

**Report to the
Members of
the Board**

Southwestern North Carolina Planning and Economic Development Commission

June 30, 2019

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Communication with Those Charged with Governance

January 27, 2020

Board of Directors
Southwestern North Carolina Planning and Economic Development Commission

We have audited the financial statements of governmental activities and each major fund of the Southwestern North Carolina Planning and Economic Development Commission (the “Commission”) for the year ended June 30, 2019, and have issued our report thereon dated January 27, 2020. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, 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, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 23, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Commission are described in Note 1 to the financial statements.

The application of existing policies was not changed during fiscal year 2019. We noted no transactions entered in by the Commission during the year that were both significant and unusual that we are required to inform you. Also, we noted no transactions for which there is a lack of authoritative guidance.

All significant transactions have occurred during this fiscal year have been properly recognized in the basic financial statements.

Accounting estimates - Certain amounts recorded in the basic financial statements are based on estimates prepared by management. All estimates should be based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The only estimates used in the preparation of the basic financial statements are as follows:

Management’s estimates regarding collection of revolving loans outstanding is based on evaluation of the credit worthiness of the note makers, the collateral and loan guarantees provided, and prior experience in obtaining payouts of troubled loans through loan modification agreements, conversion of collateral, and exercise of loan guarantee provisions.

Management’s estimate for the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense is based upon guidance provided by the State. We have evaluated the key factors and assumptions used by the State to develop the estimates of the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense in determining that they are reasonable in relation to the financial statements.

Financial Statement Disclosures - The notes to the basic financial statements are an integral part of the Commission's basic financial statements. All significant disclosures have been prepared in accordance with accounting principles generally accepted in the United States of America and are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements.

We assisted management recording the Commission's proportionate share of its pension obligation to the Local Government Employee's Retirement System. The following amounts are recorded in the government-wide financial statements:

Pension expense	\$	90,683
Net pension liability	\$	281,834
Deferred outflows of resources	\$	248,412
Record deferred inflows of resources	\$	5,517

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audits.

Management Representations

We have requested certain written representations from management that are included in the management representation letter included at Appendix A.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Matters, Findings, or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Auditing standards generally accepted in the United States of America and Government Auditing Standards require independence for all audits. The two main principles of independence are: (1) do not perform non-attest services that involve making management decisions, and (2) do not audit your own work. No events have occurred to impair our independence during this year's audit.



Limited Use Restriction

This information is intended solely for the use of the Board of Directors and management of Southwestern North Carolina Planning and Economic Development Commission, and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to take this opportunity to express our appreciation for the assistance and cooperation given our representatives during our audit. Should you have any questions concerning the matters presented herein, we would be pleased to discuss them with you further at your convenience.

Sincerely,

Dixon Hughes Goodman LLP

Asheville, North Carolina

Summary of Professional Services

- Annual audit of financial statements
- Compliance audit in accordance with the Uniform Guidance and the State Single Audit Implementation Act
- Consultation and changes to the client prepared financial statements and Schedule of Expenditures of Federal and State Awards
- Preparation of the data collection form required by the Uniform Guidance
- Annual report to management on observations and recommendations for improvements
- Consultation on accounting matters as requested, specifically adjustments and disclosures related to pension reporting (i.e. GASB 68).

Audit and Financial Statement Summary

Our “Independent Auditors’ Report” for the 2019 financial audit expresses an **unmodified opinion** based on the audit evidence we obtained. In our opinion we believe the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and are fairly stated in all material respects.

Our reports on compliance and internal control in accordance with *Government Auditing Standards* disclosed no material weaknesses in internal controls over financial reporting and no instances of material noncompliance that could have a direct and material effect on the financial statements. However, we have provided management with some control recommendations. See [Appendix B](#).

Our reports on compliance and internal control over the administration of a federal/state program in accordance with the Uniform Guidance, and the State Single Audit Implementation Act disclosed no findings or questioned costs for the major programs tested.

A summary of the Commission’s fund balance in the General Fund is as follows:

	<u>2019</u>	<u>2018</u>
Fund Balance:		
Nonspendable Prepays	\$ 2,000	\$ -
Restricted by State Statute	618,230	553,794
Committed for Mountain Alliance	22,467	22,467
Unassigned	<u>(358,325)</u>	<u>(341,765)</u>
	<u>\$ 284,372</u>	<u>\$ 234,496</u>

There is no minimum fund balance requirements imposed by the State for Councils of Government.

Appendix A
Management Representation Letter

Appendix B
Communication of Internal Control-Related Matters



Communication of Internal Control-Related Matters

January 27, 2020

Members of the Board
Southwestern North Carolina Planning and Economic Development Commission

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Southwestern North Carolina Planning and Economic Development Commission (the "Commission") as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Any matter involving the internal control and its operation that is considered to be a significant deficiency or material weakness under standards established by the American Institute of Certified Public Accountants is required to be communicated in our reports on compliance and internal control contained in the compliance section starting on page 46 of the financial statements.

The following recommendations were provided for management's consideration to assist the Commission improve its existing internal controls:

Internal Controls – Segregation of Duties

Management should always be mindful that there are certain limitations with internal controls in smaller governments due to a lack of resources. Also, controls can become ineffective over time if not properly maintained and other control deficiencies may exist and go undetected. Therefore, we recommend the Commission review its internal controls annually and always look for opportunities to segregate certain incompatible duties such as authorization/approval, recording and physical custody.

Internal Controls – Credit Cards

Certain areas, such as credit cards, are easily susceptible to fraud and abuse. Therefore, the Commission should consider this a high risk area and annually review its current policies and procedures over the use of credit cards to ensure all transactions have a valid business purpose and receipts are maintained and attached to the monthly statements to support every transaction and all statements are reviewed by the appropriate personnel other than the user.

Report to the Members of the Board
Southwestern NC Planning



This report is intended solely for the information and use of management, the Members of the Board, and others within the Commission, and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to take this opportunity to express our appreciation for the assistance and cooperation given our representatives. Should you have any questions concerning the matters presented herein, we would be pleased to discuss them with you further at your convenience.

Sincerely,

Dixon Hughes Goodman LLP

Asheville, North Carolina