CITY OF ASHEBORO, NORTH CAROLINA

REPORT ON FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAMS

For the Year Ended June 30, 2020

WILLIAM R. HUNEYCUTT

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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

I 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, 2020, 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 15, 2020. My report includes a reference to other auditors who audited the financial statements of the City of Asheboro ABC Board, as described in my 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.*

Compliance and Other Matters. As part of obtaining reasonable assurance about whether the City of Asheboro's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting. In planning and performing my audit of the financial statements, I 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 my 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, I do not express an opinion on the effectiveness of the City of Asheboro's internal control.

Member - American Institute of Certified Public Accountants - North Carolina Association of Certified Public Accountants

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.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report. The purpose of this report is solely to describe the scope of my 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.

William R Huneycutt, CPA, PLLC

December 15, 2020

William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina

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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

I have audited the compliance of the City of Asheboro, North Carolina, with the types of compliance requirements described in 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, 2020. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the City of Asheboro's major State programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 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. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the City of Asheboro's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major state program. However, my audit does not provide a legal determination of the City of Asheboro's compliance.

Opinion on Each Major State Program

In my 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, 2020.

Report on Internal Control Over Compliance

The management of the City of Asheboro is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City of Asheboro's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

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.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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

I 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, 2020, and the related notes to the financial statements, which collectively comprises the City of Asheboro's basic financial statements. I have issued my report thereon dated December 15, 2020, which contained unmodified opinions on those financial statements. My 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.

William R Huneycutt, CPA, PLLC

December 15, 2020

William R. Huneycutt, CPA, PLLC
Asheboro, North Carolina

CITY OF ASHEBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

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	______	yes	X	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

CITY OF ASHEBORO, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)
For the Year Ended June 30, 2020

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

None Reported.

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

None Reported.

CITY OF ASHEBORO, NORTH CAROLINA

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2020

None Reported.

CITY OF ASHEBORO, NORTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2020

None Reported.

CITY OF ASHEBORO, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2020

Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
FEDERAL AWARDS:					
Cash Programs:					
U. S. Department of Transportation:					
Passed through N.C. Department of Transportation:					
Airport Improvement Program	20.106	36237.23.16.1	162,866	-	18,196
Airport Improvement Program	20.106	36237.23.17.1	102,046	-	11,338
			264,912	-	29,534
Transportation Alternatives Program	20.205-4	47318.1.1	33,041	-	8,260
Total U.S. Department of Transportation			297,953	-	37,794
U.S. Dept. of Treasury:					
Passed through the N.C.Office of State Budget and Management:					
Passed Through Randolph County:					
Coronavirus Relief Fund	21.019	02-74-02	79,363	-	-
U.S. Department of Homeland Security:					
Passed through N.C. Department of Public Safety:					
Pubic Assistance Program	97.036	4112-DR-NC	16,109	-	-
Direct Programs:					
U.S. Department of Justice:					
Bullet Proof Vest Program	16.607		4,750	-	-
Total assistance - Federal programs			398,175	-	37,794
STATE AWARDS:					
Cash Programs:					
N.C. Department of Transportation:					
Powell Bill	N/A	32570		726,009	-
N.C. Housing Finance:					
Urgent Repair Program	N/A	URP 1801		29,840	-
Total assistance - State programs			-	755,849	-
Total assistance			$ 398,175	$ 755,849	$ 37,794

CITY OF ASHEBORO, NORTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended June 30, 2020

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, 2020. 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.

Note 4: Coronavirus Relief Funds

The City of Asheboro received $79,363 of funding from the Coronavirus Relief Fund (21.019) from Randolph County. The City has a plan to spend these funds approved by OSBM. According to the Office of State Budget and Management, the State's pass-through agency, municipalities are considered subrecipients of the Counties. However, under the state statute, municipalities are not liable to the County for any misused or misspent funds. CRF must be spent during the period March 1, 2020 to December 31, 2020.