January 11, 2022

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Certified Public Accountants & Consultants

Financial Results for the Year Ended June 30, 2021

Agenda

- Financial Results
  - The Annual Comprehensive Financial Report
  - Audit Opinion (Unmodified)
  - Benchmarking comparative results
- Compliance Results
  - Government Auditing Standards
    - One material weakness 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 material weakness identified

Components of the Annual Comprehensive Financial Report

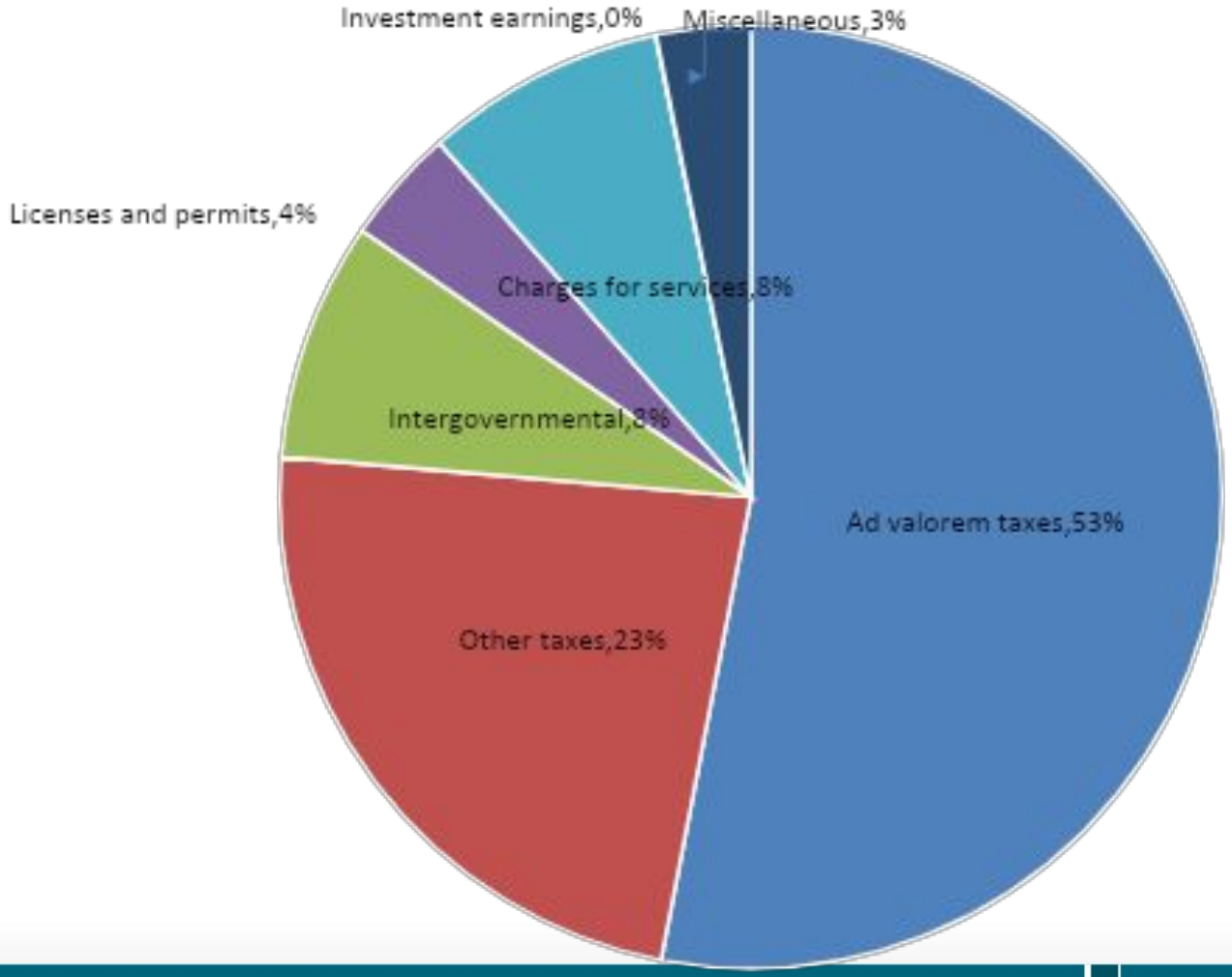
- Management's Discussion and Analysis
- Government-wide F/S
- Fund F/S
- Notes to the F/S
- Required supplemental financial data
- Other supplemental information
- Statistical data
- Compliance

CITY OF ASHEVILLE, NC
Types of Opinions

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

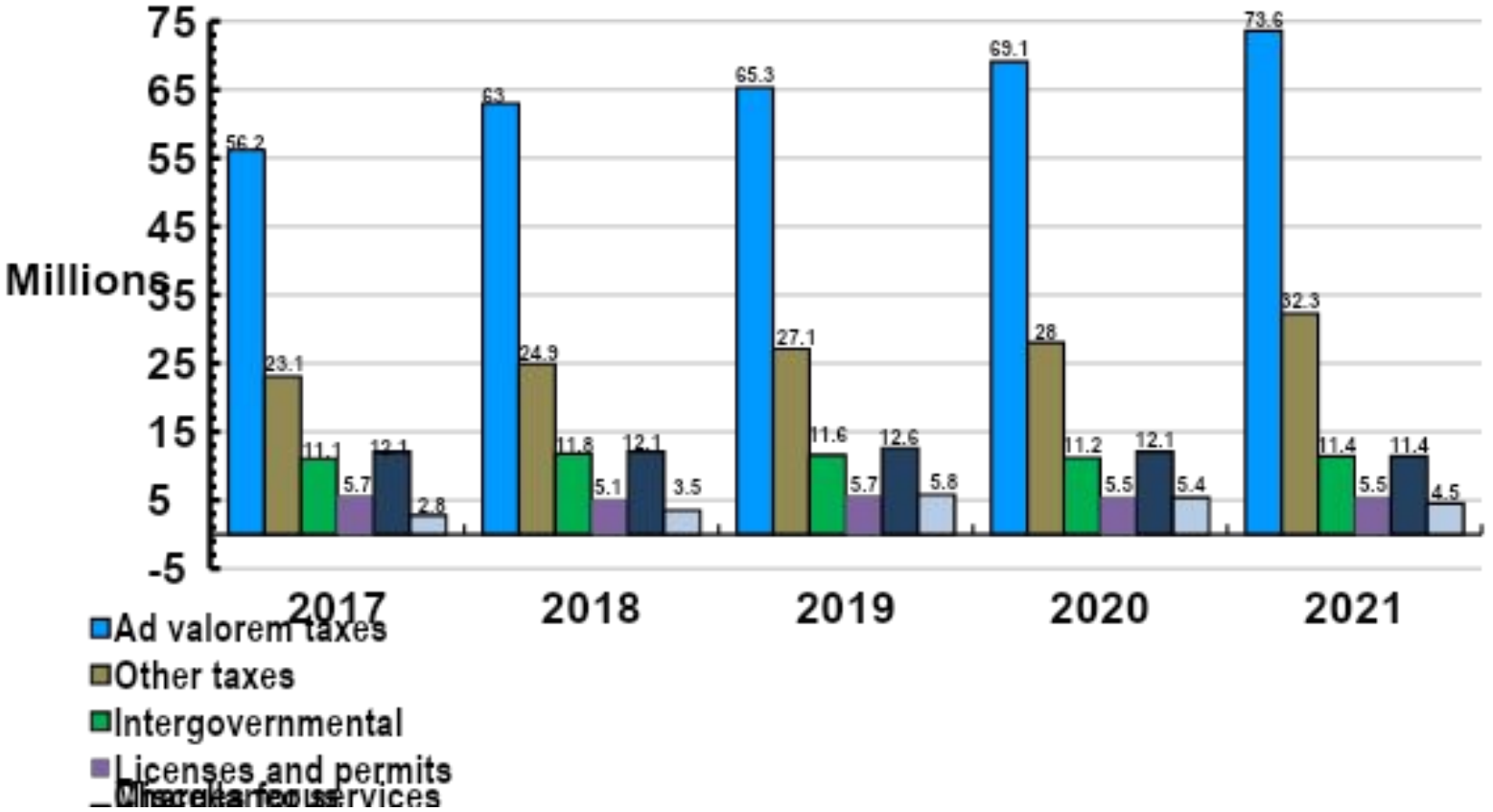
CITY OF ASHEVILLE, NC

General Fund Revenues
For the Year Ended June 30, 2021



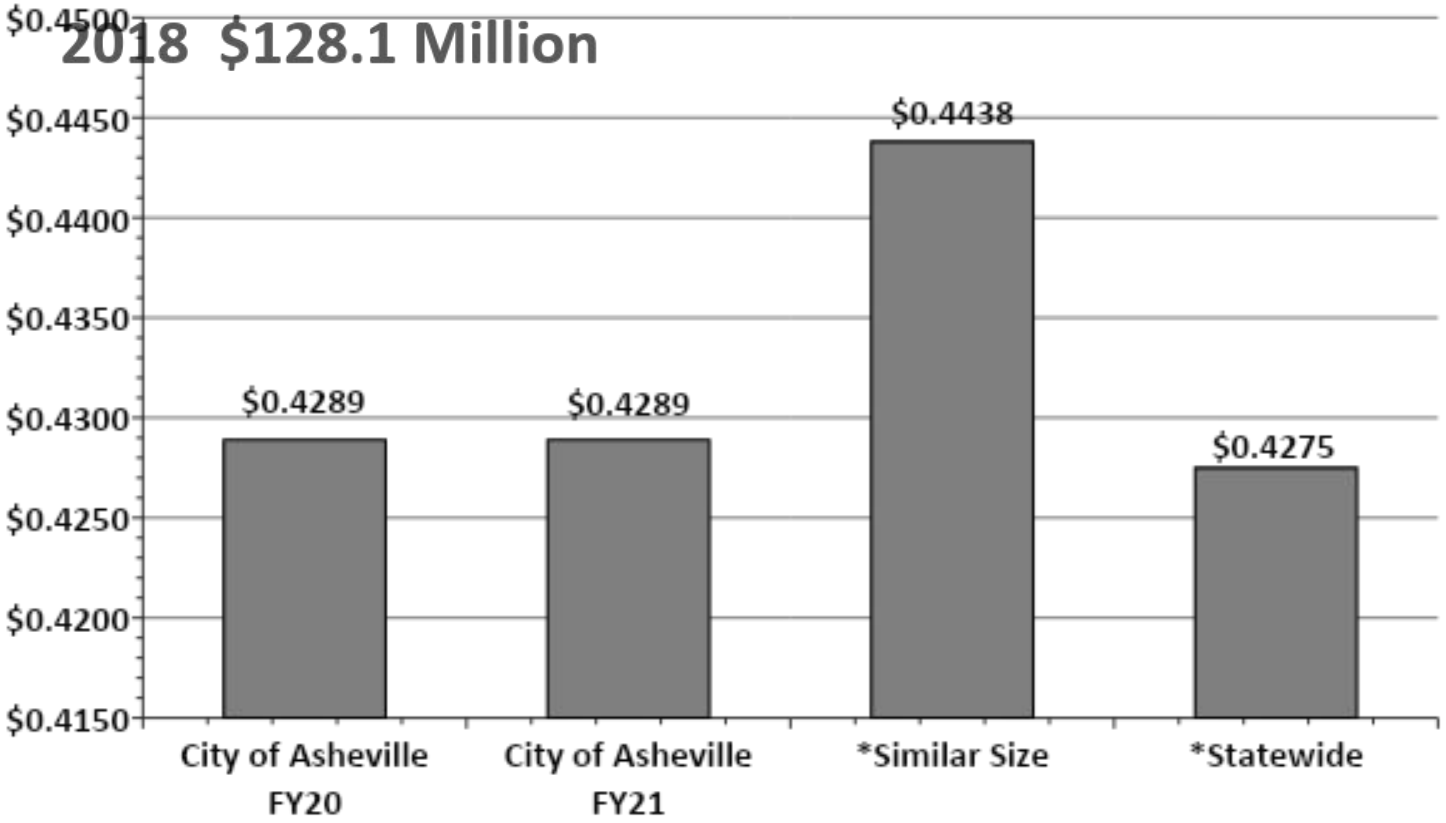
CITY OF ASHEVILLE, NC

General Fund Revenues by Source



CITY OF ASHEVILLE, NC

Tax Rate For the Year Ended June 30, 2021
(2020 Comparative Information Shown)

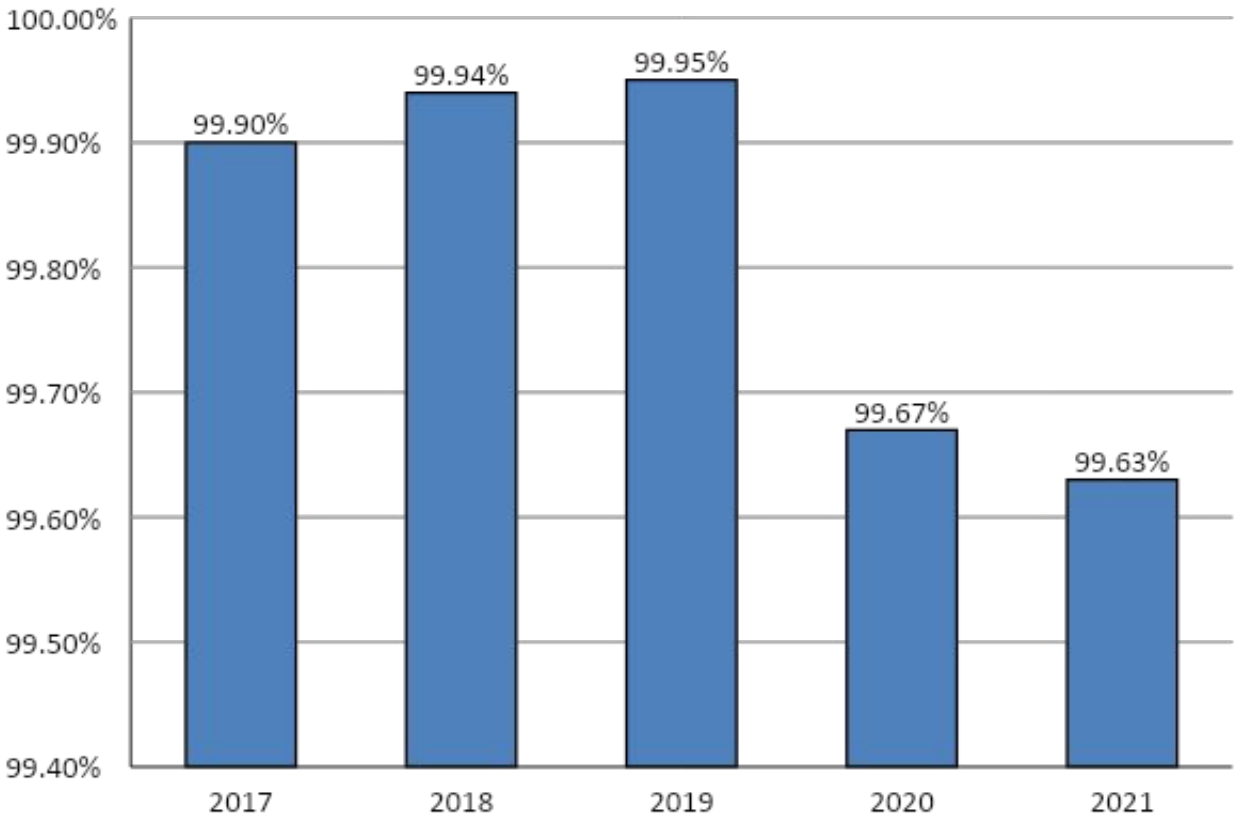


*For year ended June 30, 2020
(compared to units without electrical systems)

Per $100 Valuation

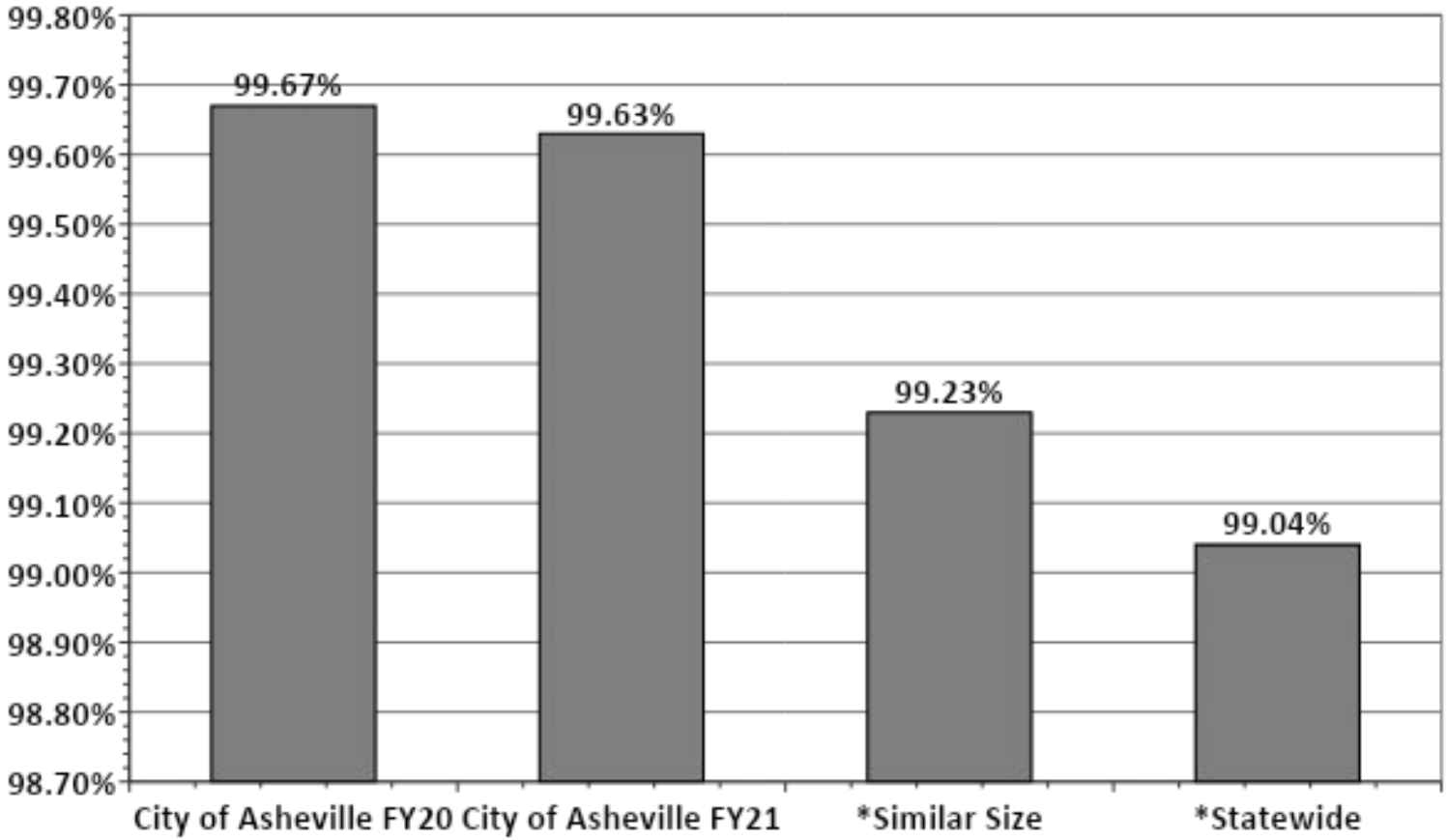
CITY OF ASHEVILLE, NC

Percent of Current Year's Property Tax Levy Collected



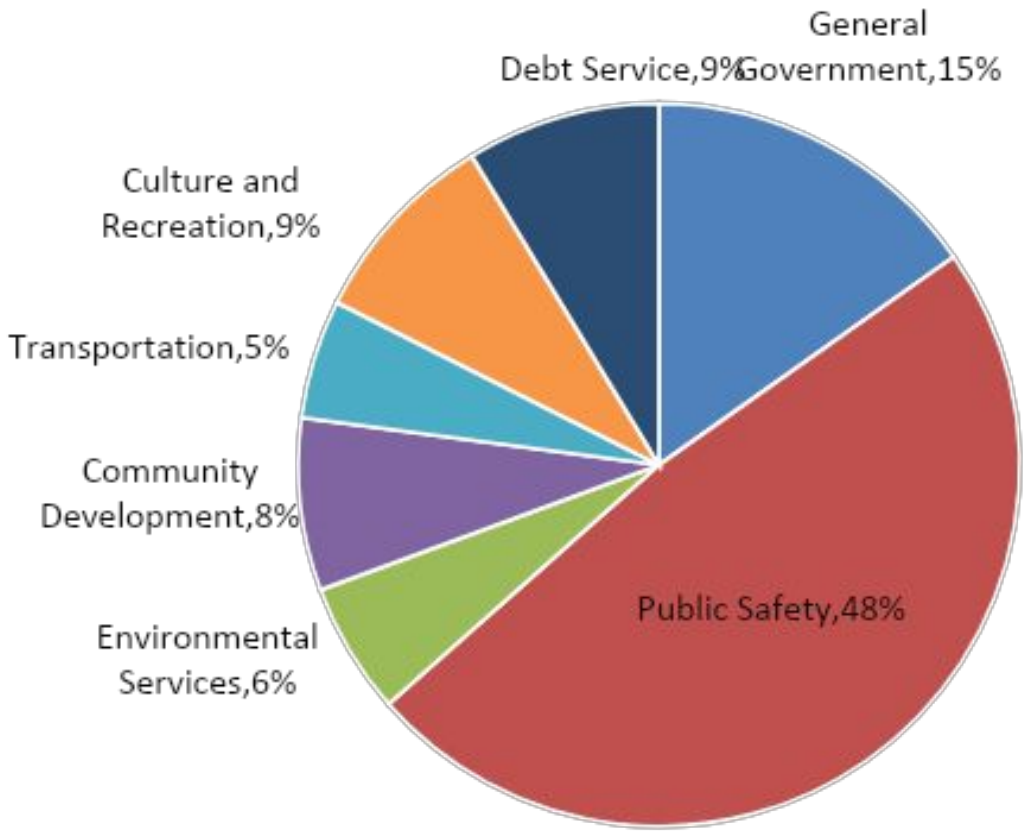
CITY OF ASHEVILLE, NC

Percent of Current Year's Property Tax Levy Collected
For the Year Ended June 30, 2021 (2020 Comparative Information Shown)



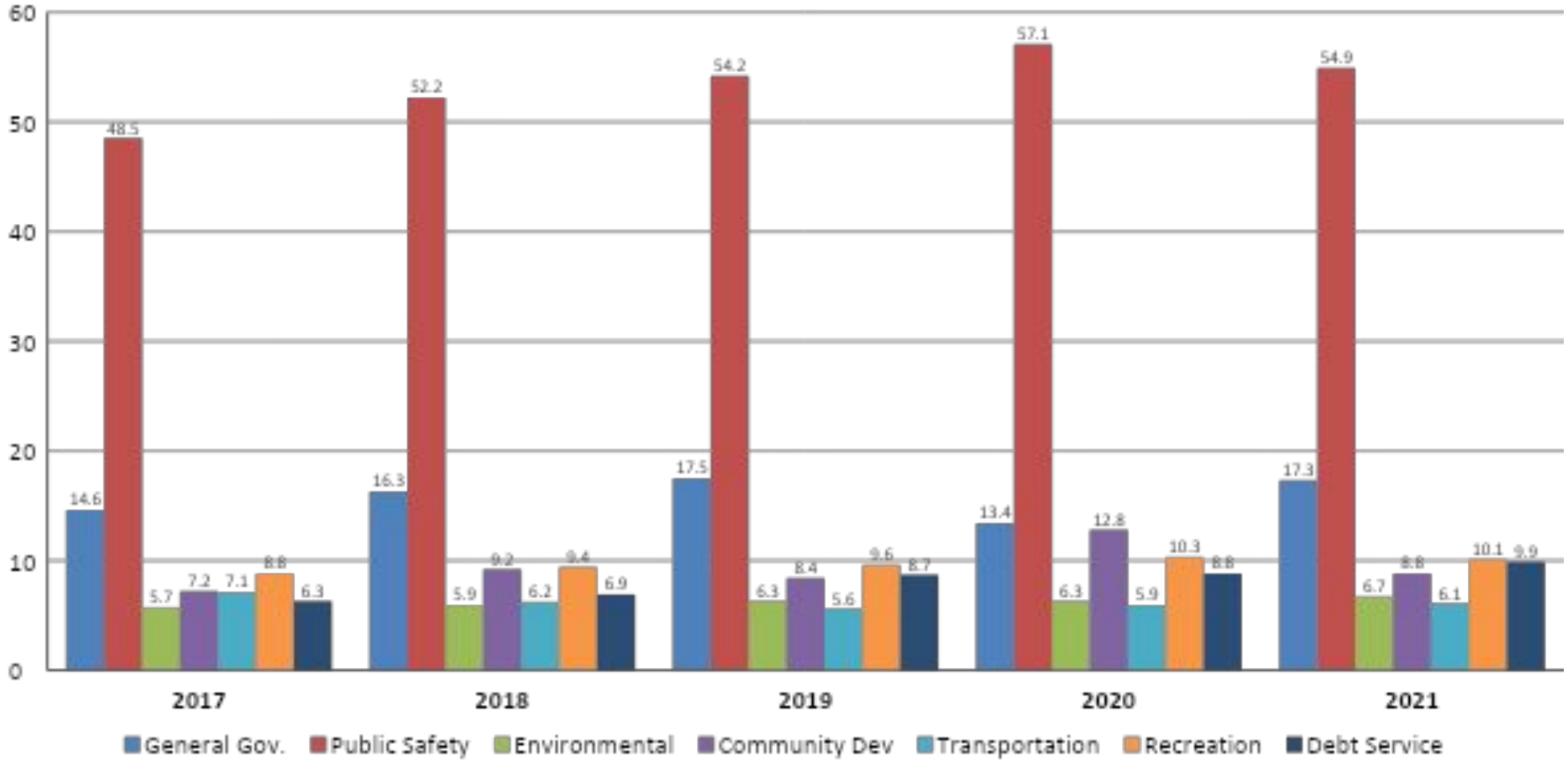
*For year ended June 30, 2020
(compared to units without electrical systems)

CITY OF ASHEVILLE, NC
General Fund Expenditures
For the Year Ended June 30, 2021

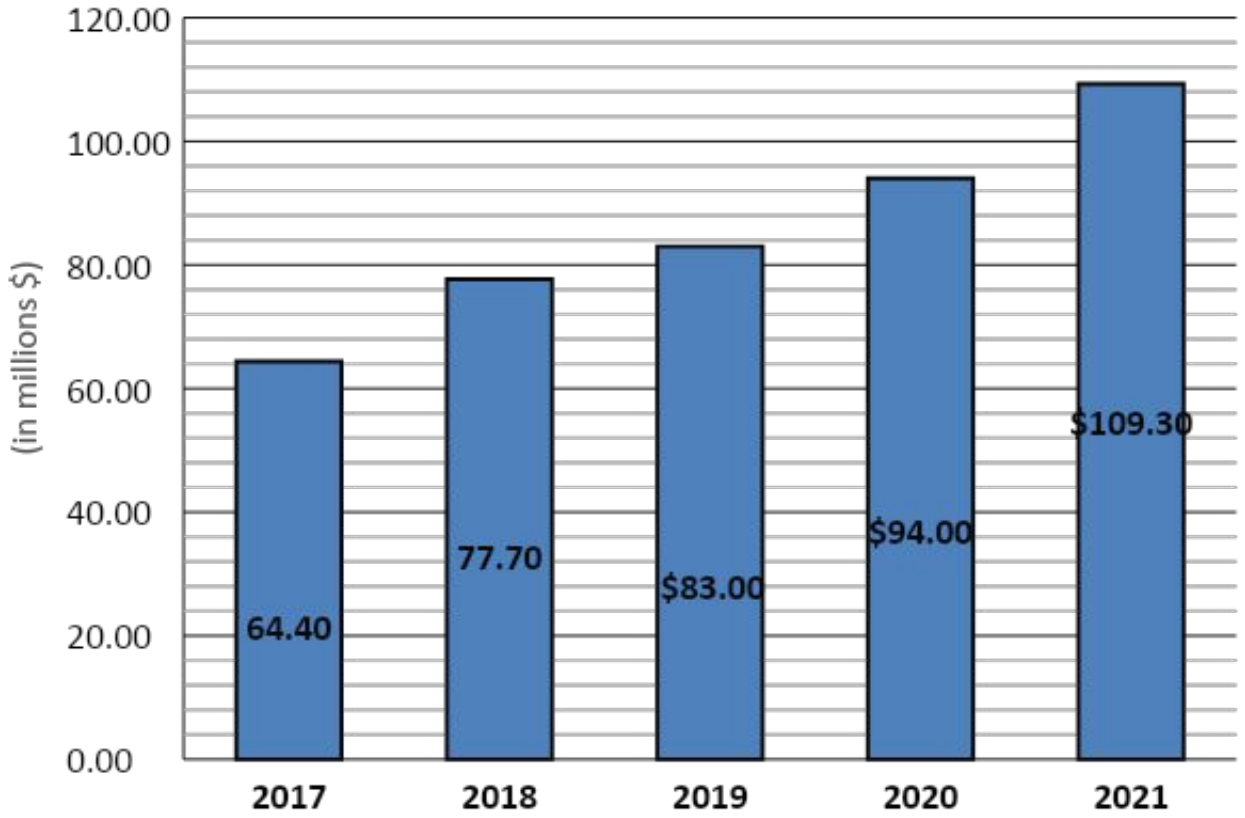


CITY OF ASHEVILLE, NC

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 prepaids	2,242,968
Notes receivable	9,872,827
Restricted:	
Stabilization by State Statute	30,552,117
Committed:	
Community and economic development	4,403,293
Assigned:	
Appropriated for subsequent year's budget	650,000
Capital improvements	41,490,728
Various projects	1,993,861
Unassigned	18,132,274
Total fund balances	109,338,068

Compliance Results for the Year Ended June 30, 2021

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)

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, while significant improvements have been made from the prior year, it was noted that certain accrual schedules and reconciliations initially provided by the City contained inaccuracies.

Effect: Except as noted below, individual audit adjustments were not considered material to the financial statements. The aggregate effect of these adjustments, however, was deemed to have a material effect. Audit adjustments were required for financial statement accounts related to:

- Timing of recording Shuttered Venue Operators Grant (SVOG) revenue in the Harrah's Cherokee Civic Center Fund (*individually material*)

- Other individually insignificant year-end adjustments including CDBG and Section 108 loans, LGERS liability, other deferrals and expense allocations, 911 unearned revenue, and long-term liabilities, including debt and compensated absences.

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

Material Weakness in Internal Control – Year-End Closeout

Finding 2021-001 (repeat of 2020-001) (continued)

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

Recommendation: We recommend the City continue implementation and improvement of a documented year end review process.

Management Response: Management concurs with the finding.

Update on Prior Year Control Deficiencies

Material Weakness in Internal Control – Year-End Closeout

Finding 2020-001 (repeated as Finding 2021-001)

Status: Improvements have been made, however repeated in the current year.

Major Programs Tested

- Major Federal Programs tested:
  - Coronavirus Relief Fund (CARES) – FAL #21.019
  - Federal Transit Formula Grants – FAL #20.507
  - Coronavirus State and Local Fiscal Recovery Funds (ARPA) – FAL #21.027
- Major State Programs tested:
  - Nonstate System Street Aid Allocation (Powell Bill)

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 May 10, 2021. 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 June 24, 2021, 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** Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. During FY 2021, the City adopted GASB Statement No. 84, resulting in changes in the reporting of fiduciary activities by adding a Statement of Fiduciary Net Position. **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	Uncorrected misstatements are summarized in the attached Summary of Uncorrected Misstatements.
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.

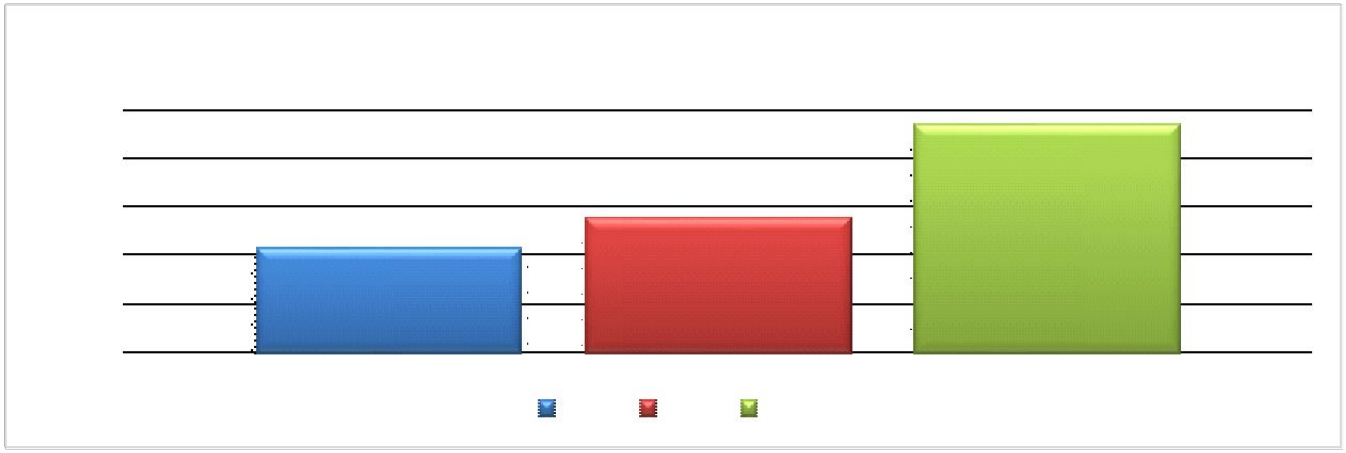
Financial Performance Indicators

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

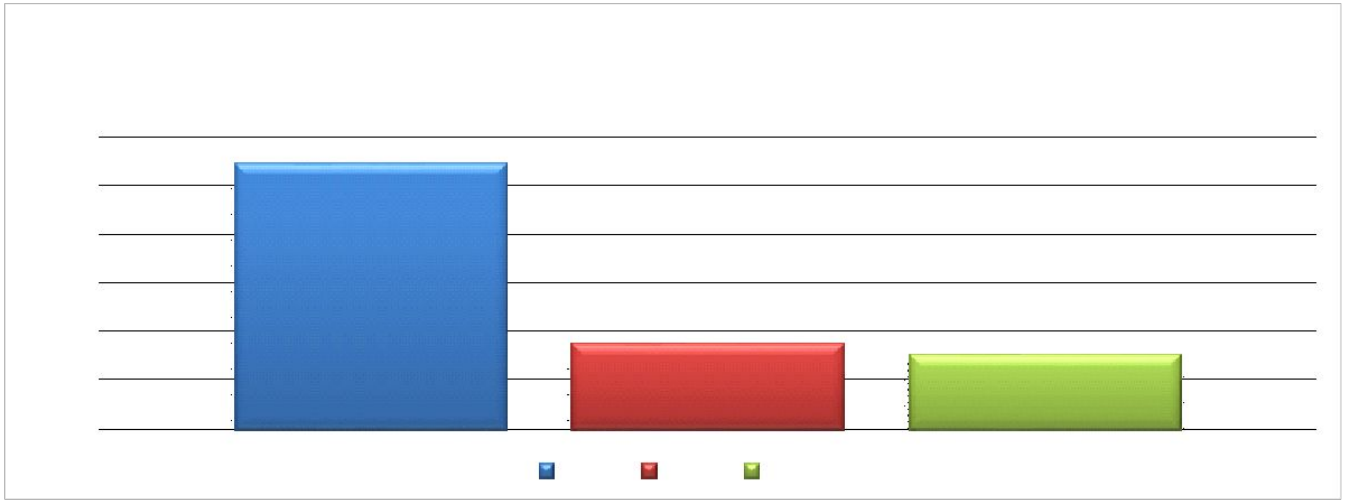
The City Council will be responsible for responding directly to the LGC within 60 days of the formal presentation by the auditor to the City Council for any items that are marked “red” in the next 7 slides.

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

GENERAL FUND:	Minimum Threshold	Unit Results
	25% -- Average of similar units is 46%	53.46%

Financial Performance Indicators of Concern (continued)

Water Sewer Fund	Minimum Threshold	Unit Results
	Equal or greater than 1	1.55

Financial Performance Indicators of Concern (continued)

Water Sewer Fund	2019	2020	2021	Minimum Threshold	Unit Results
Operating Net Income (loss) excluding depreciation+ debt service principal	$ 14,874,247	$ 14,042,123	$ 7,019,623	Greater than zero	$ 7,019,623
Unrestricted cash / Total expenses less depreciation+debt service principal	265.02%	220.00%	254.98%	Greater than 16% (2 months)	254.98%

Financial Performance Indicators of Concern (continued)

GENERAL PERFORMANCE INDICATORS:	2021	Target	
The 2021 Audit Report is expected to be submitted within five 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
	2021	Target	
The budgeted tax levy for the General fund had more than 3% uncollected for the fiscal year audited - decreases are shown by a negative %	3%	Less than 3%	3%
	2021	Target	
You indicated that you expect a decrease in property value for your next property revaluation. In your Response Letter please discuss the magnitude of the drop in valuation, the overall cause of the drop and how your County plans to recover the lost revenues.	N/A	Any estimated decrease	N/A

Financial Performance Indicators of Concern (continued)

GENERAL PERFORMANCE INDICATORS:	2021	Target	
Does the entity have an effective pre-audit process to ensure that pervasive budgetary over-expenditures do not occur at the budget ordinance level?	Yes	No over-expenditures	Yes
	2021	Target	
The local government had a mandate placed on them by DEQ, a court order or some similar requirement (that has no realistic appeal path) that the financial effect will be greater than 3% of the WS Budget and is not yet budgeted.	No		No
	2021	Target	
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 a Response to Audit Findings, Recommendations and Fiscal Matters. 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	On the Unit Assistance List	Unit is not on the Unit Assistance List at this time

Financial Performance Indicators of Concern (continued)

GENERAL PERFORMANCE INDICATORS:	2021	Target	
The Unit had Statutory Violations listed in the Audit Report that should be addressed in the Unit Response Letter	No		No
GENERAL PERFORMANCE INDICATORS:	**2021**	**Target**	
The unit had problems with debt service payments being late and/or did not comply with the bond covenants?	No		No
	2021	**Target**	
You have indicated that you have a landfill that will be closing or have a significant portion closing within the next 5 years and will have the closure/postclosure cost fully funded by the date of closure.	N/A		N/A

Financial Performance Indicators of Concern (continued)

GENERAL PERFORMANCE INDICATORS:	2021	Target	
The unit must address the material and/or significant findings or any other findings that the auditor reported to them.	1		
	2021	Target	
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. If you are not a member of the Eastern Municipal Power Agency we would like to understand what you are funding with the transfers-out and do you plan to continue this practice.	No		No
	2021	Target	
In addition to the any significant and material findings the Auditor can describe any 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.	0		0