CITY OF ASHEVILLE, NORTH CAROLINA

COMPLIANCE AUDIT

JUNE 30, 2021

PBMares SM

ASSURANCE, TAX & ADVISORY SERVICES

CITY OF ASHEVILLE, NORTH CAROLINA

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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*

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Asheville, North Carolina

We have audited, in accordance with the 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, the discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund, and the Schedule of Federal and State Awards of the City of Asheville, North Carolina (the City), as of and for the year ended June 30, 2021, 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 1, 2021. Our report includes a reference to another auditor who audited the financial statements of the Asheville ABC Board, the City's discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Asheville ABC Board were not audited in accordance with *Government Auditing Standards*.

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 opinions 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 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. 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 that we consider to be a material weakness.

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 Asheville's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 City's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PBMares, LLP

Morehead City, North Carolina
December 1, 2021, except for the Schedule of Federal and State Awards,
which is as of January 6, 2022

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Asheville, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Asheville, North Carolina's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors* issued by the North Carolina 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, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Our audit, described below, did not include the operations of the Asheville ABC Board, the City's discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included for the City, is based solely on the report of other auditors. We are not aware of any material federal and State awards for the Asheville ABC Board that would subject the Asheville ABC Board to have an audit performed in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or the State Single Audit Implementation Act of North Carolina. Accordingly, this report does not include reporting on compliance or internal control over compliance for the Asheville ABC Board.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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; the audit requirements of the Uniform Guidance, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program, occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

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 each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 that 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 first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Audit Guide. Accordingly, this report is not suitable for any other purposes.

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

We have audited the financial statements of the City of Asheville as of and for the year ended June 30, 2021, and have issued our report thereon dated December 1, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

PBMares, LLP

Morehead City, North Carolina
January 6, 2022

Report on Compliance for the Major State Program and Report on Internal Control Over Compliance Required by the State Single Audit Implementation Act

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Asheville, North Carolina

Report on Compliance for the Major State Program

We have audited the City of Asheville, North Carolina's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors* issued by the North Carolina Local Government Commission, that could have a direct and material effect on the City's major State program for the year ended June 30, 2021. 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.

Our audit, described below, did not include the operations of the Asheville ABC Board, the City's discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included for the City, is based solely on the report of other auditors. We are not aware of any material federal and State awards for the Asheville ABC Board that would subject the Asheville ABC Board to have an audit performed in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or the State Single Audit Implementation Act of North Carolina. Accordingly, this report does not include reporting on compliance or internal control over compliance for the Asheville ABC Board.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the City's major State program based on our audit of the types of compliance requirements referred to above. 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; the audit requirements of the Uniform Guidance, and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program, occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major State Program

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 its major State program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 state 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 State 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 State program that is less severe that 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 first paragraph of this section and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliances 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 purposes.

PBMares, LLP

Morehead City, North Carolina
January 6, 2022

CITY OF ASHEVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2021

Section I. Summary of Auditor's 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 identified?	**X**	Yes		No
Significant deficiency identified?		Yes	**X**	None Reported
Noncompliance material to financial statements noted?		Yes	**X**	No

Federal Awards

Internal control over major programs:

Material weakness identified?		Yes	**X**	No
Significant deficiency identified?		Yes	**X**	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	**X**	No

Identification of major programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
21.019	COVID-19 Coronavirus Relief Fund
21.027	COVID-19 American Rescue Plan Act
20.507	Federal Transit Cluster (including COVID -19 funding)

Dollar threshold used to distinguish between type A and type B programs	$ 750,000		
Auditee qualified as low-risk auditee?	Yes	**X**	No

(Continued)

Section I. Summary of Auditor's Results (Continued)

State Awards

Internal control over major State programs:

Material weakness identified?	Yes	**X**	No
Significant deficiency 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 State Single Audit Implementation Act?	Yes	**X**	No

Identification of major State programs:

State ID Number	Name of Federal Program or Cluster
DOT-4	Non-State System Street-Aid Allocation (Powell Bill)

(Continued)

Section II. Financial Statement Findings

Material Weakness in Internal Control – Year-End Closeout

Finding 2021-001 (repeat of 2020-001)

Criteria: Year-end closeout procedures should be performed timely and accurately to facilitate the timely preparation of the financial statements to meet established North Carolina Local Government Commission requirements.

Condition: In performing our audit, it was noted that certain accrual schedules and reconciliations contained inaccurate information and calculations.

Effect: Significant adjustments were required to financial statement accounts and year-end footnote schedules related to:

- The Local Government Employee's Retirement System pension liability, deferred inflows and outflows of resources allocations
- Notes receivable and related deferred inflows
- Accounts receivable and related revenues
- Prepaid expenses
- Long-term liabilities, including debt and compensated absences
- Unearned revenues

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

Recommendation: We recommend the City implement a review of year-end working papers by an additional person with the skills knowledge and experience of financial reporting to ensure accuracy.

Views of Responsible Officials: Management concurs with the finding. See Corrective Action Plan.

Section III. Findings and Questioned Costs for Federal Awards

None reported.

Section IV. Findings and Questioned Costs for State Awards

None reported.

THE CITY OF ASHEVILLE

Corrective Action Plan

Finding 2021-01

The city agrees with the recommendation and the following corrective actions have been taken: In August 2021, the City created and hired a new position Assistant Finance Director – Accounting. This position oversees the financial operations and reporting divisions within the Finance Department. With the creation of this new role, the Finance department will have better review of policies and procedures related to year-end close out. Additional training, check-lists and guidelines have already been implemented for year-end close out and will continue to be fine-tuned in the next few months in the preparation of the close of FY22.

Estimated Completion Date: February 28, 2022

Responsible Party: Tony McDowell, Chief Financial Officer and
Rebecca King, Assistant Finance Director - Accounting

Debra D. Campbell
City Manager

Tony McDowell
Chief Financial Officer

THE CITY OF ASHEVILLE

City of Asheville, North Carolina

Summary Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2021

Material Weakness in Internal Control – Year-End Closeout

Finding 2020-001

Condition: In performing our audit, it was noted the City of Asheville's Finance Department experienced significant delays in the year-end accounting and reporting process. In addition, basic footnote scheduled were not prepared accurately or timely to facilitate meeting the required reporting deadline.

Recommendation: We recommend the City establish and document effective policies and controls around the year-end closeout process to allow any person with the appropriate skills, knowledge, and experience to perform the year-end closeout procedures in an accurate and timely manner. Additionally, those procedures should include a review of year-end working papers by an additional person with the skills knowledge and experience of financial reporting to ensure accuracy.

Current Status: Significant improvements were made to the accuracy and timeliness of the year-end accounting and reporting process; however, material audit adjusting entries were still required, as explained in Finding 2021-001.

Views of Responsible Officials: Management concurs with the finding. See Corrective Action Plan.

CITY OF ASHEVILLE

SCHEDULE FEDERAL AND STATE AWARDS
JUNE 30, 2021

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Passed Through to Subrecipients
FEDERAL AWARDS					
U.S. Treasury					
COVID-19 American Rescue Plan Act	21.027	Unknown	$ 547,899	$ -	$ -
Passed through North Carolina State Treasurer:					
Passed through Buncombe County Government					
COVID-19 Coronavirus Relief Fund	21.019	Unknown	1,325,068	-	-
COVID-19 Remote Learning Center Site Grant	21.019	Unknown	286,740	-	-
COVID-19 Coronavirus Relief Fund-Fire Districts	21.019	Unknown	4,783	-	-
Total U.S. Treasury			2,164,490	-	-
U.S. Department of Housing and Urban Development					
Direct Programs					
Community Development Block Grants Cluster					
Community Development Block Grants	14.218	N/A	1,446,936	-	1,235,338
Total Community Development Block Grants Cluster			1,446,936	-	1,235,338
HOME Investment Partnerships Program	14.239	N/A	1,092,746	-	932,085
Passed Through NC Department of Health and Human Services:					
Emergency Solutions Grant Program	14.231	00031610	93,983	-	83,915
Continuum of Care Program	14.267	NC0292L4F011200	55,743	-	-
Continuum of Care Program Planning	14.267	NC0292L4F011200	75,879	-	-
Total Continuum of Care Program			131,622	-	-
Total U.S. Department of Housing and Urban Development			2,765,287	-	2,251,338

(Continued)

CITY OF ASHEVILLE

SCHEDULE FEDERAL AND STATE AWARDS (CONTINUED)
JUNE 30, 2021

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation					
U.S. Department of Justice					
Direct Programs					
COVID-19 FY 2020 Coronavirus Emergency Supplemental Funding I	16.034	N/A	$ 134,288	$ -	$ -
Bulletproof Vest Partnership 2019	16.607	N/A	14,328	-	-
Justice Assistance Grant - BJA - 2019	16.738	N/A	12,958	-	12,958
Total U.S. Department of Justice			161,574	-	12,958
Direct Programs					
Metropolitan Transportation Planning and State Non-Metropolitan Planning & Research	20.505	N/A	290,253	9,118	-
Federal Transit Cluster:					
Federal Transit Administration Formula Grants	20.507	N/A	1,424,146	-	33,620
Bus and Bus Facilities	20.507	N/A	3,008,930	-	-
COVID-19 CARES Act Funds for Operating and Capital Assistance	20.507	N/A	4,751,663	-	1,134,186
Total Federal Transit Cluster			9,184,739	-	1,167,806
Transit Services Cluster:					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	217,590	-	217,590
Job Access and Reverse Commute	20.516	N/A	341,199	-	189,198
Total Transit Services Cluster			558,789	-	406,788
National Infrastructure Investments Discretionary Grants (TIGER VI)	20.933	N/A	2,522,015	-	-

(Continued)

CITY OF ASHEVILLE

SCHEDULE FEDERAL AND STATE AWARDS (CONTINUED)
JUNE 30, 2021

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation (Continued)					
Passed through NC Department of Transportation:					
Highway Planning and Construction Cluster:					
LPMO - Greenway Connectors	20.205	2000004590	$ 5,816	$ -	$ -
Total Highway Planning and Construction Cluster			5,816	-	-
Total Passed through NC Department of Transportation			5,816	-	-
Total U.S. Department of Transportation			12,561,612	9,118	1,574,594
Executive Office of the President					
Passed through Office of National Drug Control Policy:					
High Intensity Drug Trafficking Areas Program	95.001	G15GA0006A	198,618	-	-
Total Executive Office of the President			198,618	-	-
U.S. Department of Homeland Security					
Passed through NC Department of Public Safety:					
FEMA Staffing for Adequate Fire and Emergency Response (SAFR)	97.083	Unknown	661,361	-	-
Fire Prevention and Safety Grant	unknown	Unknown	1,845	-	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Unknown	17,176	-	-
FEMA Storm Reimbursements	97.036	FEMA-4146-DR-NC	179,768	59,923	-
Total U.S. Dept. of Homeland Security			860,150	59,923	-
Total Federal Awards Expended			18,711,731	69,041	3,838,890

(Continued)

CITY OF ASHEVILLE

SCHEDULE FEDERAL AND STATE AWARDS (CONTINUED)
JUNE 30, 2021

Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	State/Pass-Through Grantor's Number	Federal Expenditures	State Expenditures	Passed Through to Subrecipients
STATE AWARDS					
N.C. Department of Transportation					
Powell Bill	DOT-4	2000003703	$ -	$ 2,298,066	$ -
Total N.C. Department of Transportation			-	2,298,066	-
N.C. Department of Health and Human Services					
Passed through Land of Sky Regional Council:					
Senior Center Gen'l Purpose - Senior Opportunity	N/A	HB-1473	-	3,505	-
Senior Center Gen'l Purpose - Harvest House	N/A	HB-1473	-	3,505	-
Total N.C. Department of Health and Human Services			-	7,010	-
N.C. Department of Public Safety					
RRT6 2015 Operating Allotment	N/A	1901-536902-1506-8064	-	52,083	-
Total N.C. Department of Public Safety			-	52,083	-
Total Federal and State Awards Expended			$ 18,711,731	$ 2,426,200	$ 3,838,890

See notes to the Schedule of Expenditures of Federal and State Awards.

CITY OF ASHEVILLE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
JUNE 30, 2021

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 Asheville, North Carolina (the City) under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the SEFSA presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

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 the Uniform Guidance and State Single Audit Implementation Act, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3. The City as a Grant Sponsor

The U.S. Department of Transportation: Federal Aviation Administration (FAA) annually awards "Airport Improvement Grant(s)" to the Greater Asheville Regional Airport Authority (the "Authority"). The City of Asheville is the official sponsor of the Authority, recognized by the FAA to accept the grant. The Authority receives funding directly from the granting agency and assumes all compliance obligations.