City of Asheville, North Carolina

Report to City Council
March 16, 2021



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RSM US LLP

P.O. Box 2470 (27402-2470)
230 North Elm Street, Suite 1100
Greensboro, NC 27401-2436

T +1 336 272 4551
F +1 336 274 2519

www.rsmus.com

March 16, 2021

To the Members of City Council
City of Asheville, North Carolina

Attention: Ms. Esther Manheimer, Mayor

We are pleased to present this report related to our audit of the basic financial statements of the City of Asheville, North Carolina (the City) as of and for the year ended June 30, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City of Asheville's financial reporting process.

This report is intended solely for the information and use of the members of City Council and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the City of Asheville.

RSM US LLP

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Representation Letter

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance)* require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the basic financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

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.
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.
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.

Area	Comments
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.
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 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 Communication Between Management and Our Firm	Copies of material written communication between our firm and the management of the City, including the representation letter provided to us by management, are attached as Exhibit B.

Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the City's June 30, 2020, basic financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Allowance for Doubtful Accounts Receivable	A reserve is established to write-down the receivable balance to its net realizable value.	The City calculates its allowance for doubtful accounts based on an average of historical collection percentages and a review of the debtors ability to pay.	Based on the audit procedures performed we believe that management has utilized a reasonable process for its estimate in accordance with accounting principles generally accepted in the United States.
Fair Value of Investments	Investments are recorded at fair value based on the level hierarchy standards.	Management utilizes the values provided by the investment custodians to estimate fair value	Based on the audit procedures performed, we believe that management has utilized a reasonable process to estimate the fair value of investments.
Amortization of Bond Premiums and Issuance Costs	Premiums and Issuance Costs are deferred and recognized over the life of the correlating debt.	Management records new premiums at actual and amortizes premiums and previously recorded issuance costs over the life of the correlating debt.	Based on the audit procedures performed, we believe that management has utilized a reasonable process to estimate the amortization period.
Capital Asset Depreciable Lives	Assets are assigned lives from 5 to 50 years based on the type of asset.	Lives are assigned based on other like-kind assets and historical usage.	Based on the audit procedures performed, we believe that management has utilized a reasonable process to estimate the useful lives.
Other Post-Employment Benefit Liability	A liability is recorded for the unfunded portion of promised benefits for past services.	The City contracted with an actuarial specialist to calculate the future service obligation, required annual contribution, net liability and related deferred inflows and outflows of resources.	The liability is materially consistent with the City's policy and follows the requirements of GASB 75. We reviewed the assumptions used and noted they were reasonable and consistently applied.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
LGERS Pension liability	A net pension liability is recorded for the unfunded portion of promised benefits for past services.	The State of North Carolina provides the City with an actuarially calculated future service obligation, required annual contribution, net pension liability and related deferred inflows and outflows of resources.	The liability is materially consistent with the City's policy and follows the requirements of GASB 68. We reviewed the assumptions used and noted they were reasonable and consistently applied
LOESSA Pension Liability	A total pension liability is recorded for the promised benefits of past service.	The City contracts an actuary to calculate the total pension liability and related deferred inflows and outflows of resources.	The liability is materially consistent with the City's policy and follows the requirements of GASB 73. We reviewed the assumptions used and noted they were reasonable and consistently applied
Unbilled Water/Sewer Revenues	Revenues are billed in the period in which the product or service was provided.	Management utilizes the actual billed revenue subsequent year end and applies the percentage related to the previous fiscal year	Based on the audit procedures performed, we believe that management has utilized a reasonable process to estimate the unbilled revenues.
Compensated Absences	The City records a liability for earned vacation and compensatory time.	Management calculates a liability by using current pay rates and time accumulated by employees.	The City's estimation process is consistent with GAAP based on our audit procedures performed in this area.
Insurance Claims Incurred but not Reported (IBNR)	Accrued as a liability in the government-wide statements and the Internal Service Fund.	Actuarial calculation from third party administrator based on inputs from historical experience.	Estimation process is consistent with accounting policy and in accordance with GAAP based on our audit procedures performed in this area.

Summary of Recorded Audit Adjustments

Governmental Activities

Description	Effect—Increase (Decrease) Assets	Liabilities	Net Position	Revenue	Expense
To correct compensated absences payable	$ -	$ (2,868,113)	$ -	$ -	$ (2,868,113)
Change in net position effect			2,868,113	$ -	$ (2,868,113)
Statement of net position effect	$ -	$ (2,868,113)	$ 2,868,113		

Business-Type Activities

Description	Effect—Increase (Decrease) Assets	Liabilities	Net Position	Revenue	Expense
Water Resources Fund	$ 79,148	$ 1,483,919	$ -	$ 275,420	$ 1,680,191
Parking Services Fund	-	(42,339)	-	-	(42,339)
Mass Transit Fund	-	(1,905)	-	-	(1,905)
Street-Cut Utility Fund	-	(29,790)	-	-	(29,790)
Stormwater Fund	-	(101,023)	-	-	(101,023)
Harrahs Cherokee Center Fund	-	(54,195)	-	-	(54,195)
Change in net position effect			(1,175,519)	$ 275,420	$ 1,450,939
Statement of net position effect	$ 79,148	$ 1,254,667	$ (1,175,519)		

Water Resources Fund

Description	Effect—Increase (Decrease) Assets	Liabilities	Net Position	Revenue	Expense
To correct compensated absences payable	$ -	$ (289,809)	$ -	$ -	$ (289,809)
To correct unbilled revenue	(537,253)	-	-	(537,253)	-
To correct capital contributions	616,401	-	-	616,401	-
To accrue legal settlement expenses	-	1,970,000	-	-	1,970,000
To correct customer deposits and credits due	-	(196,272)	-	196,272	-
Change in net position effect			(1,404,771)	$ 275,420	$ 1,680,191
Statement of net position effect	$ 79,148	$ 1,483,919	$ (1,404,771)		

Summary of Recorded Audit Adjustments (Continued)

Parking Services Fund

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
To correct compensated absences payable	$ -	$ (42,339)	$ -	$ -	$ (42,339)
Change in net position effect			42,339	$ -	$ (42,339)
Statement of net position effect	$ -	$ (42,339)	$ 42,339		

Mass Transit Fund

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
To correct compensated absences payable	$ -	$ (1,905)	$ -	$ -	$ (1,905)
Change in net position effect			1,905	$ -	$ (1,905)
Statement of net position effect	$ -	$ (1,905)	$ 1,905		

Street-Cut Utility Fund

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
To correct compensated absences payable	$ -	$ (29,790)	$ -	$ -	$ (29,790)
Change in net position effect			29,790	$ -	$ (29,790)
Statement of net position effect	$ -	$ (29,790)	$ 29,790		

Stormwater Fund

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
To correct compensated absences payable	$ -	$ (101,023)	$ -	$ -	$ (101,023)
Change in net position effect			101,023	$ -	$ (101,023)
Statement of net position effect	$ -	$ (101,023)	$ 101,023		

Harrahs Cherokee Center Fund

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
To correct compensated absences payable	$ -	$ (54,195)	$ -	$ -	$ (54,195)
Change in net position effect			54,195	$ -	$ (54,195)
Statement of net position effect	$ -	$ (54,195)	$ 54,195		

Summary of Uncorrected Misstatements

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the financial position, results of operations, cash flows and related basic financial statement disclosures. Following is a summary of those differences.

Governmental Activities

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
Current year impact from Reversal of prior year misstatements:			$ 1,075,000	$ -	$ (1,075,000)
Current Year Misstatements:					
To recognize E-911 revenue From Buncombe County	$ -	$ (756,175)	-	756,175	-
Change in net position effect			1,831,175	$ 756,175	$ (1,075,000)
Statement of net position effect	$ -	$ (756,175)	$ 756,175		

General Fund

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Fund Balance	Revenue	Expense
To recognize E-911 revenue From Buncombe County	$ -	$ (756,175)	$ -	$ 756,175	$ -
Change in fund balance effect			756,175	$ 756,175	$ -
Balance sheet effect	$ -	$ (756,175)	$ 756,175		

General Capital Project Fund

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
Current year impact from reversal of prior year misstatements:			$ 389,000	$ -	$ 389,000
Change in Fund balance effect			(389,000)	$ -	$ 389,000
Statement of net position effect		$ -	$ -		

Parking Services Fund

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
Current year impact from reversal of prior year misstatements:					
Revenue Cutoff - Factual			$ (1,448)	$ 1,448	$ -
Revenue Cutoff - Projected			(15,860)	15,860	-
					-
Change in net position effect			17,308	$ 17,308	$ -
Statement of net position effect	$ -	$ -	$ -		

Exhibit A—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

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March 16, 2021

To Management and Members of City Council
City of Asheville, North Carolina

Attention: Tony McDowell, Interim Chief Financial Officer

In planning and performing our audit of the financial statements of the City of Asheville, North Carolina (the City) as of and for the year ended June 30, 2020, in accordance with 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, 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 opinion 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 entity'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.

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Following are descriptions of other identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

2020-001 Parking Revenue Cut-off
During our testing of Parking Services Fund revenue, we identified revenue transactions which were recognized in the incorrect period. The resulting misstatement was attributable to insufficient review of revenue transactions occurring near year-end to determine appropriate period for revenue recognition purposes. We recommend additional training and communication to personnel tasked with posting and coding revenue transactions to ensure they are posted in the correct period.

2020-002 Firefighter's Timekeeping Review
During our testing over internal controls around the payroll process, we noted that the review of firefighters' detail time was not being performed at the Supervisor level as it is in other departments at the City. There should be a detail review of timecards by a person in a supervisory position prior to the processing of each payroll run. We suggest the City adhere to their prescribed policy of having a supervisor detail review their subordinates' timecards prior to the processing of each payroll run to prevent potential errors in hours reported.

The follow matters includes comments and suggestions that came to our attention in connection with our audit of the City's financial statements as of and for the year ended June 30, 2020. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the City's practices and procedures.

Best Practice Recommendation – Misapplication of Capitalization Policies
During our review of the City's Capital Assets supporting schedules, we identified numerous instances were individual invoices and/or incomplete assets were being capitalized as complete as opposed to being identified and grouped together as a single asset. We recommend the City follow their established capitalization policy to ensure assets are tracked appropriately at their full value.

Best Practice Recommendation – Inaccurate Capitalization of Vehicles
During our testing of capital assets we identified multiple instances where annual vehicle registration expenses for new vehicles purchased were being included in the value of the capitalized vehicle. Annual registration costs should not be included in the capital asset value and should be expensed in the year incurred. We suggest the City implement procedures to ensure ancillary annual costs are not being capitalized as part of larger assets.

Immaterial Compliance Violation – CARES Act Reporting
During our testing of CARES Act major grant program, we identified an error whereby the incorrect number of hours worked by an employee was reported to Buncombe County. The supporting documentation for the hours worked did not agree to the expenses reported. Upon further review, it was determined the expenses reported were accurately and the hours reported was inaccurate. We recommend the City strengthen the review process around CARES Act reporting to ensure the documentation included appropriately supports the expenses submitted.

This communication is intended solely for the information and use of management, City Council, others within the organization and the State of North Carolina's Local Government Commission, and is not intended to be, and should not be, used by anyone other than these specified parties.

RSM US LLP

Exhibit B—Significant Written Communication Between Management and Our Firm

March 16, 2021

RSM US LLP
3621 John Platt Dr
Morehead City, NC 28557

This representation letter is provided in connection with your audit of the basic financial statements of Asheville, North Carolina (the City) as of and for the year ended June 30, 2020 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of March 16, 2021:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated April 24, 2020, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. Related-party transactions, including component units for which the City is accountable, other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, joint ventures in which the City has an interest, and jointly governed organizations in which the City participates, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.

7. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

9. We understand that the Parking fund does not meet the requirements to be considered a major fund, however for clarity and consistency we have elected to present it as such.

10. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, or to special assessment bond holders that is not disclosed in the financial statements.

11. We agree with the findings of the actuarial specialist as it relates to the valuation of the City's share of the Local Government Employees' Retirement System, the Law Enforcement Officers' Special Separation Allowance, and the Other Post Employment Benefit liabilities and have appropriately recorded and allocated those liabilities amongst the funds that are responsible for liquidating those liabilities.

12. We have informed you of all uncorrected misstatements.

As of and for the year ended June 30, 2020, we believe that the effects of the uncorrected misstatements aggregated by you and summarized below are immaterial, both individually and in the aggregate, to the opinion units of the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Governmental Activities

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
Current year impact from Reversal of prior year misstatements:			$ 1,075,000		$ (1,075,000)
Current Year Misstatements:					
To recognize E-911 revenue From Buncombe County	$ -	$ (756,175)		$ 756,175	$ -
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Statement of net position effect	$ -	$ (756,175)	$ 756,175		

General Fund

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Change in fund balance effect			756,175	$ 756,175	$ -
Balance sheet effect	$ -	$ (756,175)	$ 756,175		

General Capital Project Fund

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
Current year impact from reversal of prior year misstatements:			$ 389,000	$ -	$ 389,000
Change in Fund balance effect			(389,000)	$ -	$ 389,000
Statement of net position effect		$ -	$ -		

Parking Services Fund

	Effect—Increase (Decrease)				
Description	Assets	Liabilities	Net Position	Revenue	Expense
Current year impact from reversal of prior year misstatements:					
Revenue Cutoff - Factual			$ (1,448)	$ 1,448	$ -
Revenue Cutoff - Projected			(15,860)	15,860	
					-
Change in net position effect			17,308	$ 17,308	$ -
Statement of net position effect	$ -	$ -	$ -		

In addition to the misstatements included above, we believe that the following misstatement in the General Fund and Governmental Activities is immaterial to the financial statements taken as a whole:

a. The City has not recorded the cash received from Buncombe County for E-911 Services as restricted cash per the operating agreement in the amount of $756,175.

Information Provided

13. We have provided you with:

a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;

b. Additional information that you have requested from us for the purpose of the audit;

c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence; and

d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

14. All transactions have been recorded in the accounting records and are reflected in the basic financial statements.

15. We have disclosed to you the results of our assessment of risk that the basic financial statements may be materially misstated as a result of fraud.

16. We have no knowledge of allegations of fraud or suspected fraud affecting the City's basic financial statements involving:

a. Management.

b. Employees who have significant roles in internal control.

c. Others where the fraud could have a material effect on the financial statements.

17. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's basic financial statements received in communications from employees, former employees, analysts, regulators, or others.

18. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.

19. We have disclosed to you all known actual or potential pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.

20. We have disclosed to you the identity of the City's related parties and all the related-party relationships and transactions of which we are aware.

21. We have informed you of all significant deficiencies or material weaknesses in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize and report financial data.

22. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

23. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

24. With respect to supplementary information presented in relation to the financial statements as a whole:

a. We acknowledge our responsibility for the presentation of such information.

b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP and in accordance with the requirements of Uniform Guidance and Single Audit Implementation Act, as applicable.

c. The methods of measurement or presentation have not changed from those used in the prior period.

d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information.

e. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

25. With respect to management's discussion and analysis and the schedules of funding progress and contributions presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:

a. We acknowledge our responsibility for the presentation of such required supplementary information.

b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.

c. The methods of measurement or presentation have not changed from those used in the prior period.

d. There are no underlying significant assumptions or interpretations regarding the measurement or presentation of such information outside the assumptions and interpretations used in the presentation of the financial statements.

Compliance Considerations
In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

26. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

27. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.

28. Is not aware of any instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

29. Is not aware of any instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.

30. Is not aware of any instances that have occurred, or are likely to have occurred, of waste or abuse that could be quantitatively or qualitatively material to the financial statements.

31. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

32. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

33. Has a process to track the status of audit findings and recommendations.

34. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.

35. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.

36. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

In connection with your audit of federal and state awards conducted in accordance with Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Implementation Act,* we confirm:

37. Management is responsible for complying, and has complied, with the requirements of Uniform Guidance and the State Single Audit Implementation Act.

38. Management is responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of its federal and state programs.

39. Management is responsible for establishing and maintaining, and has established and maintained, effective internal control over compliance for federal and state programs that provides reasonable assurance that the auditee is managing federal and state awards in compliance with federal and state statues, regulations, and the terms and conditions of federal and state awards that could have a material effect on its federal and state programs.

40. Management is responsible for the preparation of the schedule of expenditures of federal and state awards, acknowledges and understands its responsibility for the presentation of the schedule of expenditures of federal and state awards in accordance with the Uniform Guidance; believes the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance and the State Single Audit Implementation Act; asserts that methods of measurement or presentation have not changed from those used in the prior period, or if the methods of measurement or presentation have changed, the reasons for such changes have been communicated; and is responsible for any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal and state awards

41. Management has identified and disclosed all of its government programs and related activities subject to the Uniform Guidance and the State Single Audit Implementation Act compliance audit.

42. Management has identified and disclosed to the auditor the requirements of federal and state statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major program.

43. Management has made available all federal and state awards (including amendments, if any) and any other correspondence relevant to federal and state programs and related activities that have taken place with federal agencies or pass-through entities.

44. Management has indicated that it is aware of no questioned and all known noncompliance with the direct and material compliance requirements of federal and state awards or stated that there was not such noncompliance.

45. Management believes that the auditee has complied with the direct and material compliance requirements.

46. Management has made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.

47. Management has provided to the auditor its interpretations of any compliance requirements that are subject to varying interpretations.

48. There have been no communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

49. Management has disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

50. Management is responsible for taking corrective action on audit findings of the compliance audit, if any.

51. Management has provided the auditor with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.

52. There have been no subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

53. There has been no known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or stated that there were no such known instances.

54. There have been no changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.

55. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.

56. The copies of federal and state program financial reports provided to the auditor are true copies of the reports submitted, or electronically transmitted, to the federal or state agency or pass-through entity, as applicable.

57. Management has monitored sub-recipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and the terms and conditions of the sub-award and have met the other pass-through entity requirements of the Uniform Guidance and the State Single Audit Implementation Act.

58. If applicable, management has issued management decisions for audit findings that relate to federal and state awards it makes to sub-recipients and that such management decisions are issued within six months of acceptance of the audit report by the FAC. Additionally, management has followed up to ensure that the sub-recipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews and other means that pertain to the federal and state award provided to the sub-recipient from the pass-through entity.

59. If applicable, management has considered the results of sub-recipient monitoring and audits, and has made any necessary adjustments to the auditee's own books and records.

60. Management has charged costs to federal and state awards in accordance with applicable cost principles.

61. Management is responsible for, and has accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance and the State Single Audit Implementation Act.

62. The reporting package does not contain protected personally identifiable information.

63. Management has accurately completed the appropriate sections of the data collection form.

64. If applicable, management has disclosed all contracts or other agreements with service organizations.

65. If applicable, management has disclosed to the auditor all communications from service organizations relating to noncompliance at those organizations.

City of Asheville, North Carolina

eSigned via SeamlessDocs.com
Tony McDowell
Key: 0f2f03f0854396c0b62cb1f3cea7371e

03/16/2021

Tony McDowell,
Interim Chief Financial Officer

eSigned via SeamlessDocs.com
Caleb J Lippard
Key: 08fc5c5130471f3e75da4452809570d

03/16/2021

Caleb Lippard,
Controller

eSigned via SeamlessDocs.com
Debra Campbell
Key: 784c1a637ba52b9dba9a53afb57e1d81

03/16/2021

Debra Campbell,
City Manager