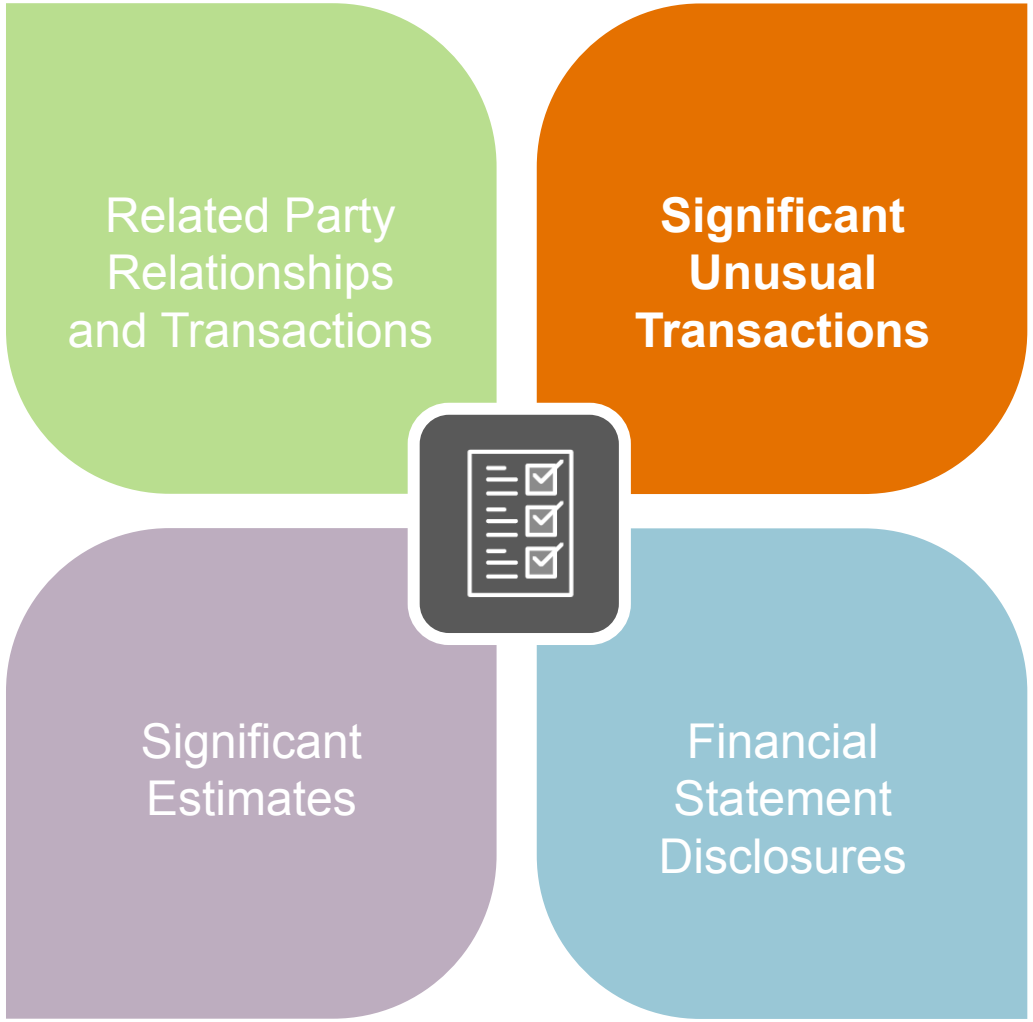
- Related parties or related party relationships or transactions that were previously undisclosed to us;
- Significant related party transactions that have not been approved in accordance with the City's policies or procedures or for which exceptions to the City's policies or procedures were granted;
- 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 City.



Qualitative Aspects of Accounting Practices

We noted no transactions entered into by the City 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.

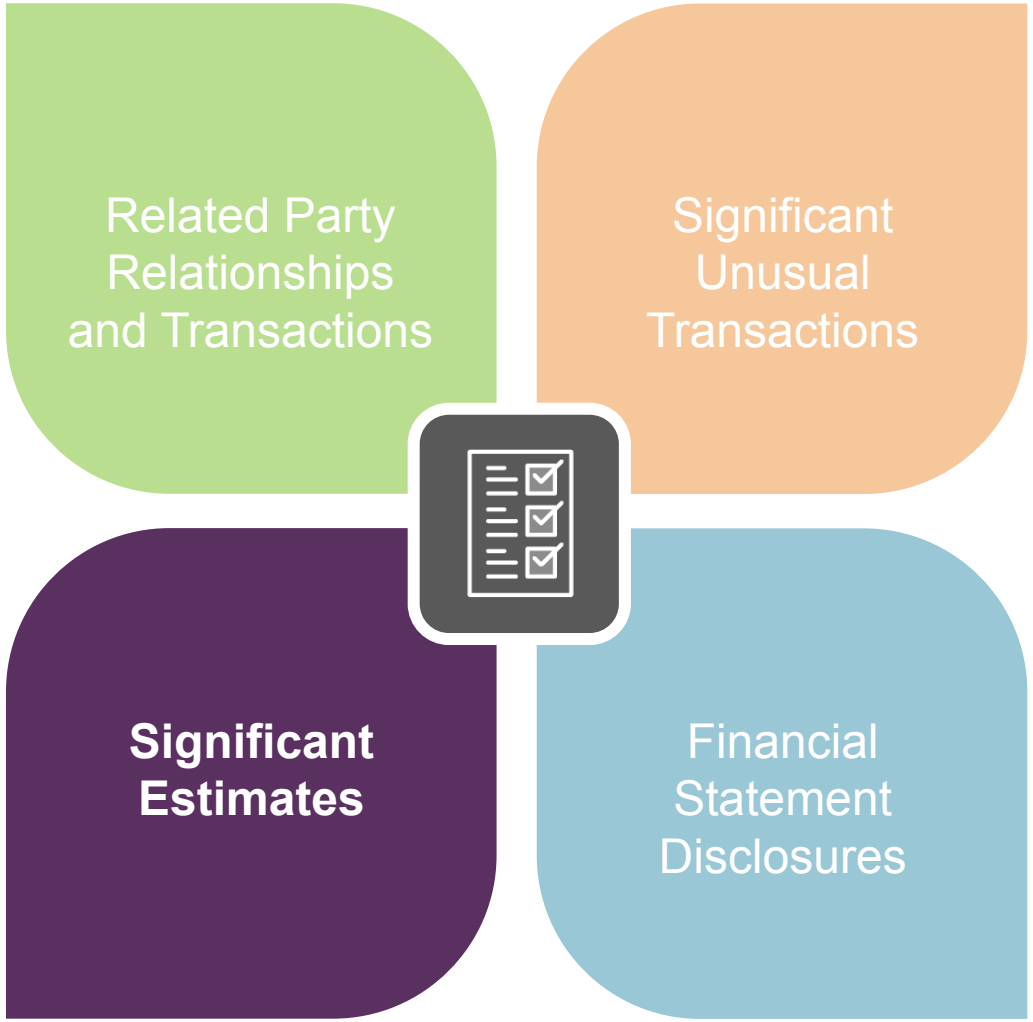
For purposes of this presentation, professional standards define significant unusual transactions as transactions that are outside the normal course of business for the City or that otherwise appear to be unusual due to their timing, size, or nature. We noted no significant unusual transactions during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

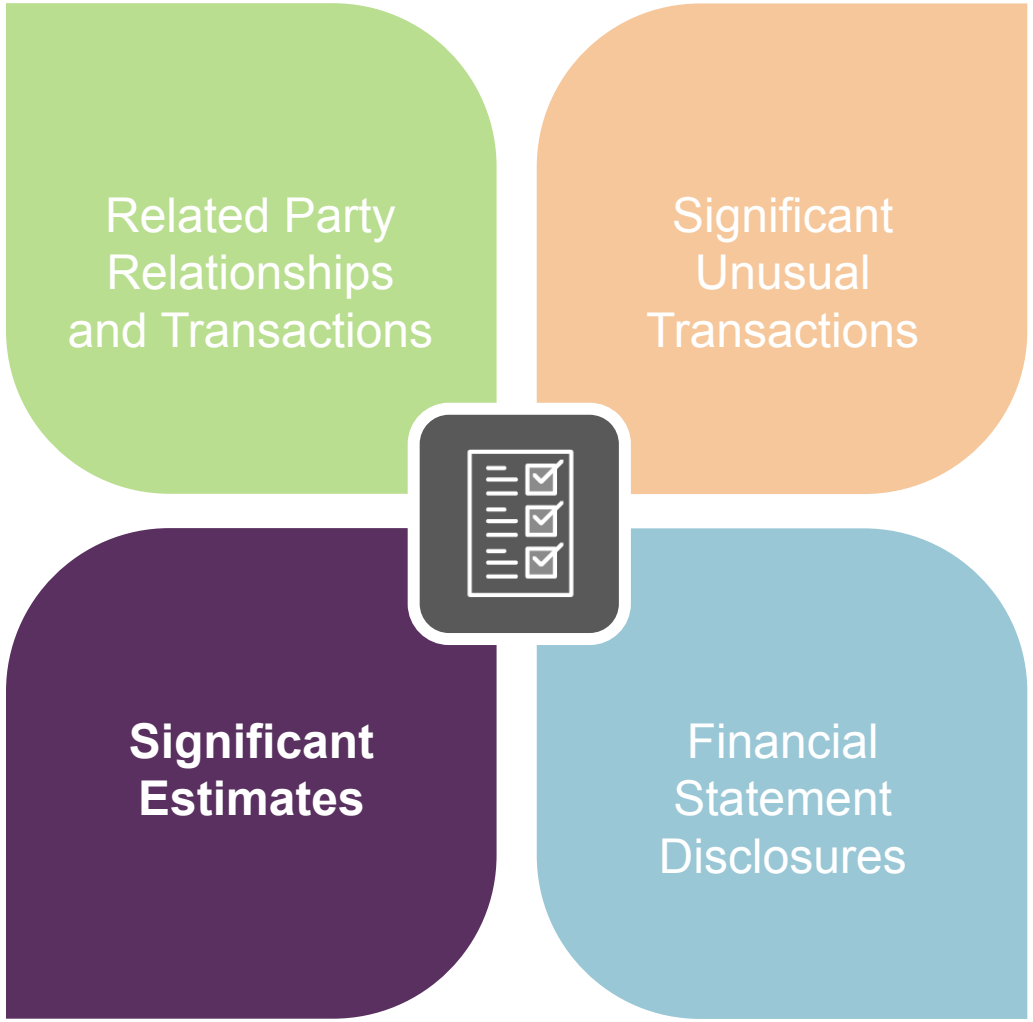
- Accrual for unbilled revenue (water)
- Allowance for uncollectible accounts
- Depreciable lives and estimated residual value of capital assets
- Right of use assets, subscription assets, lease receivables and deferred inflows
- Incurred but not reported claims payable
- Defined benefit plans (LGERS and LEOSSA) liabilities and related deferred inflows and outflows of resources
- Other postemployment benefit plan (OPEB) liability and related deferred inflows and outflows of resources



Qualitative Aspects of Accounting Practices

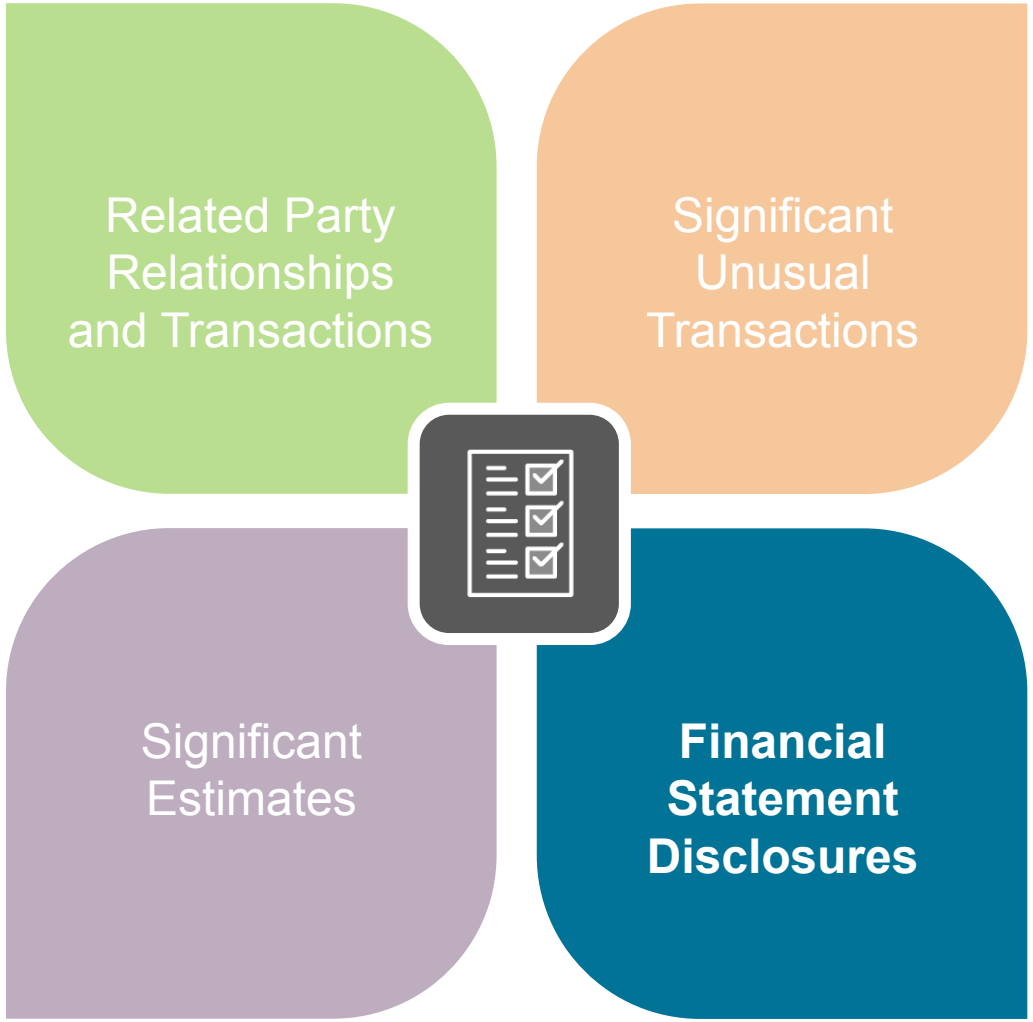
Management's estimate of the identified significant estimates are based on the analysis of historical collection trends, billing dates, estimated useful life of the asset, actuarial valuations, and derivatives and the City's incremental borrowing rate and analysis of subscription and lease terms.

We evaluated the key factors and assumptions used to develop these estimates in determining that 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

- Our firm's advisory services prepared the City's financial statements and assisted the City with a business process risk assessment.
- We will assist in the 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 City 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 that no such disagreements arose during the course of our audit.

Auditor Consultations

Required consultation for beginning balance sheet testing for predecessor auditor review

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 1, 2023.

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 City's ability to continue as a going concern.

Other Matters

Required Supplementary Information

We applied certain limited procedures to management's discussion and analysis and required supplemental information ("RSI"), as listed in the table of contents, which 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.



Supplementary Information

We were engaged to report on the accompanying combining and individual fund financial statements and 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 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.



Other Matters

Other Information

We were not engaged to report on the introductory and statistical section, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements themselves and, accordingly, we do not express an opinion or provide any assurance on it.



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 compliance with Uniform Grant Guidance and the NC State Single Audit Implementation Act, 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.

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 City'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 following deficiencies that we believe to be significant deficiencies or material weaknesses.

Internal Control Communication & Corrected Misstatements

Material Weakness

- The following material misstatement detected as a result of audit procedures was corrected by management:
  - Recognition of revenue for amounts previously reported in unearned revenue of approximately $788,000 in the Grants Fund.

Significant Deficiency

- The following misstatement detected as a result of audit procedures was corrected by management:
  - To remove a lease receivable and deferred inflow balance of approximately $3,000,000 related to the Harrah's Cherokee Center – Asheville Fund and the Business Type Activities.

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

- There were no additional corrected misstatements identified other than those presented on the previous slide.

Corrected and Uncorrected Misstatements

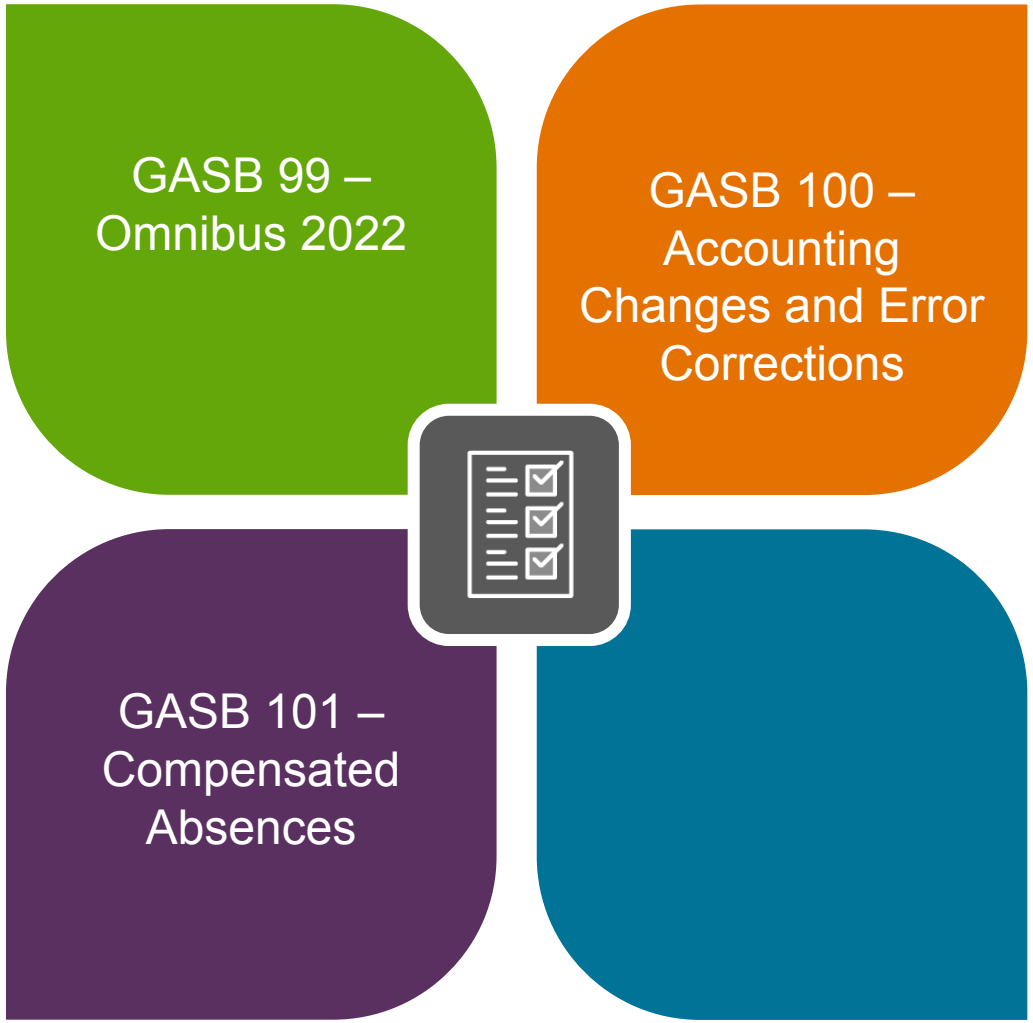
Uncorrected Misstatements

- The following summarizes the uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.
  - Decrease of revenue of $57,000 and increase in beginning net position and accounts receivable of $447,000 and $504,000, respectively, in the Street Cut Utility Fund

Upcoming Financial Reporting Changes

This standard will be effective for the City in the upcoming years and may have a significant impact on the City's financial reporting.

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



LGC Performance Indicators

Audit Report –

- ✔ No financial performance indicators of concern noted.
- ✔ Budgeted tax levy for the General Fund did not have more than 3% uncollected
- ✔ Positive General Fund total fund balance
- ✔ Submitted within five (5) months from fiscal year-end.
- ✔ 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
- ✔ City expected to submit financial performance indicators of concern (FPIC) within 60 days of Council presentation

Questions

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