CITY OF ASHEBORO, NORTH CAROLINA

REPORT ON FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAMS

FOR THE YEAR ENDED JUNE 30, 2022

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HUNEYCUTT, PARSLEY & TAYLOR
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance and Other Matters and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the City Council
Asheboro, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Asheboro, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprises the City of Asheboro's basic financial statements, and have issued my report thereon dated December 23, 2022. Our report includes a reference to other auditors who audited the financial statements of the City of Asheboro ABC Board, as described in our report on the City of Asheboro'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 separately by those auditors. The financial statements of the City of Asheboro ABC Board were not audited in accordance with *Government Auditing Standards.*

Report on Compliance and Other Matters. As part of obtaining reasonable assurance about whether the City of Asheboro's financial statements are free of 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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-1 and 2022-2.

Report on Internal Control Over Financial Reporting. In planning and performing our audit of the financial statements, we considered the City of Asheboro'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 of Asheboro's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Asheboro'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Asheboro'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 the internal control 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 financial reporting that might be significant deficiencies or material weaknesses, and therefore, material weaknesses and significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-1 and 2022-2 that we consider to be significant deficiencies.

City of Asheboro's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Asheboro's responses to the findings identified in our audit which are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

Huneycutt, Parsley & Taylor, CPAs, PLLC

December 23, 2022

Huneycutt, Parsley & Taylor, CPAs, PLLC
Asheboro, North Carolina

HUNEYCUTT, PARSLEY & TAYLOR
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance for Each Major State Program;
Report on Internal Control Over Compliance in Accordance
With Uniform Guidance; and the State Single Audit Implementation Act

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the City Council
Asheboro, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program
We have audited the compliance of the City of Asheboro, North Carolina, with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the City of Asheboro's major State programs for the year ended June 30, 2022. The City of Asheboro's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Asheboro 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 State programs for the year ended June 30, 2022.

Basis for Opinion on Each Major State Program
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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Asheboro and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of the City of Asheboro's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Asheboro's State programs

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the City of Asheboro's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Asheboro's compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Asheboro's compliance with the compliance requirements referred to above and performing other such procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Asheboro's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Asheboro's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses in internal control over compliance and therefore, significant deficiencies or material weaknesses may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Implementation Act

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Asheboro as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprises the City of Asheboro's basic financial statements. W have issued our report thereon dated December 23, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprises the City of Asheboro's basic financial statements. 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 basic 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 basic 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of Federal and State awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Huneycutt, Parsley & Taylor, CPAs, PLLC

December 23, 2022

Huneycutt, Parsley & Taylor, CPAs, PLLC
Asheboro, North Carolina

CITY OF ASHEBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified?		yes	X	no
Significant deficiency(s) identified that are not considered to be material weaknesses	X	yes		none reported
Noncompliance material to financial statements noted		yes	X	no

State Awards

Internal control over major state programs:

Material weakness(es) identified?		yes	X	no
Significant deficiency(s) identified that are not considered to be material weaknesses		yes	X	none reported
Noncompliance material to state awards		yes	X	no

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 the State Single Audit Implementation Act		yes	X	no

Identification of major state programs:

Program Name

Powell Bill

Section II. Findings Related to the Audit
of the Basic Financial Statements

Significant Deficiencies:

Finding 2022-1: Expenditures Over Budget

Criteria : Pursuant to G.S. 159-28(a); "No obligations may be incurred in a program, function, or activity accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay sums obligated for the current fiscal year".

Condition : Expenditures were incurred in the recreation department of the General Fund in excess of budgeted amounts by $112,072.

Effect : Obligations could be incurred for unauthorized amounts.

Cause : Expenditures exceeded budget amount due to an approved budget amendment being recorded incorrectly.

Recommendation : Management needs to monitor more closely the budget to actual reports to ensure compliance.

Management Response : Management agrees with this finding.

Finding 2022-2: Deficit Fund Balance

Criteria : Sufficient resources should be available before obligations are incurred..

Condition : The Airport Improvements Project Fund II had a deficit fund balance at June 30, 2022.

Effect : Obligations incurred for eligible expenditures without sufficient resources available.

Cause : Obligations incurred prior to sufficient resources being available from grant proceeds or interfund transfers..

Recommendation : Transfers of resources on a short-term basis should be made as a transfer to/transfer from so sufficient resources are available for obligations.

Management Response : Management agrees with this finding.

<u>CITY OF ASHEBORO, NORTH CAROLINA</u>

<u>SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)</u>
For the Year Ended June 30, 2022

Section III. Findings and Questioned Costs
Related to the Audit of State Awards

None Reported.

Asheboro
All-America City
NATIONAL CIVIC LEAGUE
2016

City of Asheboro

146 North Church Street
Post Office Box 1106
Asheboro, North Carolina 27204-1106

CITY OF ASHEBORO, NORTH CAROLINA

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2022

Finding 2022-1: Expenditures Over Budget

A Name of Contact Person: Deborah Reaves, Finance Officer

B. Corrective Action:

Management will review departmental budgets to ensure budgets are recorded correctly.

C. Proposed Completion Date: Immediately.

Finding 2022-2: Deficit Fund Balance

A Name of Contact Person: Deborah Reaves, Finance Officer

B. Corrective Action:

Capital project funds will be assessed to determine the correct fund to record grant revenues in to match grant expenditures since this finding was created by recording grant revenues in the incorrect project fund.

C. Proposed Completion Date: Immediately.

Phone: (336) 626-1201 www.asheboronc.gov Fax: (336) 626-1218

CITY OF ASHEBORO, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2022

None Reported.

CITY OF ASHEBORO, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2022

Grantor Pass-through Grantor Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Passed-Through to Subrecipients	Local Expenditures
FEDERAL AWARDS:						
Cash Programs:						
U. S. Department of Transportation:						
Passed through N.C. Department of Transportation:						
Airport Improvement Program	20.106	36237.23.17.1	21,724	-	-	2,414
Airport Improvement Program	20.106	36237.23.15.1	2,953	-	-	328
Airport Improvement Program	20.106	36237.23.19.1	46,516	-	-	5,168
Total U.S. Department of Transportation			71,193	-	-	7,910
U.S. Department of Housing and Urban Development:						
Passed through N.C. Department of Commerce:						
Community Development Block Grant Coronavirus (CDBG-CV)	14.228	20-V-3510	162,354	-	162,354	-
U.S. Department of Treasury:						
Equitable Sharing Program	21.016		130,366	-	-	-
Total assistance - Federal programs			363,913	-	162,354	7,910
STATE AWARDS:						
Cash Programs:						
N.C. Department of Transportation:						
Powell Bill	N/A	32570		950,386	-	-
State Aid to Airports	N/A	36244.32.7.1		174,645	-	19,405
N.C. Department of Environmental Quality:						
Volkswagen Mitigation Settlement	N/A	2000046087		10,000	-	-
Asset Inventory Assessment	N/A	E-AIA-W-20-0182		150,000	-	7,895
Total assistance - State programs			-	1,285,031	-	27,300
Total assistance			$ 363,913	$ 1,285,031	$ 162,354	$ 35,210

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2022

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 Asheboro under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. 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 Schedule presents only a selected portion of the operations of the City of Asheboro, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Asheboro.

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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

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