

March 30, 2021

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RSM Morehead City and New Bern are now part of PBMares, LLP

- Transaction occurred 12/1/2020
- All assets and client base for the offices transitioned to PBMares
- PBMares is a top 100 accounting firm in the US with over 350 employees
- MHC and NB make offices 11 & 12 for PBMares across North Carolina, Virginia, and Maryland
- PBMares is a full member of the RSM Alliance

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Financial Results for the Year Ended June 30, 2020

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Components of the Comprehensive Annual Financial Report (CAFR)

- 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

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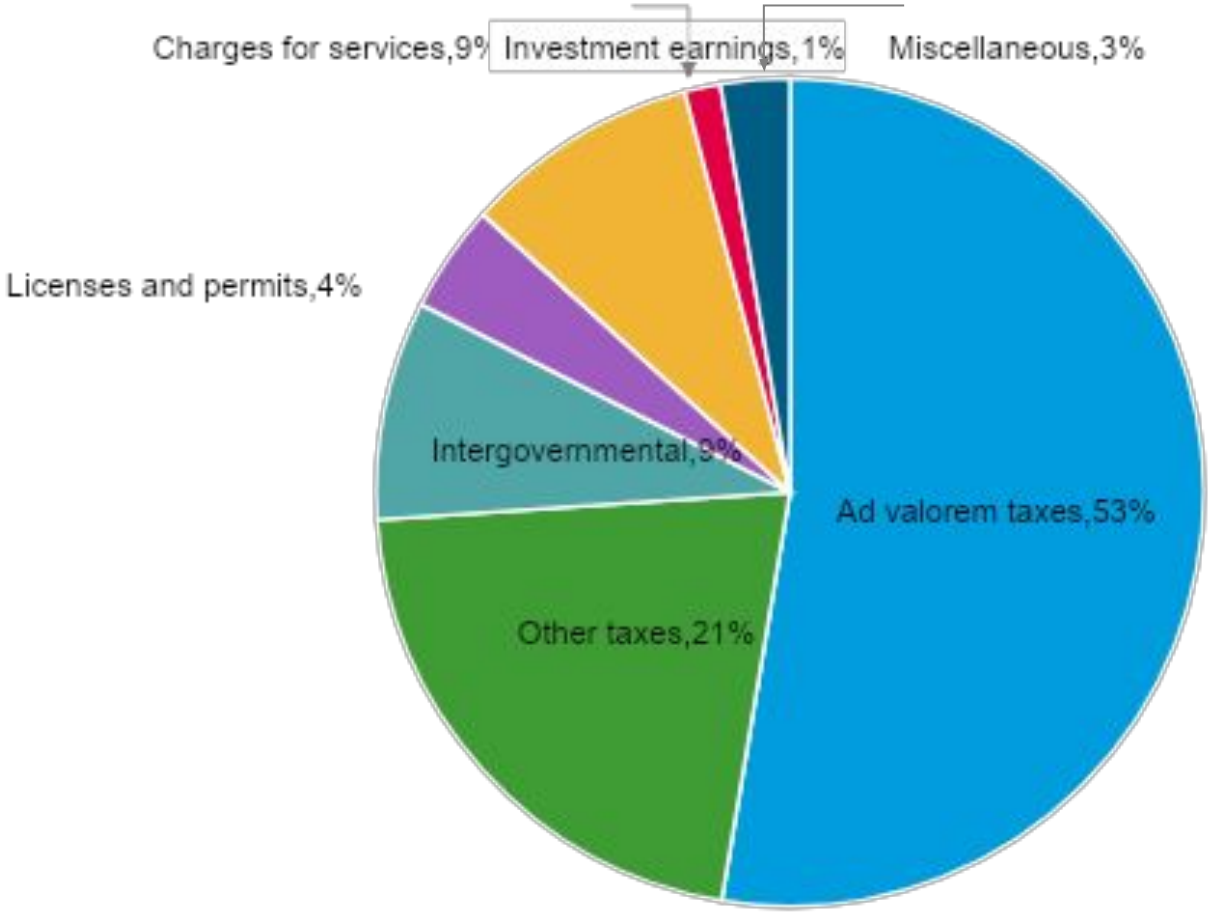
CITY OF ASHEVILLE, NC
Types of Opinions

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

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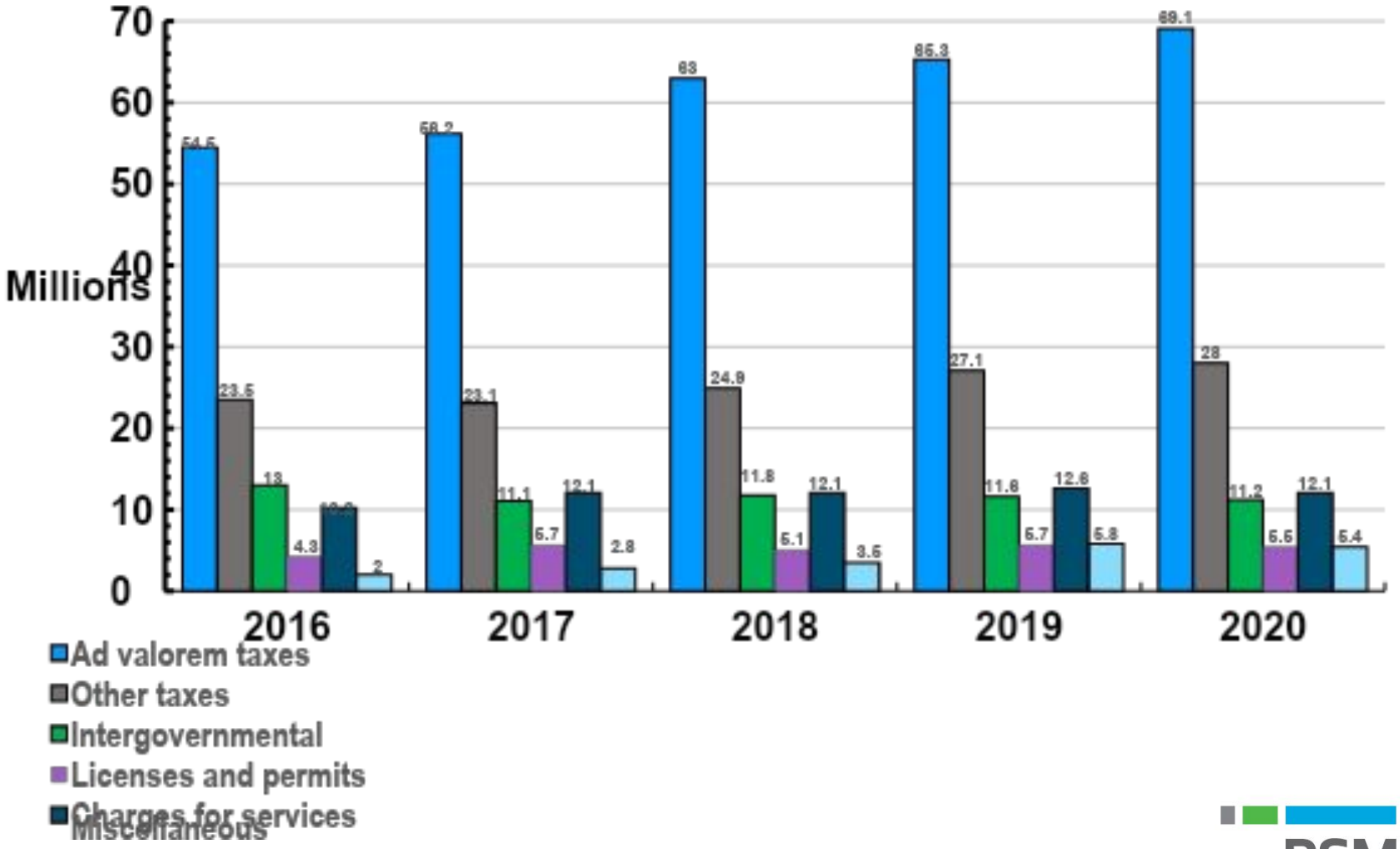
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CITY OF ASHEVILLE, NC
General Fund Revenues
For the Year Ended June 30, 2020



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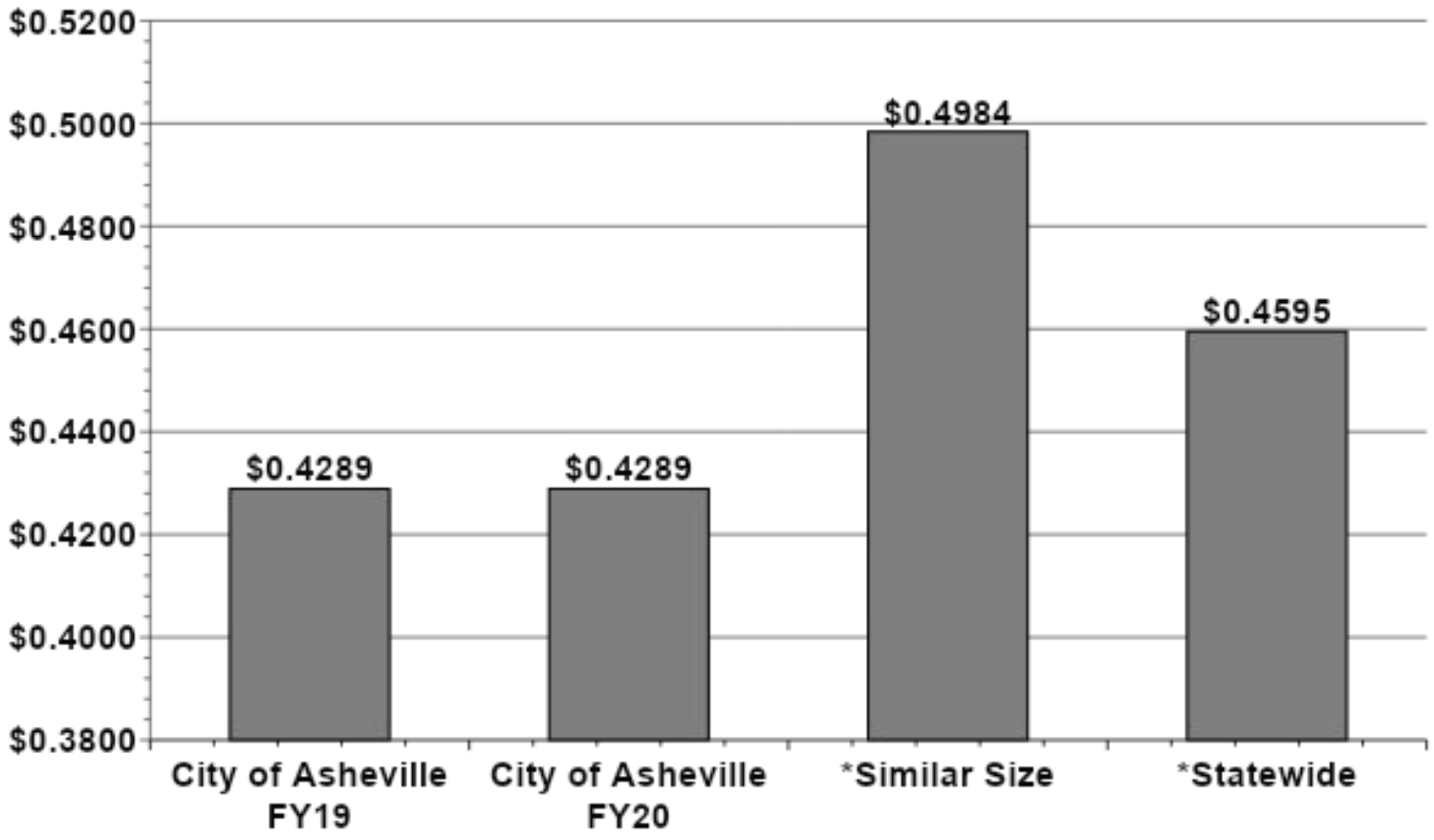
CITY OF ASHEVILLE, NC
General Fund Revenues by Source



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CITY OF ASHEVILLE, NC

Tax Rate For the Year Ended June 30, 2020 (2019 Comparative Information Shown)

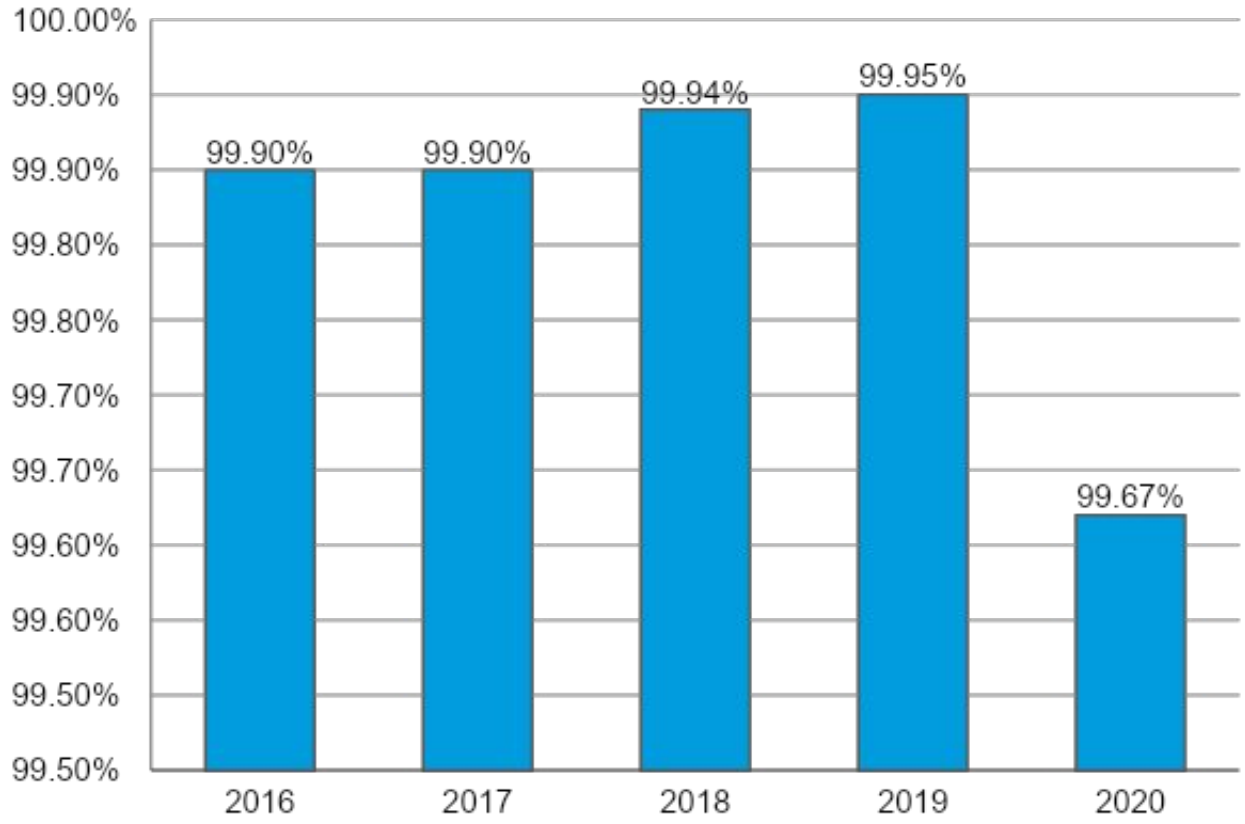


*For year ended June 30, 2019
(compared to units without electrical systems)

Per $100 Valuation

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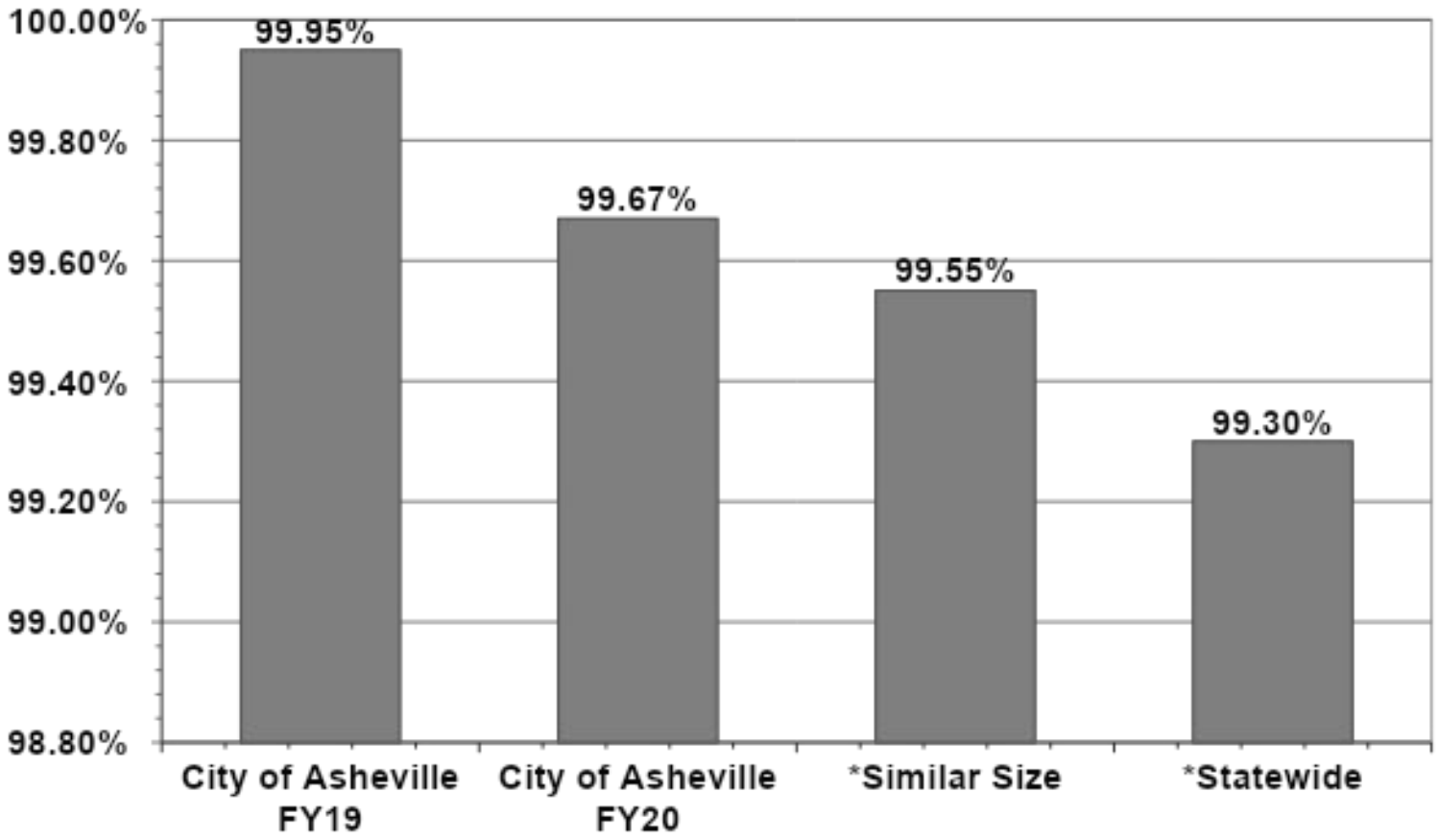
CITY OF ASHEVILLE, NC
Percent of Current Year's Property Tax Levy Collected



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CITY OF ASHEVILLE, NC

Percent of Current Year's Property Tax Levy Collected
For the Year Ended June 30, 2020 (2019 Comparative Information Shown)

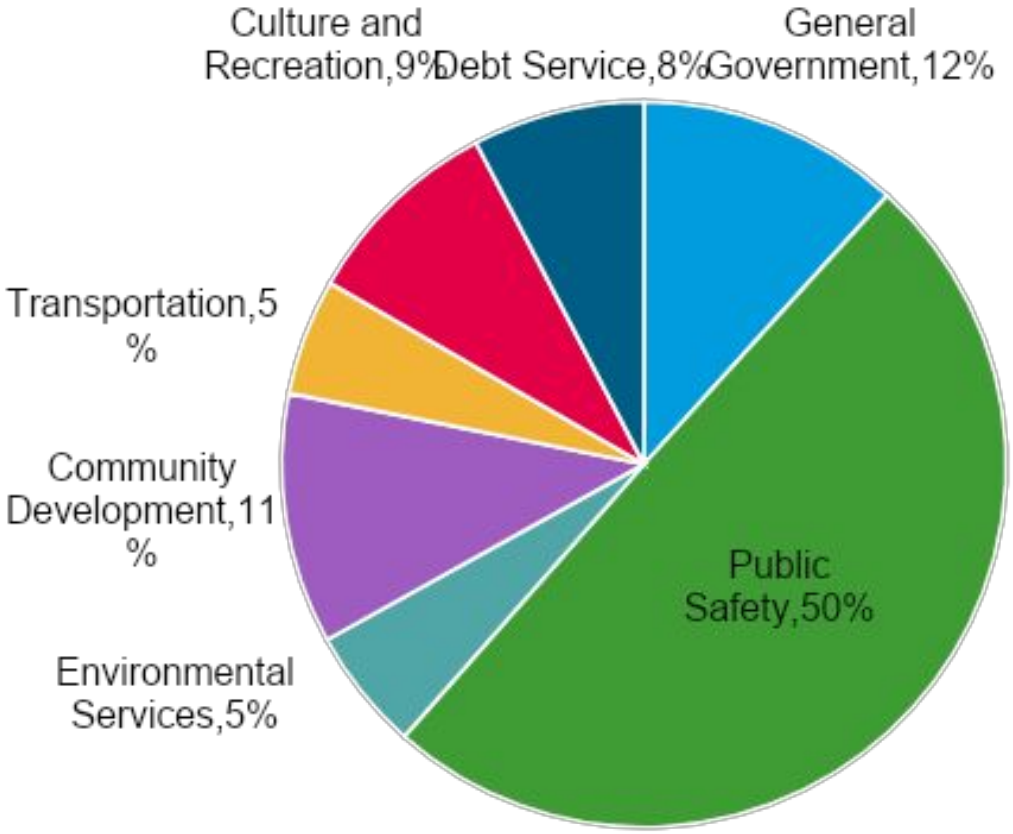


*For year ended June 30, 2019
(compared to units without electrical systems)

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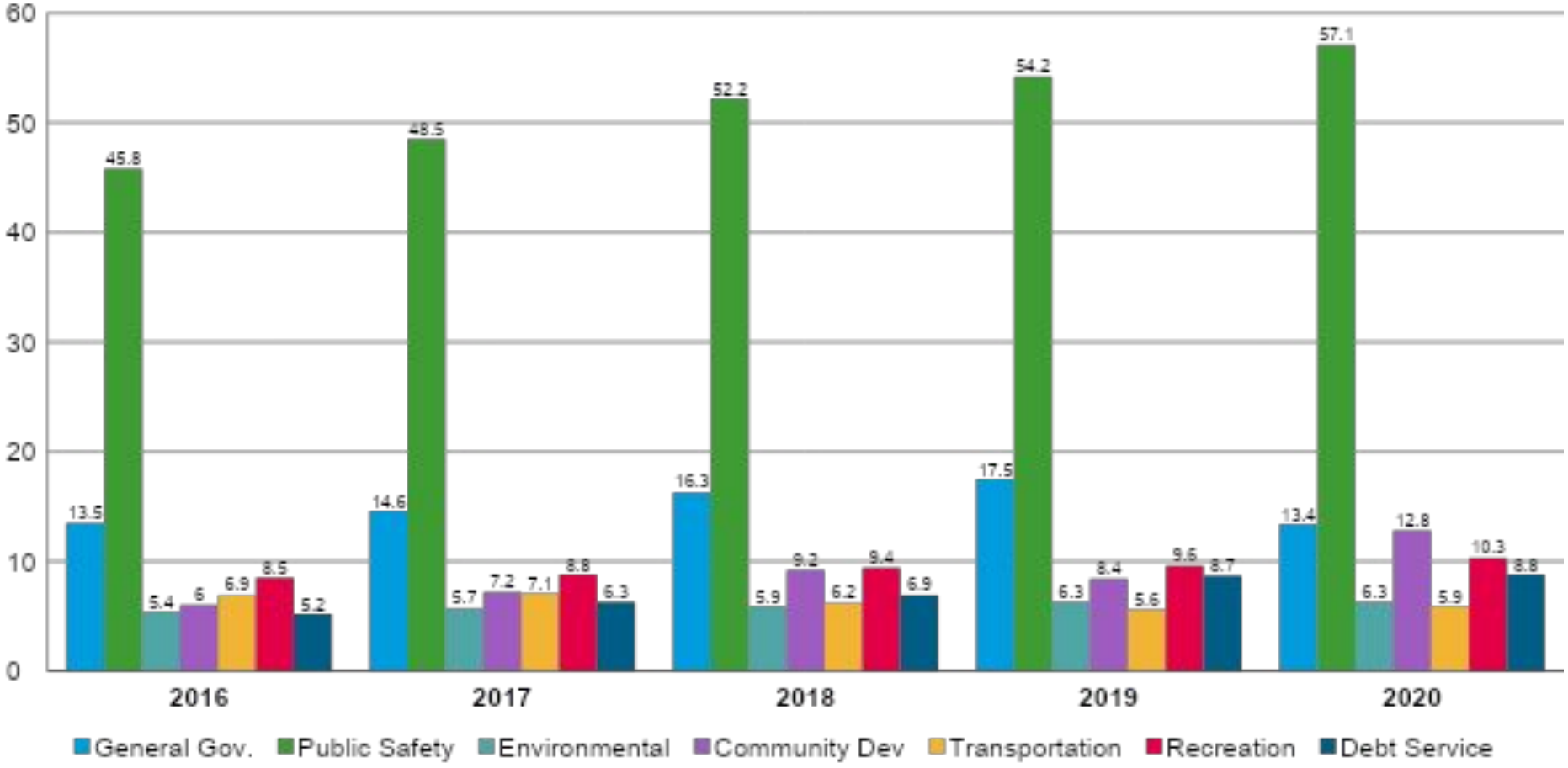
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CITY OF ASHEVILLE, NC
General Fund Expenditures
For the Year Ended June 30, 2020



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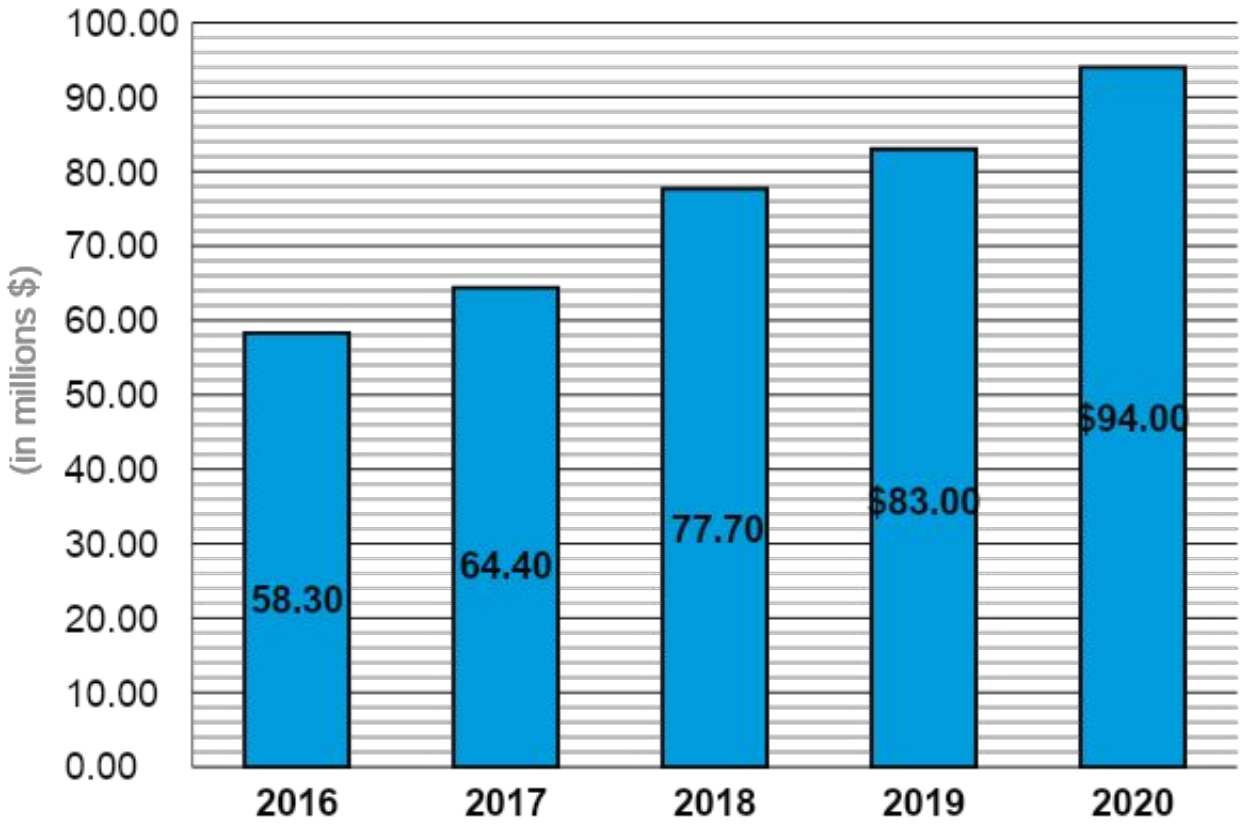
CITY OF ASHEVILLE, NC
Expenditure Growth by Segment (in millions)



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



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CITY OF ASHEVILLE, NC
General Fund - Fund Balance Presentation

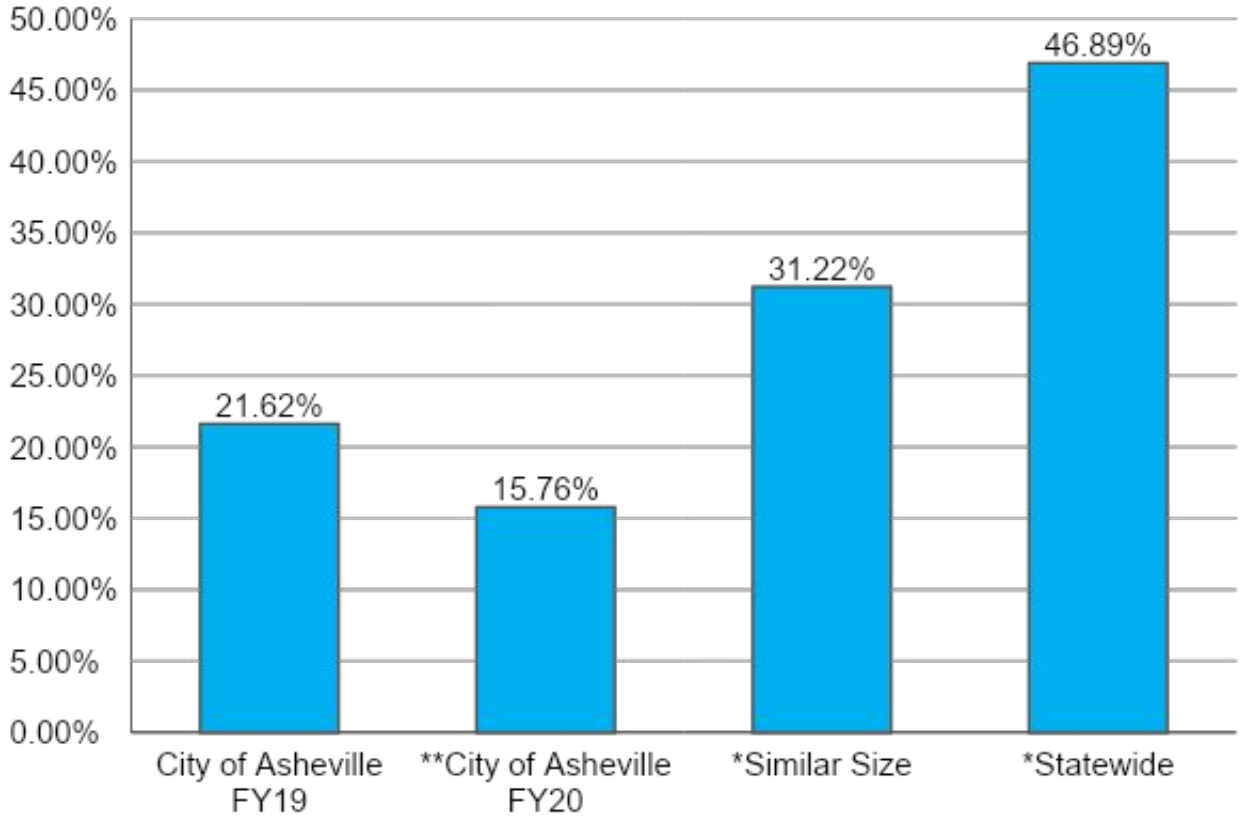
Fund Balances	
Non-spendable:	
Inventories and prepaids	478,795
Notes receivable	10,266,949
Restricted:	
Stabilization by State Statute	23,104,170
Committed:	
Community and economic development	3,201,423
Assigned:	
Appropriated for subsequent year's budget	1,627,173
Capital improvements	36,172,319
Various projects	1,045,714
Unassigned	18,066,274
Total fund balances	93,962,817

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CITY OF ASHEVILLE, NC

Fund Balance Available as a Percentage of General Fund Net Expenditures For the Year Ended June 30, 2020 (2019 Comparative Information Shown)



** The City's unassigned fund balance as a percentage of FY21 budgeted expenditures is **13.41**%.

*For year ended June 30, 2019 (compared to units without electrical systems)

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Compliance Results for the Year Ended June 30, 2020

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Reporting Requirements

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

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Major Programs Tested

- Major Federal Programs tested:
  - Coronavirus Relief Fund (CARES) – CFDA #21.019
  - National Infrastructure Investments – CFDA #20.933
- Major State Programs tested:
  - Nonstate System Street Aid Allocation (Powell Bill)
  - State Maintenance Assistance Program (SMAP)

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Government Auditing Standards- Report on Internal Control over Financial Reporting and on Compliance and Other Matters

- 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.

- Significant Control 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.

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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.

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

FY20 Financial Statement Findings

2020-001 (Material Weakness): Year-End Closeout Procedures (repeat of FY18 significant deficiency)

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 and Context: 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 schedules were not prepared accurately or timely to facilitate meeting the required reporting deadline.

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

- The Local Government Employee's Retirement System year-end adjusting entry
- Other Post-Employment Benefit year-end adjusting entry
- Capital asset footnote schedules
- Legal settlement accrued liabilities
- Unbilled revenues and customer deposits/credits in the Water Resources Fund
- Calculation of the net investment in capital assets
- Compensated absences
- Contributed water/sewer infrastructure assets

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

2020-001 (Material Weakness): Year-End Closeout Procedures (continued)

Cause: Lack of documented policies and procedures around the year-end closeout process magnified by significant turnover in the Finance Department in positions responsible for the financial reporting process.

Auditor 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.

Management Response: Management concurs with the finding. The City has hired a qualified full time replacement for the Controller position and the Finance Director position is currently filled on an interim basis with applicants for the permanent position being reviewed. These positions will enable the Finance Department to incorporate additional levels of review throughout the year-end closeout process. In addition, the Finance department intends on formalizing documented month and year-end closeout procedures prior to FYE21.

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Update on Prior Year Control Deficiencies

No significant deficiencies or material weaknesses identified during the FY19 Audit.

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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 24, 2020. 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 19, 2020 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.

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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. The City of Asheville did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period. Due to the COVID-19 pandemic, the GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, which delayed the implementation of all outstanding GASB standards for 12 months, except for Statement No. 87 *Leases*, which was delayed for 18 months. **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.

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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.

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Auditor's Required Communications: AU-C 260

Area	Comments
Significant Difficulties Encountered in Performing the Audit	We encountered significant difficulty in obtaining complete and accurate prepared by client (PBC) schedules. In many cases, schedules that were received were inaccurate, incomplete, or both. This resulted in significant delays and re-performance of procedures during the course of the audit. We attribute this to significant turnover in the Finance Department.
Letter Communicating Internal Control Deficiencies	We have separately communicated the control deficiencies identified during our audit of the basic financial statements, and 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.

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