

November 15, 2022

PBMares SM
Your Future. Our Focus.

Certified Public Accountants & Consultants

Financial Results for the Year Ended June 30, 2022

Agenda

- Financial Results
  - The Annual Comprehensive Financial Report
  - Audit Opinion (Unmodified)
  - Benchmarking comparative results
- Compliance Results
  - Government Auditing Standards
    - One significant deficiency in internal control identified
    - No instances of noncompliance identified
  - Uniform Guidance and State Single Audit Implementation Act
    - No instances of noncompliance or significant deficiencies/material weaknesses in internal control
- Performance Indicators of Concern
  - One indicator requiring response by the City Council, directly related to the significant deficiency identified

Components of the Annual Comprehensive Financial Report

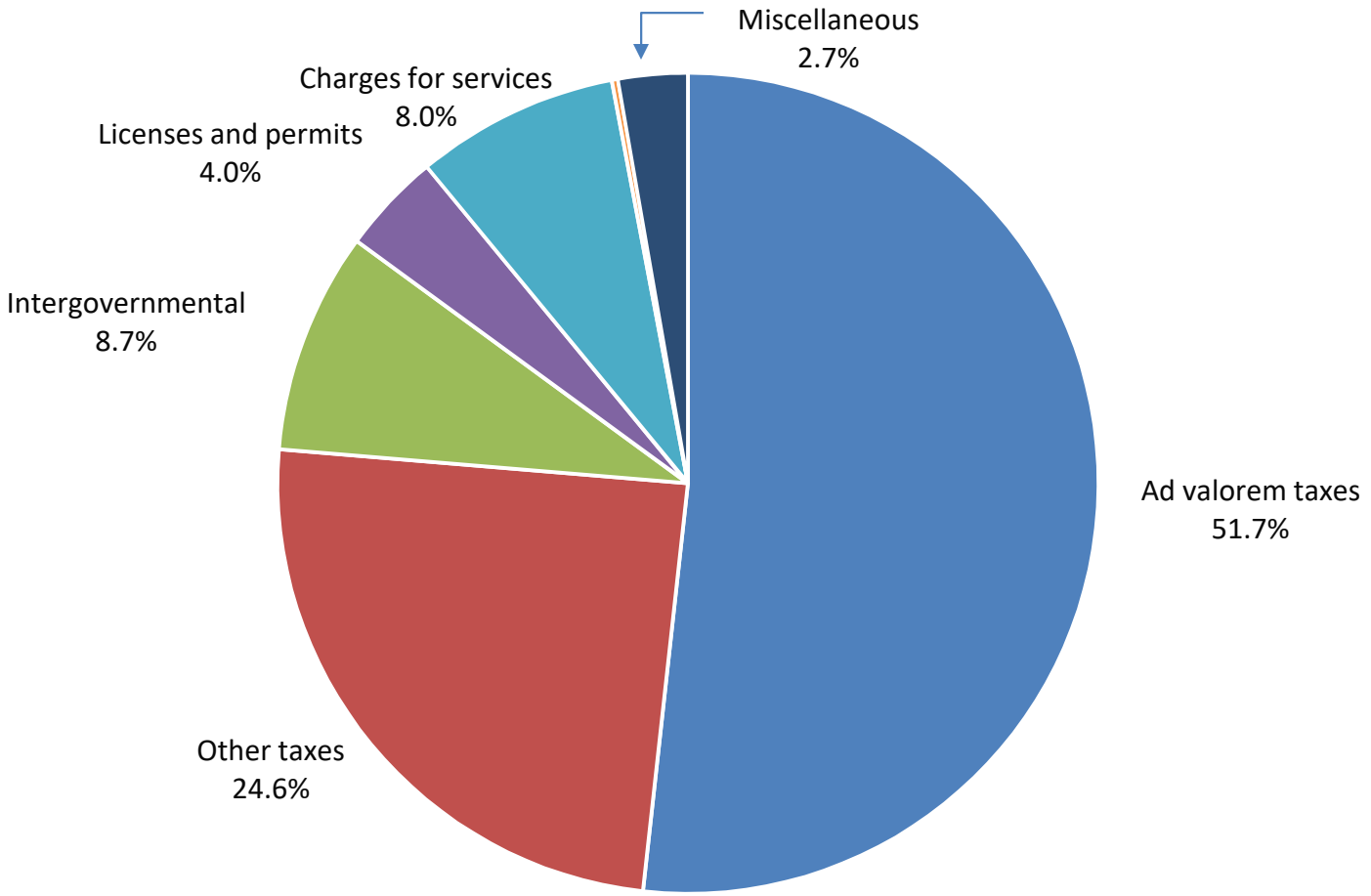
- Management's Discussion and Analysis
- Government-wide F/S
- Fund F/S
- Notes to the F/S
- Required supplemental financial data
- Other supplemental information
- Statistical data
- Compliance

CITY OF ASHEVILLE, NC
Types of Opinions

- Adverse
- Disclaim
- Qualified
- **Unmodified – "Clean" (Highest Level of Assurance)**

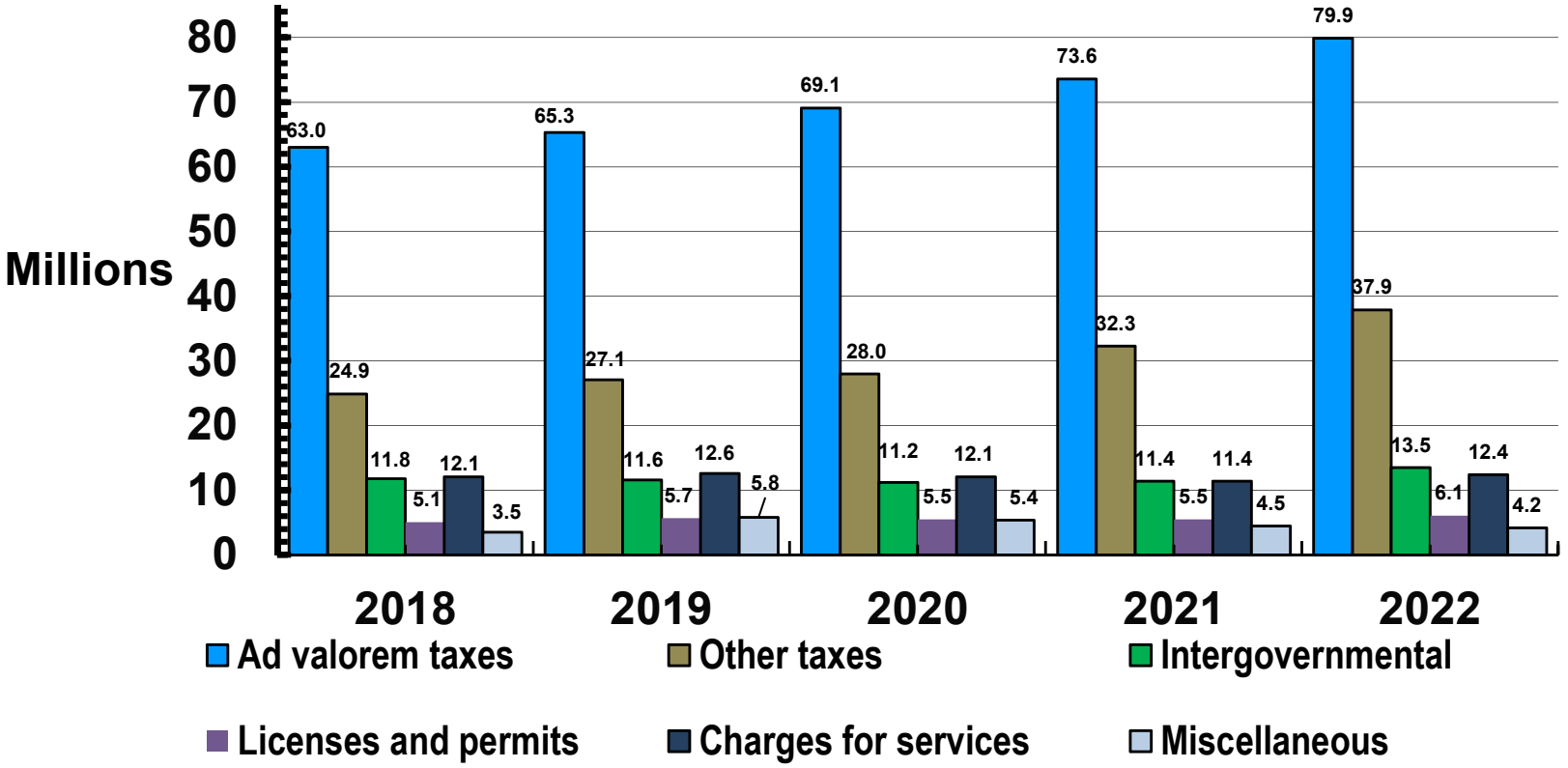
CITY OF ASHEVILLE, NC

General Fund Revenues
For the Year Ended June 30, 2022



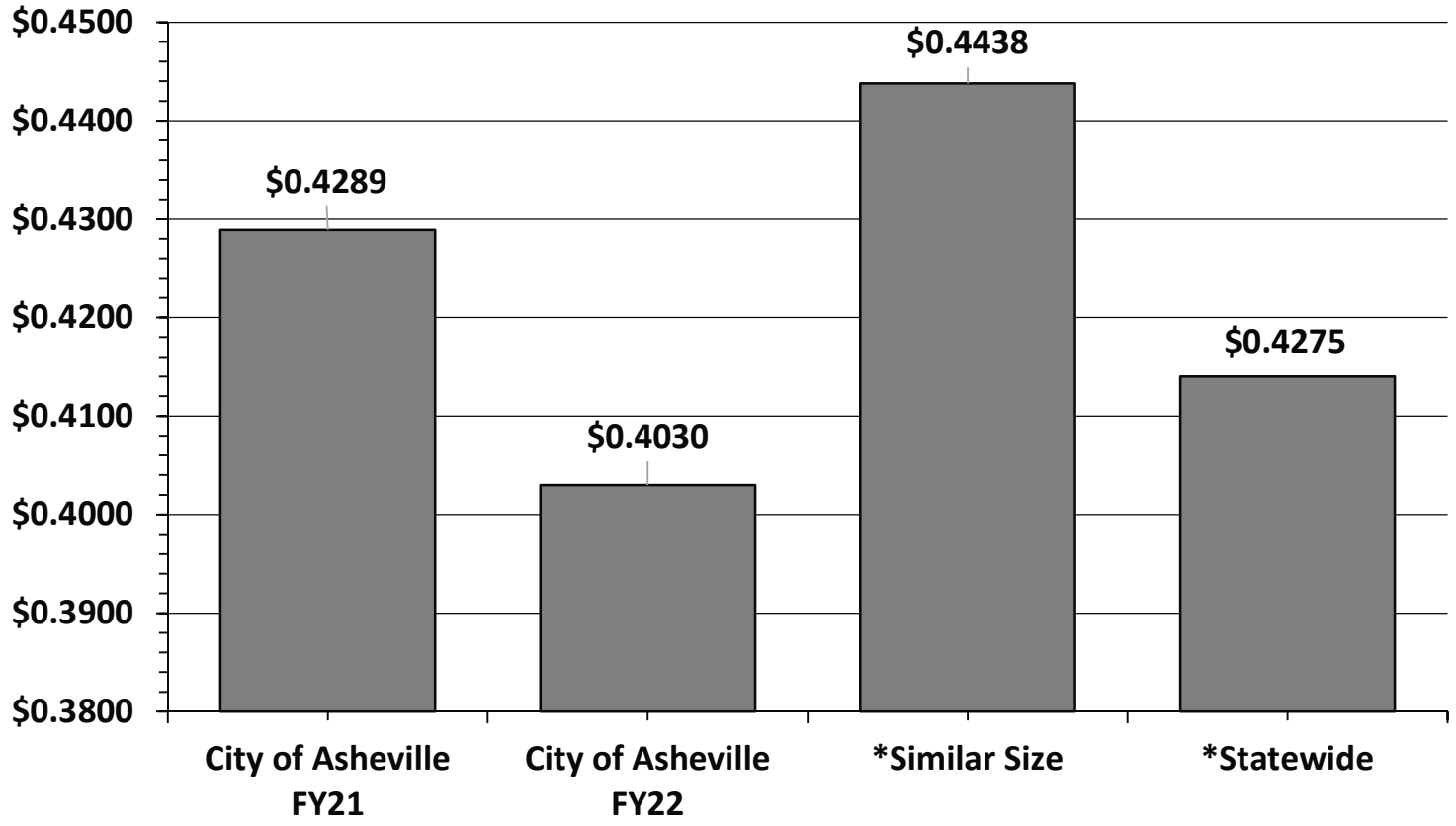
CITY OF ASHEVILLE, NC

General Fund Revenues by Source



CITY OF ASHEVILLE, NC

Tax Rate For the Year Ended June 30, 2022
(2021 Comparative Information Shown)

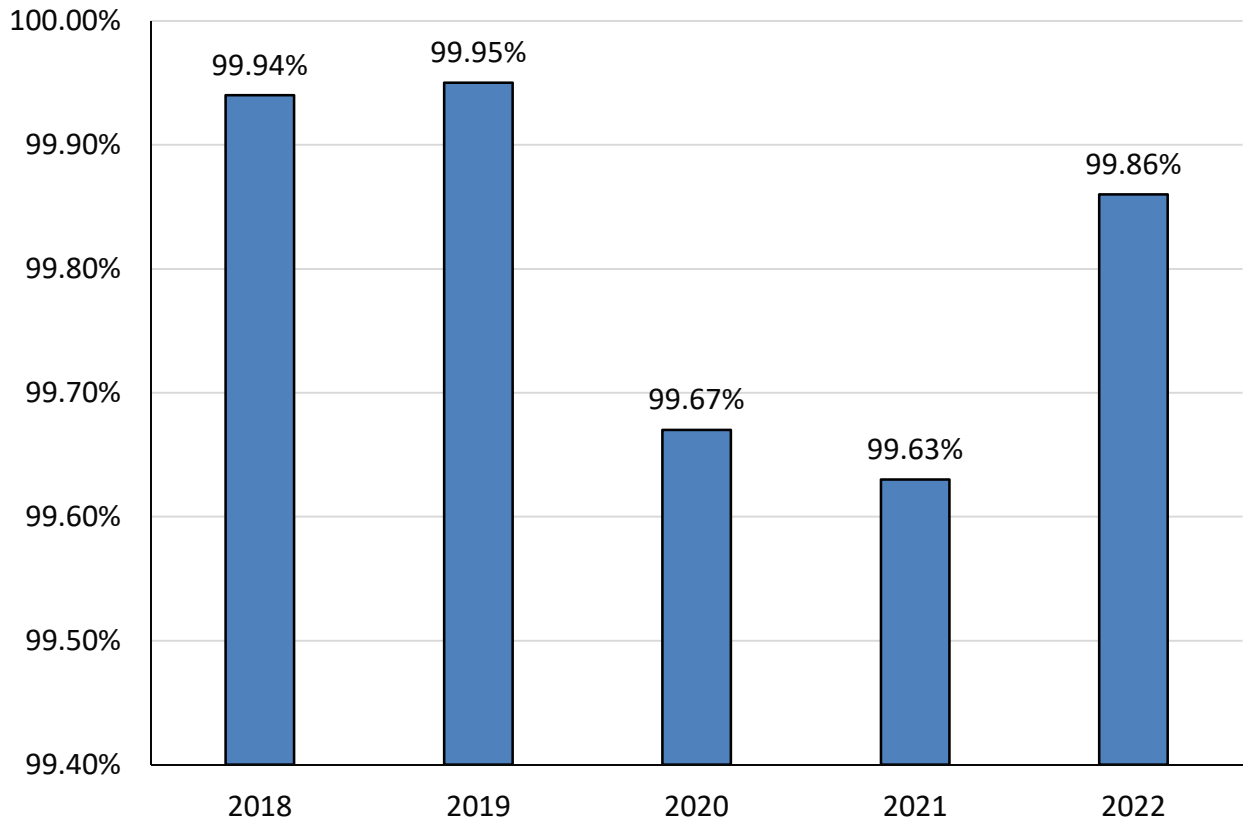


*For year ended June 30, 2021
(compared to units without electrical systems)

Per $100 Valuation

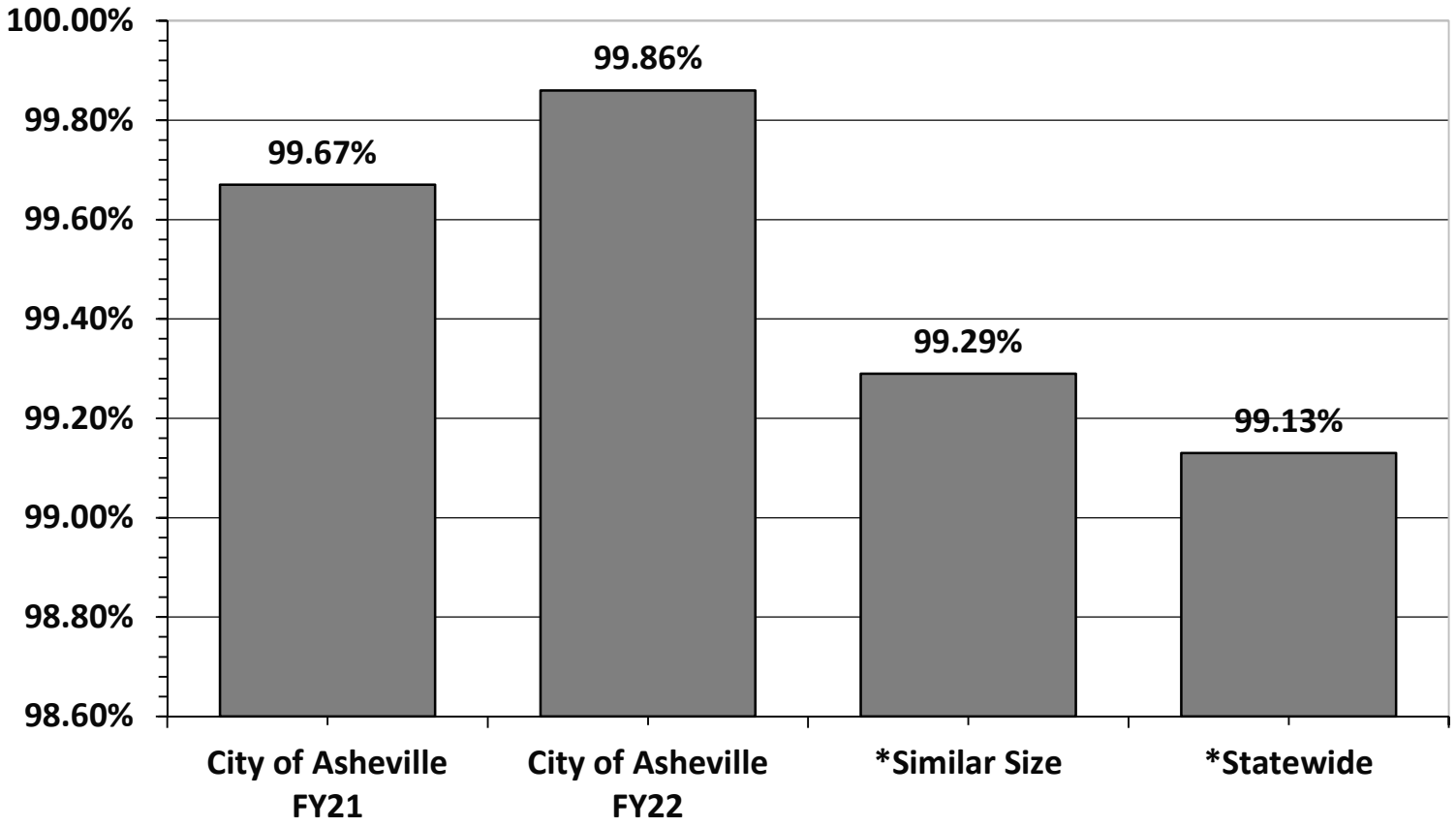
CITY OF ASHEVILLE, NC

Percent of Current Year's Property Tax Levy Collected



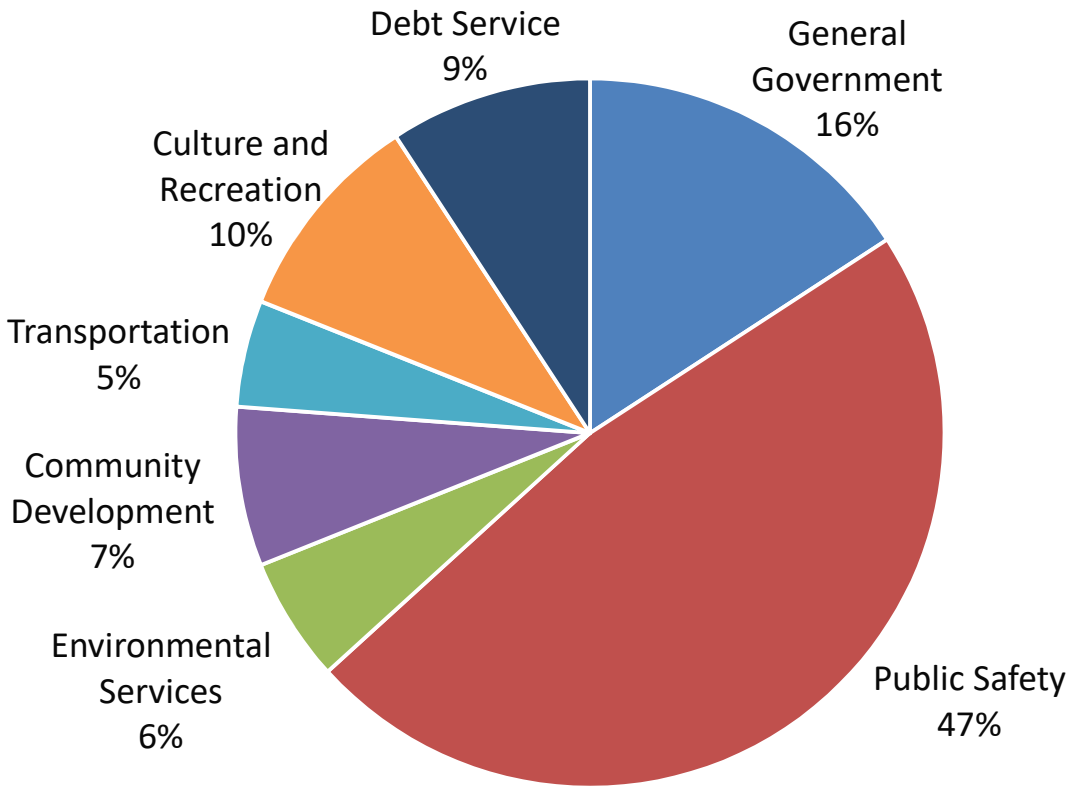
CITY OF ASHEVILLE, NC

Percent of Current Year's Property Tax Levy Collected
For the Year Ended June 30, 2022 (2021 Comparative Information Shown)



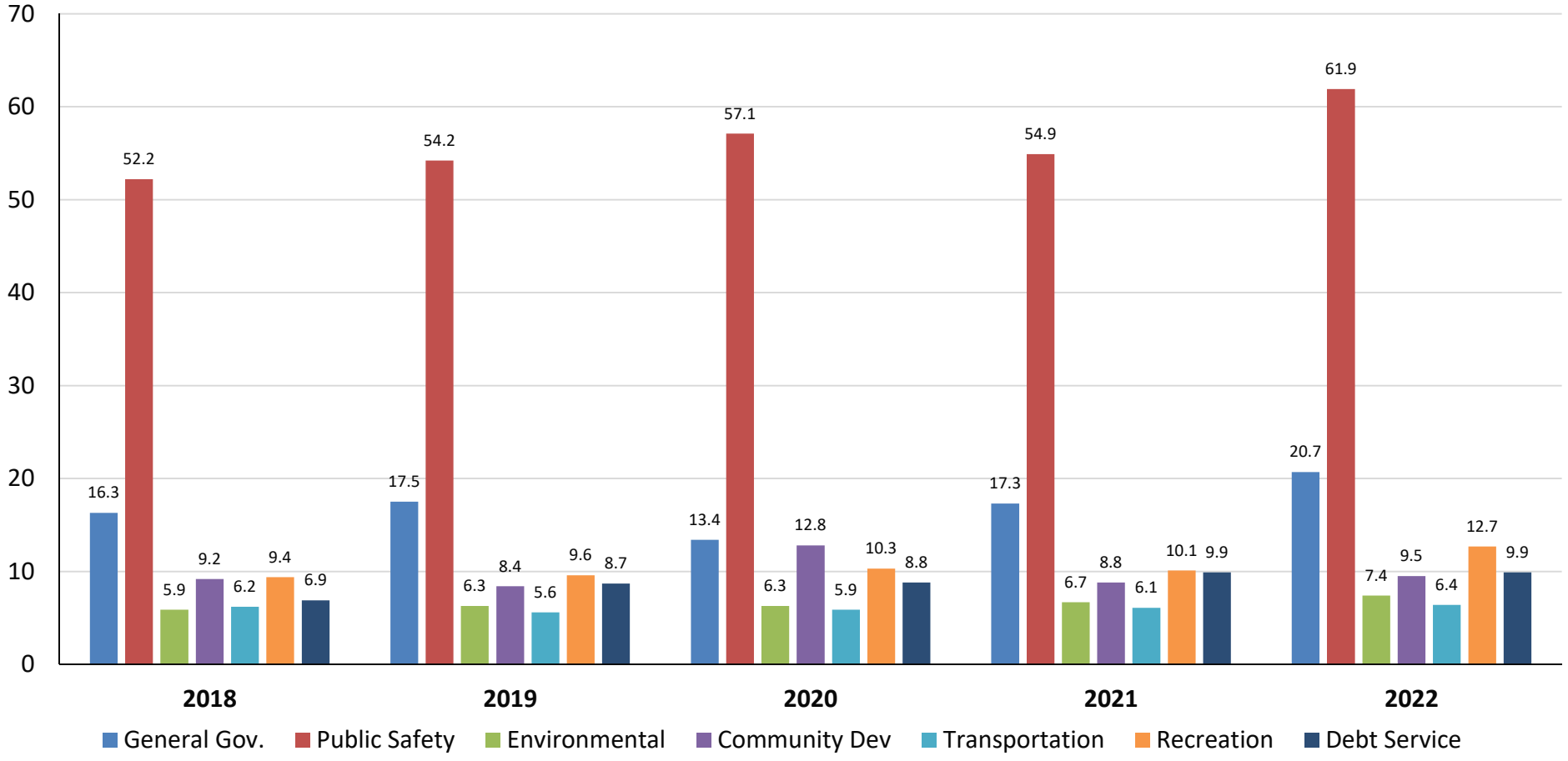
*For year ended June 30, 2021
(compared to units without electrical systems)

CITY OF ASHEVILLE, NC
General Fund Expenditures
For the Year Ended June 30, 2022

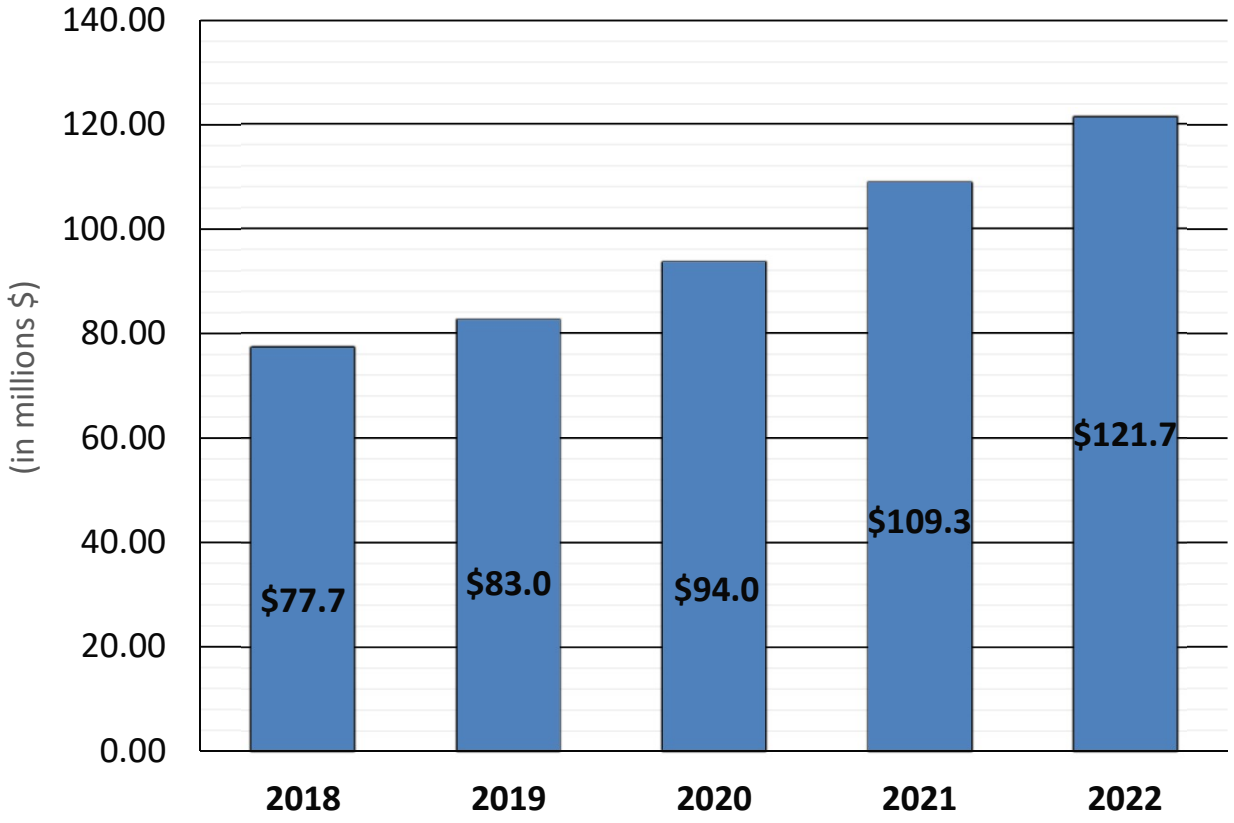


CITY OF ASHEVILLE, NC

Expenditure Growth by Segment (in millions)



CITY OF ASHEVILLE, NC
General Fund Balance (in millions)



CITY OF ASHEVILLE, NC
General Fund - Fund Balance Presentation

Non-spendable:	
Inventories and leases	555,347
Notes receivable	8,700,262
Restricted:	
Stabilization by State Statute	27,744,280
Committed:	
Community and economic development	6,426,648
Assigned:	
Appropriated for subsequent year's budget	400,000
Capital improvements	41,533,684
Various projects	1,773,216
Unassigned	34,587,196
Total fund balances	121,740,633

Compliance Results for the Year Ended June 30, 2022

Reporting Requirements

- Government Auditing Standards
- Federal Single Audit Act / Uniform Guidance
- State Single Audit Implementation Act

Government Auditing Standards- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (continued)

- Material Weakness- a significant deficiency, or combination of significant deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

- Significant Deficiency- a deficiency, or 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.
- Control Deficiency- a control deficiency 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.

Government Auditing Standards- Report on Internal Control Over Financial Reporting and On Compliance and Other Matters (continued)

Significant Deficiency in Internal Control – Capital Assets

Finding 2022-001

- ***Criteria:*** Construction in process additions should be reconciled to the capital project fund taking into
- account transfers.

Condition: In performing our audit, it was noted that insufficient review of the capital asset schedules and reconciliations resulted in inaccurate information and calculations. Certain construction in process additions were counted twice by not recognizing transfers from construction in process to intangible assets, resulting in an overstatement of construction in process and understatement of expenses.

Effect: Construction in process was overstated and repairs and maintenance understated by $677,025 by not counting transfers from construction in process to intangible assets.

Cause: Turnover in the Finance Department in positions responsible for the financial reporting process.

Recommendation: We recommend the City strengthen their capital asset schedule review procedures to insure proper reporting of capital asset information.

Management Response: Management concurs with the finding.

.

Update on Prior Year Control Deficiencies

Material Weakness in Internal Control – Year-End Closeout

Finding 2021-001

Status: Corrected.

Major Programs Tested

- Major Federal Programs tested:
  - Community Development Block Grant Cluster(includes COVID-19 funding) – FAL #14.218
  - Home Investments Partnerships Program – FAL #14.239)
  - Federal Transit Formula Grants (includes COVID -19 funding) – FAL #20.507
  - Coronavirus State and Local Fiscal Recovery Funds (ARPA) – FAL #21.027
  - Highway Planning and Construction Cluster – FAL #20.205
  - Shuttered Venue Operators Grant – FAL #59.075
  - Disaster Grants-Public Assistance (Presidentially Declared Disasters) – FAL # 97.036
- Major State Programs tested:
  - Nonstate System Street Aid Allocation (Powell Bill)
  - Senate Bill 105 – Sulphur Springs Grant

Auditor's Required Communications: AU-C 260

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States have been described to you in our arrangement letter dated April 18, 2022. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication dated April 18, 2022, regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.

Auditor's Required Communication: AU-C 260

Area	Comments
Accounting Policies and Practices	**Preferability of Accounting Policies and Practices** Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. **Adoption of, or Change in, Accounting Policies** FY 2022, the City adopted GASB Statement No. 87. The objective of this statement is to better meet the information needs of financial statement users by improving the accounting and financial reporting for leases. Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. The implementation did not result in a restatement of the prior year financials. **Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **Management's Judgments and Accounting Estimates** Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.

Auditor's Required Communications: AU-C 260

Area	Comments
Audit Adjustments	Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the City of Asheville are shown in the attached Summary of Recorded Audit Adjustments.
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the basic financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.

Auditor's Required Communications: AU-C 260

Area	Comments
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Letter Communicating Deficiencies in Internal Control Over Financial Reporting and Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200	We have separately communicated the deficiencies in internal control over financial reporting identified during our audit of the basic financial statements and major awards, as required by Government Auditing Standards and Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 (Uniform Guidance). This communication is attached as Exhibit A.
Significant Written Communications Between Management and Our Firm	Copies of significant written communications between our firm and the management of the City, including the representation letter provided to us by management, are attached as Exhibit B.

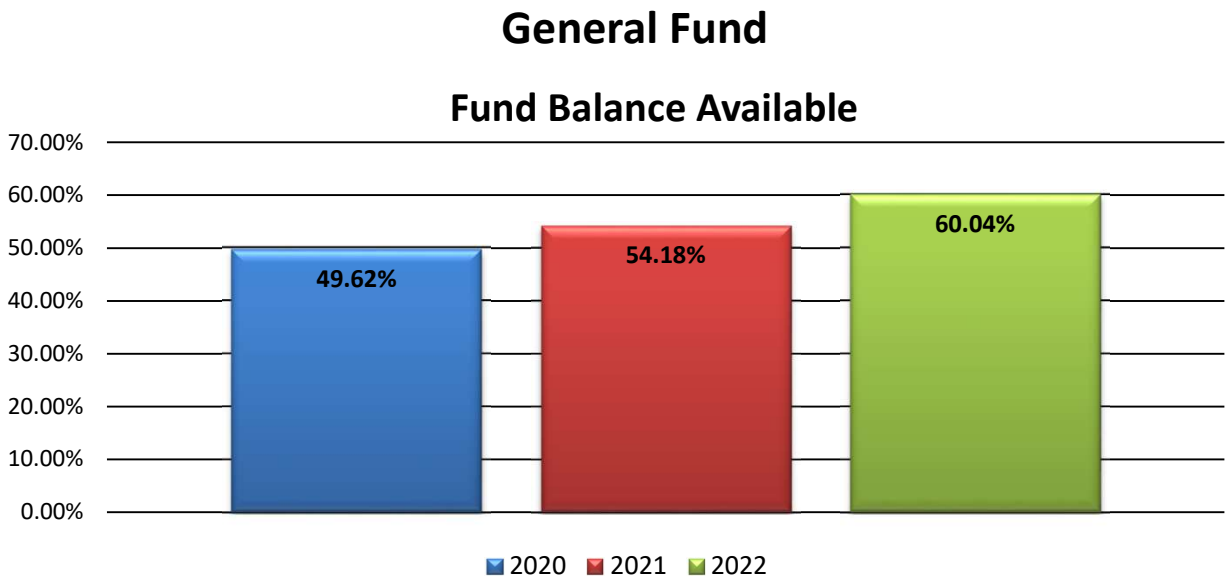
Financial Performance Indicators

The next several slides are titled “Performance Indicators of Concern” as defined by the Local Government Commission.

The City Council will be responsible for responding directly to the LGC within 60 days of the formal presentation by the auditor to the City Council for any items that are marked “red” in the next 7 slides.

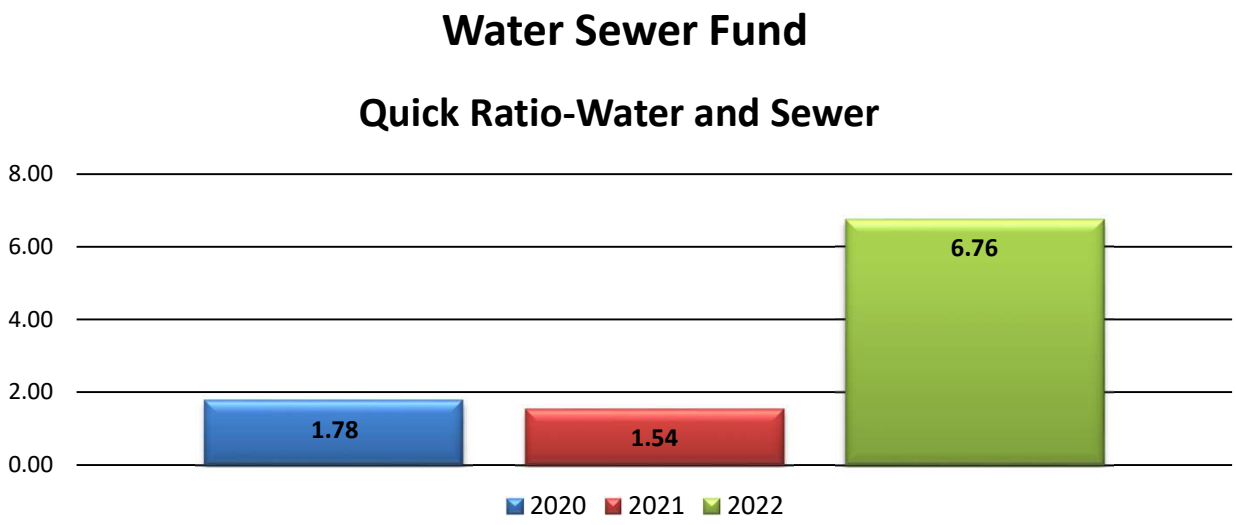
These performance indicators are derived from the Data Input form required to be submitted with the financial statements to the LGC.

Financial Performance Indicators of Concern



Minimum Threshold	Unit Results
25% - Average of similar units is 46%	60.04%

Financial Performance Indicators of Concern (continued)



Minimum Threshold	Unit Results
Equal or greater than 1	6.76

Financial Performance Indicators of Concern (continued)

Cash Flow Indicators:	2020	2021	2022	Minimum Threshold	Unit Results
Operating Net Income (Loss) excluding depreciation, including debt service principal and interest.	$11,555,602	$4,115,873	$9,321,197	Greater than zero	$9,321,197
Unrestricted cash/total expenses excluding depreciation, including debt service principal and interest.	203.35%	229.67%	203.99%	Greater than 16% (2 months)	203.99%
It appears your Water Sewer Fund has transfers-in for the support of operations that are greater than 3% of the total operating and non-operating expenses. Please discuss the purpose of such transfers-in and if you plan to continue these transfers-in.			No		No

Financial Performance Indicators of Concern (continued)

General Performance Indicators:	2022	Target	Unit Results
The 2022 Audit Report is expected to be submitted within 5 months plus one day from the fiscal year end per the auditor. (December 1st for most units)	Yes	5 months plus one day after the fiscal year end	Yes
The budgeted ad valorem tax (including motor vehicles) for the General Fund had more than 4% uncollected for the fiscal year audited. Decreases are shown by a negative percentage.	1.78%	Less than 3%	1.78%
You indicated that you expect a decrease in property value for your next property revaluation. In your FPIC Response Letter please discuss the magnitude of the drop in valuation, the overall cause of the drop and how you plan to recover the lost revenues.	N/A	Any estimated decrease	N/A

Financial Performance Indicators of Concern (continued)

General Performance Indicators:	2022	Target	Unit Results
Did your audit disclose as finding any budget violations? (Yes or No)	No	No over-expenditures	No
If a unit has no performance indicators of concern that would require them to submit a Response to Audit Findings, Recommendations and Fiscal Matters, but they are currently on the Unit Assistance List, they must still submit an FPIC Response Letter. Their response should discuss the financial plan they have developed to address the issues that placed them on the Unit Assistance List and the progress they have made to date.	Unit is not on the Unit Assistance List at this time		Unit is not on the Unit Assistance List at this time
The Unit had material weaknesses, significant deficiencies, and/or statutory violations that should be addressed in the FPIC Response Letter.	Yes		Yes
The unit had a board-appointed finance officer the entire fiscal year.	Yes		Yes

Financial Performance Indicators of Concern (continued)

General Performance Indicators:	2022	Target	Unit Results
The unit had problems with debt service payments being late and/or did not comply with the bond covenants.	No		No
Electric transfers-out have exceeded the amounts described in GS 159B-39. If your unit is a member of the North Carolina Eastern Municipal Power Agency it appears you have violated the GS. OR If you are not a member of the Eastern Municipal Power Agency it appears that you have violated your unit's transfer policy.	No		No
Are there additional issues the unit should address that affect the fiscal health or internal controls of the unit that were communicated to the unit during the audit presentation? Please include details of the issue in cell J44 to the right and in your FPIC Response.	No		No