Buncombe County

Presentation of 2020 Audit Results

March 2, 2021
Firm Overview

Create opportunities

CLA is the 8th largest public accounting firm in the country. CLA exists to create opportunities for our clients and our communities through industry-focused wealth advisory, outsourcing, audit, tax and consulting services.
Create Opportunities

CLA exists to create opportunities — for our clients, our people, and our communities.
Audit Services Performed

Financial Statements

• Audit of the County’s Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2020, in accordance with Government Auditing Standards

Federal Compliance

• Single Audit in accordance with Uniform Guidance and the State Single Audit Implementation Act
• Includes audit of the Schedule of Expenditures of Federal Awards and certification of the Data Collection Form
<table>
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<th>Reports to be Delivered</th>
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<td><strong>Independent Auditors’ Report</strong></td>
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<tr>
<td>Report on Internal Control Over Financial Reporting and On Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <em>Government Auditing Standards</em> (Yellow Book Report)</td>
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<td>Governance Communication</td>
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Required Communications to Governance

- **Auditors’ Opinion on Financial Statements**
  - Unmodified opinion
  - Emphasis of Matter Paragraph
    - Other Post-Employment Benefits Liability – Change in Accounting
- **Auditors’ Opinion on Compliance**
  - Unmodified opinion
- **Scope and timing of audit proceeded as planned**
- **Significant accounting policies**
  - In accordance with generally accepted accounting principles and consistent with industry practices and standards
- **Significant estimates within the financial statements**
  - Landfill post-closure liability
  - Pension liability
  - Claims liability
  - OPEB liability
Required Communications to Governance

- No material audit adjustments
- Uncorrected misstatements
  - Litigation settlement
  - Impact of prior year accrual adjustments
- No difficulties encountered in performing the audit
- No disagreements with management
- Management was very cooperative, helpful, and professional during the audit process
2020 Impact

- State of North Carolina Local Government Commission extended audit submission deadline to January 31, 2021
- The Federal Office of Management and Budget (OMB) extended single audit deadlines
- OMB did not issue audit guidance (Compliance Supplement) for the Coronavirus Relief Fund until late December
- GASB delayed standards by 1 year
  - GASB 84 Fiduciary Funds now required for FY2021
- The County’s processes and procedures for year-end close were impacted
- CLA’s audit leveraged technology in an effective manner to complete the County’s audit
Audit Approach Summary

• We have assessed the following areas to be of higher audit risk:
  • Overall internal control environment and management override of controls
    • Remote and in-person during pandemic
  • Payables and cutoff of accruals
  • Procurement, contracts, and purchasing cards
  • Information technology control environment
  • Revenue recognition - cutoff, classification, collectability
  • Grant compliance
    • Coronavirus Relief Fund

• Areas where findings were noted in the 2019 audit were assessed at higher risk until the findings are resolved
Financial Statement Reported Findings

• None reported

• Suggestions and comments related to process improvements were made verbally to County management. None rose to a level of reportable finding.
Single Audit Results

• **Major Federal Programs Tested**
  – Coronavirus Relief Fund
  – Formula Grants for Rural Areas and Tribal Transit Program
  – Low-Income Home Energy Assistance
  – Medicaid Cluster

• **Major State Programs Tested**
  – Public School Building Capital Fund – Lottery Proceeds
  – Juvenile Crime Prevention Council Programs
  – One North Carolina Fund Program
Single Audit Results

• Single Audit Reports Issued
    ◊ No reported items of noncompliance
    ◊ One significant deficiency and instance of noncompliance noted for the Public School Building Capital Fund program
      • 2020-001 – Reporting – Timely Filing of Compliance Reports
Year to Year Finding Summary

2018 Audit

- 6 Material Weaknesses Over Financial Reporting
- 9 Significant Deficiencies Over Financial Reporting
- 1 Instance of Noncompliance
- 3 Significant Deficiencies Over Internal Control and Compliance

2019 Audit

- 1 Material Weakness Over Financial Reporting
- 2 Significant Deficiencies Over Internal Control and Compliance

2020 Audit

- 1 Significant Deficiency Over Internal Control and Compliance
Highlights of Financial Position as of June 30, 2020

- Management’s Discussion and Analysis – Pages 6 through 16
- General Fund Financial Statements – Pages 22 and 24
  - Total Fund Balance of $97.8 million
  - Components of Fund Balance:
    - Total Nonspendable Fund Balance of $0.06 million
    - Total Restricted Fund Balance of $25.3 million
    - Total Committed Fund Balance of $2.6 million
    - Total Assigned Fund Balance of $12.7 million
    - Total Unassigned Fund Balance of $57.2 million
  - Increase in Fund Balance of $2.5 million
- General Fund Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget to Actual
  - Revenues were $2.0 million above budget
  - Expenses were $19.1 million less than budgeted
  - Increase in Fund Balance was $2.5 million compared to a budgeted decrease of $15.5 million
  - Budget to Actual Schedule is found on page 26 of the financial statements
Buncombe County and Peer Counties

General Fund Revenue and Expenditures June 30, 2020

*June 30, 2019 only available public data

General Fund Revenue

General Fund Expenditures
Buncombe County and Peer Counties

General Fund Fund Balance June 30, 2020

*June 30, 2019 only available public data

- General Fund - Total Fund Balance as a Percentage of Expenses
- General Fund - Unassigned Fund Balance as a Percentage of Expenses
2021 and Beyond

• GASB delayed standards by 1 year
  – GASB 87 *Leases* now required for FY2022

• CARES Act Funding
  – Compliance and documentation
  – Additional and *significant* single audit testing in 2021

• Continued pandemic impact
Visit our Events Page

• https://www.claconnect.com/events
Questions?

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