

**Report to the  
Members of  
the Board**

# **Southwestern North Carolina Planning and Economic Development Commission**

**June 30, 2019**

## **Table of Contents**

Contacts .....	1
Communications with Those Charged with Governance .....	2
Summary of Professional Services .....	5
Audit and Financial Statement Summary .....	6
Appendix A - Management Representation Letter	
Appendix B – Communication of Internal Control-Related Matters	



## **Contacts**

### ***Brian Broom, CPA***

Engagement Director  
Dixon Hughes Goodman LLP  
500 Ridgefield Court  
Asheville, North Carolina 28806  
828.236.5802  
brian.broom@dhg.com



## **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 Prepaids	\$ 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**



## Southwestern Commission

125 Bonnie Lane  
Sylva, NC 28779

Phone: 828.586.1962  
Fax: 828.586.1968

[regiona.org](http://regiona.org)

January 27, 2020

Dixon Hughes Goodman LLP  
500 Ridgefield Court  
Asheville, North Carolina 28806

This representation letter is provided in connection with your audit of the financial statements of Southwestern NC Planning and Economic Development Commission (the "Commission"), which comprise the respective financial position of the governmental activities and each major fund as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the General Fund and major special revenue fund for the year then ended, and the related notes to the financial statements, 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 (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the 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. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

### Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter and the LGC Form 205, Contract to Audit Accounts dated January 23, 2020, for the preparation and fair presentation of the financial statements 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.

Southwestern Commission does not discriminate on the basis of age, sex, race, marital status, color, religion, national origin or disability

**Cherokee County**  
Andrews  
Murphy

**Clay County**  
Hayesville

**Graham County**  
Robbinsville  
Lake Santeetlah  
Fontana Dam

**Haywood County**  
Canton  
Clyde  
Maggie Valley  
Waynesville

**Jackson County**  
Dillsboro  
Forest Hills  
Sylva  
Webster

**Macon County**  
Franklin  
Highlands

**Swain County**  
Bryson City

**Eastern Band  
of Cherokee  
Indians**

4. The following have been properly accounted for and disclosed in the financial statements:
  - a. Related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties
  - b. Guarantees, whether written or oral, under which the Commission is contingently liable
  - c. Other liabilities or gain or loss contingencies
5. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Commission vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
6. Significant assumptions we used in making accounting estimates, including estimates of fair value, are reasonable.
7. There are no uncorrected misstatements or omitted disclosures that are material, both individually and in the aggregate, to each opinion unit that comprise the financial statements.
8. We represent to you the following for the Commission's fair value measurements and disclosures:
  - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

### **Information Provided**

9. 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 entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of Commissions or summaries of actions of recent meetings for which minutes have not yet been prepared.
10. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
12. We have no knowledge of any fraud or suspected fraud affecting the Commission involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others when the fraud could have a material effect on the financial statements.

13. We have no knowledge of any allegations of fraud or suspected fraud affecting the Commission's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.
14. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
15. We have disclosed to you the identity of the Commission's related parties and all the related party relationships and transactions of which we are aware. There were no significant transactions requiring disclosure in the notes to the financial statements.
16. The Commission has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflow and outflows of resources, or net position/fund balances.
17. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
18. The Commission has satisfactory title to all owned assets and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
19. You have provided the following services:
  - Advise management about appropriate accounting principles and their application including assistance with: (a) pension related adjustments and disclosures; and, (b) adjustments to the Schedule of Expenditures of Federal and State Awards based on confirmations received from the State.
  - Completion of the Data Collection Form and submission of the audited documents to the appropriate federal and state oversight agencies.

In regards to these services provided by you, we have:

- a. Assumed all management responsibilities.
  - b. Overseen the service by designating an individual within senior management, who possesses suitable skill, knowledge, or experience.
  - c. Evaluated the adequacy and results of the services performed.
  - d. Accepted responsibility for the results of the services.
  - e. Evaluated and maintained internal controls, including monitoring ongoing activities.
20. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.
  21. We have prepared the financial statements including the Schedule of Expenditures of Federal and State Awards ("SEFSA"). You have recommended changes to the financial statements and SEFSA. We have reviewed and approve those changes.
  22. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, whose effects should be considered when preparing the financial statements.
  23. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.



24. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
25. There are no
- Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance, except as those disclosed to you.
  - There are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
  - Component units that are required to be included in the Commission's financial statements or joint ventures with an equity interest.
26. The Commission has complied with all aspects of contractual arrangements that would have a material effect on the financial statements in the event of noncompliance.
27. There are no joint ventures and other related organizations that would be required to be disclosed in the financial statements.
28. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
29. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
30. Components of net position (net investment in capital assets, restricted and unrestricted) and classifications of fund balance (non-spendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
31. Provisions for uncollectible receivables has been properly identified and recorded.
32. Expenses have been appropriately classified in or allocated to functions and programs in the Statement of Activities, and allocations have been made on a reasonable basis.
33. Revenues are appropriately classified in the Statement of Activities within program revenues and general revenues.
34. Deposits and investment securities are properly classified as to risk and are properly disclosed.
35. Capital assets are properly capitalized, reported and depreciated.
36. We have appropriately disclosed the Commission's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
37. We are following GASB Statement No. 54, paragraph 18, to determine the fund balance classifications for financial reporting practices.

38. We acknowledge our responsibility for the requirement supplementary information ("RSI"). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
39. We agree with the findings of specialists in evaluating the Commission's employees' pension liability and related deferrals, and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
40. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
41. With respect to the Local Governmental Employees' Retirement System ("LGERS"):
- We have reported all eligible employees to the LGERS via the Online Retirement Benefits Integrated Technology ("ORBIT") System.
  - The census data for all eligible employees reported to LGERS via ORBIT is complete and accurate for the calendar year ended December 31, 2017 (the measurement date for the net pension asset reported at June 30, 2019).
  - We are responsible for the Commission's compliance with requirements as established in the Retirement System's Handbook.
  - We are in agreement with the Commission's proportionate share of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense as determined by the "GASB 68 Implementation Year Journal Entry Template" posted on the North Carolina Department of State Treasurer's website.
42. With respect to the supplementary information accompanying the basic financial statements:
- ◆ We acknowledge our responsibility for the presentation of the budgetary schedules and other schedules ("other supplemental information") in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the other supplemental information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. We have reviewed the other supplemental information and we believe the form and content is fairly presented in accordance with accounting principles generally accepted in the United States of America. We have disclosed to you all significant assumptions or interpretations underlying the measurement and presentation of the other supplemental information.
  - ◆ If the budgetary schedules and other schedules are 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 we issue the supplementary information and the auditors' report thereon.
43. With respect to federal and state award programs:
- ◆ We are responsible for understanding and complying with and have complied with the requirements 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

compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, including requirements relating to preparation of the Schedule of Expenditures of Federal and State Awards.

- ◆ We acknowledge our responsibility for presenting the Schedule of Expenditures of Federal and State Awards (the "SEFSA") in accordance with the requirements of the Uniform Guidance and we believe the SEFSA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement of the SEFSA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFSA.
- ◆ If the SEFSA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFSA no later than the date we issue the SEFSA and the auditors' report thereon.
- ◆ We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit and have included in the SEFSA expenditures made during the audit period for all awards provided by federal and state agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- ◆ We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- ◆ We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal and state programs that provide reasonable assurance that we are managing our federal and state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.
- ◆ We have made available to you federal and state awards (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related activities.
- ◆ We have received no requests from a federal agency to audit one or more specific programs as a major program.
- ◆ We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Compliance Supplement* and the Audit Manual for Governmental Auditors in North Carolina, relating to federal and state awards and confirm that there were no amounts questioned and all known noncompliance with the direct and material compliance requirements of federal and state awards.
- ◆ We have disclosed any communications from grantors 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 auditors' report.
- ◆ We have disclosed to you 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 action actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

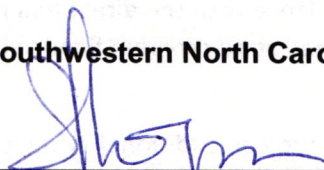
- ◆ Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR Part 200, subpart E).
- ◆ We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- ◆ We have made available to you all 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.
- ◆ We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- ◆ There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- ◆ No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditors' report.
- ◆ Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- ◆ The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal or state agency or pass-through entity, as applicable.
- ◆ We have monitored sub-recipients, as necessary, to determine that they have expended sub-awards in compliance with federal and state statutes, regulations, and the terms and conditions of the sub-award and have met the other pass-through entity requirements of the Uniform Guidance.
- ◆ We have issued management decisions for audit findings that relate to federal and state awards made to sub-recipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the sub-recipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal or state award provided to the subrecipient.
- ◆ We have considered the results of sub-recipient audits and have made any necessary adjustments to our books and records.
- ◆ We have charged costs to federal and state awards in accordance with applicable cost principles.
- ◆ We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you 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.
- ◆ We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.



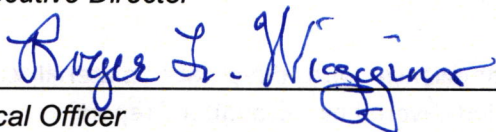
- ◆ We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by Uniform Guidance.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would required adjustment to or disclosure in the aforementioned financial statements or in the Schedule of Expenditures of Federal and State Awards that is not already disclosed.

**Southwestern North Carolina Planning and Economic Development Commission**



*Executive Director*



*Fiscal Officer*

## **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**