

**Report to the
Board of County
Commissioners**

Jackson County, North Carolina

June 30, 2016

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Contacts

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Communication with Those Charged with Governance

January 23, 2017

Board of County Commissioners
Jackson County, North Carolina

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Jackson County, North Carolina (the "County") for the year ended June 30, 2016, and have issued our report thereon dated December 29, 2016. We've also completed our compliance audit over federal and state funds and issued our reports thereon dated January 23, 2017. Professional standards require that we provide you with information about our responsibilities under 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 letters to you dated May 24, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting policies - 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 County are described in Note 1 to the financial statements.

The application of existing policies was not changed during fiscal year 2016. We noted no transactions entered in by the County 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. We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred

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 most sensitive estimates used in the preparation of the basic financial statements are as follows:

Management's estimate of depreciation expense is based on the assets' respective estimated useful lives. We evaluated the key factors and assumptions used to develop the accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates for doubtful accounts and for claims incurred but not reported are based on historical experience. We evaluated the key factors and assumptions used to develop the

allowance for doubtful accounts and the estimate for claims incurred but not reported in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate for the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense is based upon guidance provided by independent third parties. We have evaluated the key factors and assumptions used by the third parties 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.

Management's estimates for other post-employment benefit obligations, net pension obligations, and landfill closure and post-closure care costs are based on guidance provided by independent third parties. We evaluated the key factors and assumptions used to develop the estimates for other post-employment benefit obligations, net pension obligations, and landfill closure and post-closure care costs in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures - The notes to the basic financial statements are an integral part of the County'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. We proposed no significant audit adjustments to the basic financial statements. However, we assisted management in the preparation of the basic financial statements. We proposed and made report entries to convert the fund statements prepared on the modified accrual basis of accounting to the government-wide statements prepared on the full accrual basis of accounting. Those adjustments are summarized on pages 17 and 19 of the basic financial statements.

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 audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter included in [Appendix A](#).

Management Consultations with Other Independent 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 County'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 Audit 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 County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

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 nonattest 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. We have assisted management in the preparation of the financial statements and the Schedule of Expenditures of Federal and State Awards. Management has reviewed and approved these statements and schedule.

We applied certain limited procedures to the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance and the Other Post-Employment Benefits Schedules of Funding Progress and Employer Contributions, and the Local Governmental Employees' Retirement System Schedules of the County's Proportionate Share of Net Pension Liability (Asset) and County Contributions, which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual non-major fund financial statements, budgetary schedules, and other schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information included in the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Limited Use Restriction

This information is intended solely for the use of the Board of County Commissioners and management of the County, 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.

Asheville, North Carolina

Dixon Hughes Goodman LLP

Summary of Services Performed

- Annual audit of financial statements
- Compliance audit in accordance with Uniform Guidance and the State Single Audit Implementation Act
- Annual report to management on observations and recommendations for improvements
- Attendance at Board meetings as requested
- Consultation on accounting matters as requested
- Assistance with the preparation of the basic financial statements
- Assistance with preparation of the Data Collection Form in compliance with Uniform Guidance

Audit and Financial Statement Summary

Our report for the June 30, 2016 audit expresses an **unmodified opinion** on the fair presentation of the basic financial statements in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our reports on compliance and internal control in accordance with *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act disclosed no instances of non-compliance and no material weaknesses in internal controls in the current year.

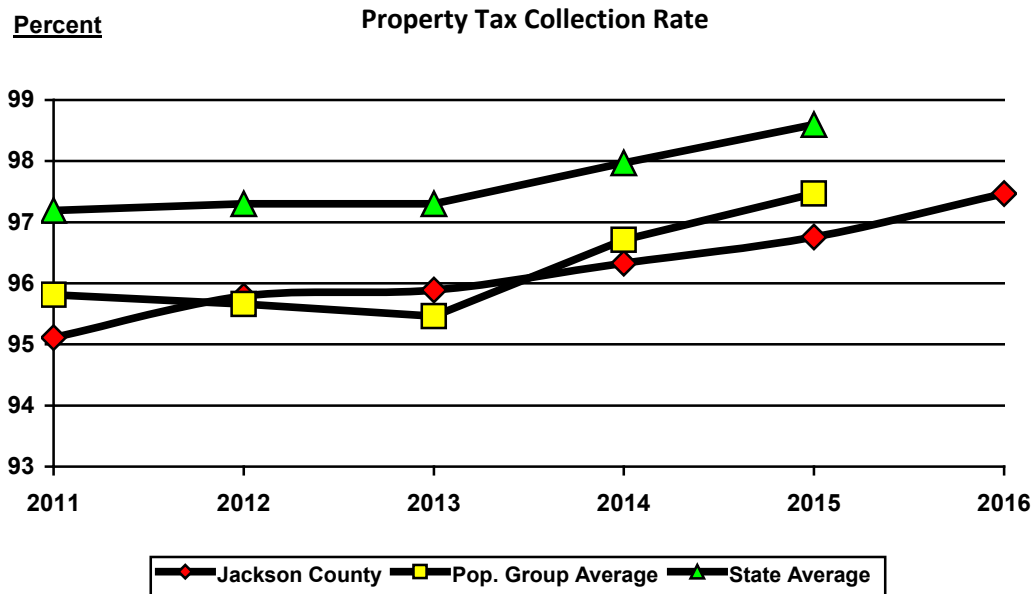
The following is a summary of the General Fund's fund balance:

	<u>2016</u>	<u>2015</u>
Total fund balance	\$ 29,059,476	\$ 28,229,854
Less:		
Restricted for Stabilization by State Statute	<u>(4,073,610)</u>	<u>(3,892,571)</u>
Fund balance available for appropriation	<u>24,985,866</u>	<u>24,337,283</u>
Total expenditures and transfers out	<u>\$ 57,679,156</u>	<u>\$ 54,248,496</u>
Available fund balance as a percentage of expenditures	<u>43%</u>	<u>45%</u>

The Local Government Commission recommends maintaining available fund balance equal to at least 8% of expenditures.

The following is a summary of property tax collections and collection rates:

	<u>2016</u>	<u>2015</u>
Net levy	\$ 33,030,864	\$ 32,337,482
Uncollected taxes at June 30	<u>(834,326)</u>	<u>(1,049,317)</u>
Current year taxes collected	<u>\$ 32,196,538</u>	<u>\$ 31,288,165</u>
Ratio of taxes collected to net levy	<u>97.47%</u>	<u>96.76%</u>



Based on county and municipal information at www.nctreasurer.com/slq for counties (populations 25,000 - 49,999). 2016 data is not yet available.



Appendix A

Management Representation Letter



JACKSON COUNTY ADMINISTRATION

County Manager: Don Adams

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December 29, 2016

Dixon Hughes Goodman LLP
500 Ridgefield Court
Asheville, NC 28806

This representation letter is provided in connection with your audit of the financial statements of Jackson County (the "County") which comprise the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (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 May 24, 2016 for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the preparation of the supplementary information in accordance with the applicable criteria.
- 2) 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.
- 3) 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.

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of programs and internal controls to prevent and detect fraud.
- 5) The following have been properly recorded and disclosed in the financial statements:
 - a) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, guarantees and amounts receivable from or payable to related parties.
 - b) Guarantees, whether written or oral, under which the County is contingently liable.
 - c) Other liabilities or gain or loss contingencies.
- 6) 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 County vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
- 7) Significant assumptions we used in making accounting estimates are reasonable.
- 8) We represent to you the following for the County'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 course of action.
 - b) The measurement method and related assumptions used in determining fair value are appropriate in the circumstance and have been consistently applied.
 - c) The disclosures related to fair value 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.
- 9) You have recommended adjusting journal entries that have been posted to the County's accounts. There are no uncorrected financial statement misstatements or omitted disclosures that are material, both individually and in the aggregate, to the financial statements for each opinion unit.

- 10) 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 our lawyers about such matters since the effective date of their letter to you.

Information Provided

- 11) 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 and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the County from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) 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.
- 14) We have no knowledge of any fraud or suspected fraud affecting the County involving:
 - a) Management.
 - b) Employees who have significant roles in internal control.
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the County's financial statements received in communications from employees, former employees, regulators or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the identity of the County's related parties and all the related party transactions of which we are aware.

Government-Specific

- 18) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effect should be considered when preparing financial statements
- 19) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
- 20) 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.
- 21) The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position/fund balances.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; 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.
- 23) There are no—
 - a) 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
 - b) 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.
- 24) The County 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.
- 25) The County has complied with all aspects of contractual arrangements that would have a material effect on the financial statements in the event of noncompliance.
- 26) The financial statements include all component units and properly disclose all other joint ventures and other related organizations.

- 27) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 28) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such.
- 29) Components of net position (net investment in capital assets; restricted; and unrestricted) and fund balance components (non-spendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 30) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 31) Provisions for uncollectible receivables have 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, general revenues, and transfers.
- 34) Interfund, internal, and intra-county activity and balances have been appropriately classified and reported.
- 35) Deposits and investment securities are properly classified as to risk and are properly disclosed.
- 36) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and depreciated.
- 37) We have appropriately disclosed the County'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.
- 38) We are following GASB Statement No. 54, paragraph 18, to determine the fund balance classifications for financial reporting practices.
- 39) We acknowledge our responsibility for the required 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.

40) With respect to the supplementary information accompanying the basic financial statements:

a) We acknowledge our responsibility for the presentation of the combining and individual fund financial statements, 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.

b) If the combining and individual fund financial statements, 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 auditor's report thereon.

41) In regard to the nonattest services related to your assistance in preparing the financial statements (except for the Schedule of Expenditures of Federal and State Awards and Management's Discussion and Analysis which is prepared by the County), we have:

- a) Assumed all management responsibilities.
- b) Oversee the services, by designating an individual, within senior management, who possesses suitable skill, knowledge, or experience.
- c) Evaluate the adequacy and results of the services to be performed.
- d) Accept responsibility for the results of the services.
- e) Evaluate and maintain internal controls, including monitoring ongoing activities.

42) With respect to federal and state award programs:

- a) 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 the preparation of the Schedule of Expenditures of Federal and State Awards (the "SEFSA").

- b) We acknowledge our responsibility for presenting 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 and presentation of the SEFSA have not changed from those used in the prior year and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFSA.
- c) 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 supplementary information and the auditors' report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and included in the SEFSA made during the audit period for all awards provided by federal 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.
- e) 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 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.
- f) 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.
- g) We have made available to you all contracts and grant agreements (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.
- h) We have received no requests from a federal or state agency to audit one or more specific programs as a major program, except as made known to you.
- i) We have complied with the direct and material compliance requirements, including when applicable, those set forth in the Uniform Guidance and the Audit Manual for Governmental Auditors in North Carolina, relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal and state awards, including the results of other audits or program reviews.

- j) 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.
- k) 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.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*, as applicable.
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct material requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- o) 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.
- p) 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.
- q) 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 in internal control over compliance have occurred subsequent to the date as of which compliance was audited.
- r) 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, and are prepared on a basis consistent with the SEFSA.
- s) 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.
- t) We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulation and have met the requirements of the Uniform Guidance.

- u) We have considered the results of subrecipients' audits and have made any necessary adjustments to our books and records.
- v) 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.
- w) We have charged costs to federal awards in accordance with applicable cost principles.
- x) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the 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 require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs that is not already disclosed.

Signed:  Don Adams

Title: County Manager

Signed: 

Title: Finance Director



JACKSON COUNTY ADMINISTRATION

County Manager: Don Adams


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January 23, 2017

Dixon Hughes Goodman LLP
500 Ridgefield Court
Asheville, NC 28806

We affirm that the representations made to you in the representation letters dated December 29, 2016 in relation to compliance 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 the State Single Audit Implementation Act remain unchanged as of this date.

No events have occurred subsequent to December 29, 2016 that would require adjustment federal or state expenditures reported in the SEFSA or would require disclosure in the accompanying notes to the SEFSA.

Signed: 
Don Adams

Signed: 
Darlene Fox

Title: County Manager

Title: Finance Director