

**Minutes of the 14 December 2009
Special Meeting of the Yancey County Board of Commissioners
Held at 6:00 o'clock p.m. in the Commissioner's Meeting Room
Yancey County Courthouse, Burnsville, North Carolina**

Present at the 14 December 2009 meeting of the Yancey County Board of County Commissioners were Chairman Walter Savage, Member Jerri Storie, Member Johnny Riddle, County Manager Nathan Bennett, Clerk to the Board Jason Robinson, Finance Director Lynne Hensley, Finance Officer Brandi Bureson, Tax Assessor Susie McEntyre, David Kerestes of Dixon-Hughes, and members of the general public.

Call to Order and Approval of the Agenda

The meeting was called to order by Chairman Savage and asked for a motion to approve the agenda. The motion was made by Commissioner Riddle and the motion was seconded by Commissioner Storie. The vote to approve was unanimous. (Attachment A)

Charles Stiles Resolution in Memoriam

The Board's first order of business was a resolution in memory of Charles Stiles, a former County Commissioner who passed away on November 30, 2009. Chairman Savage read the resolution into the record (Attachment B) and presented the resolution to the family of Mr. Stiles. Commissioner Storie made a motion to approve the resolution and it was seconded by Commissioner Riddle. The vote to approve was unanimous.

West Yancey Fire Department

The Board next heard from Eddie Proffitt and Donald Angel with the West Yancey Volunteer Fire Department Board of Directors. Mr. Proffitt, who is the president of the Board of Directors, gave a brief history of the West Yancey Fire Department and how it came into existence. Mr. Proffitt stated that at the time of the fire department being organized in 1979 that Yancey County had deeded some property to the fire department and again in 1984 the County deeded some acreage to the fire department. Both of those deeds have a restriction on them that if at any time the land is not used for a fire department or for things associated with fire departments that the land would revert back to the County. Mr. Proffitt and the Board of Directors would like to Commission to pass a resolution doing away with that restriction so that the fire department can sell the land and use the proceeds to build a helicopter landing pad at the site of the new building. Mr. Proffitt indicated that there was an interested buyer but the department is wanting to do an upset bid process to get as much as possible for the land. Discussion followed about the cost of the helicopter pad. Chairman Savage then informed Mr. Proffitt that the Board would need a formal request from West Yancey Fire Department Board of Directors, in writing, asking for this restriction to be removed from the deed. In the meantime Chairman Savage stated that the County would be checking with the County Attorney to make sure everything was within the law.

2010 Holiday Schedule

The Board next heard from County Manager Nathan Bennett asking that the 2010 holiday schedule be adopted. He stated that the County follows the same holiday schedule as the State with the exception of Craft's Fair Friday. Upon hearing from County Manager Bennett Chairman Savage made a motion to approve the 2010 Holiday Schedule (Attachment C). The motion was seconded by Commissioner Storie and the motion to approve was unanimous.

Tax Matters

The Board next heard from David Kuhla, a member of the Board of Directors of Blood and Fire Ministries who has applied for a tax exemption on religious grounds and was denied this request by the Tax Assessor which brings him before the Board to appeal the Tax Assessor's decision. Mr. Kuhla informed the Board that Blood and Fire Ministries has been established as a 501(a) and 501(c)3 church since 1994. The church owns 58 acres of land with 3 houses and a number of outbuildings all of which Mr. Kuhla states is being used for spiritual purposes. Mr. Kuhla pointed to two cases in North Carolina where a retreat was granted a tax exemption based

on religious grounds. Mr. Kuhla also stated that an affidavit was sworn by David VanCronkhite explaining the purpose of the retreat (Attachment D). Discussion followed by the Board about the nature and purpose of the retreat and how it was used for religious purposes. The Board took no action on this matter but took the matter under advisement for decision at a later time. Chairman Savage then made a motion to amend the agenda to include an item for a tax release. The motion was seconded by Commissioner Riddle and the vote to approve was unanimous. Tax Assessor Susie McEntyre then explained to the Board that this release was necessary because of the boundary agreement between Mitchell and Yancey County to split the tax values equally until a permanent boundary can be established (Attachment E). Upon hearing from Ms. McEntyre Chairman Savage made a motion to approve the release to Landstar Development. The motion was seconded by Commissioner Storie and the vote to approve was unanimous.

2008-2009 Fiscal Year Comprehensive Financial Audit Report

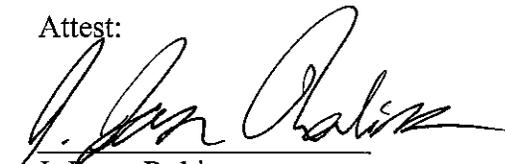
The Board next heard from David Kerestes of Dixon-Hughes accounting firm, who was appearing before the Board to present the findings of the 2008-09 fiscal year audit (Attachment F). Mr. Kerestes reported to the Board that the audit revealed a drop in the fund balance from last year. Last year the fund balance was around -\$1.3 million dollars and this year the fund balance was -\$1.95 million. The drop in the fund balance can be attributed to some outstanding accounts receivable according to Mr. Kerestes. Another contributing factor was the reduction of the tax collection rate. Last year the tax collection rate was 95% and this year the tax collection rate was 93%. This reduction in tax collection can be attributed to one major tax payer who is appealing the taxing decision to the North Carolina Property Tax Commission. Mr. Kerestes stated that this audit does not reflect the steps taken by the finance office to reduce costs nor does it include the loan modification and financing of cost overruns that was approved earlier this year. Mr. Kerestes stated that the auditors had 8 findings this year and that 4 findings had been removed from last year. Mr. Kerestes stated the 8 findings as follows: 1. Segregation of duties-this has been a finding for a number of years and occurs frequently in smaller governments 2. Financial Reporting-this also tends to happen with smaller governments 3. Budgetary Control-some of the departments were over budget especially DSS this was due in part to uncontrollable program expenses, the finance department is working with DSS to resolve this finding 4. Fiscal Management-this relates back to the fund balance problems 5. Computer Controls-this is due to the reliance on one person's expertise in the tax office, this finding is better than previous years 6. Property Tax Collections-this finding is due to the fact that the tax collection rate has dropped and Mr. Kerestes stated to make sure to do all that can be done to collect property tax 7. DSS Reporting-this finding has to do with communication between DSS and the Finance Office 8. Food Stamp Eligibility- this is something that is caused by the state software and is not unique to Yancey County. Mr. Kerestes explained that this is not a full audit of all internal controls and that the audit would be sent on to Raleigh and be there on time on December 15, 2009.

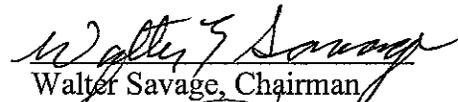
Adjourn

Having no further business Commissioner Storie made a motion to adjourn and it was seconded by Commissioner Riddle. The vote to adjourn was unanimous.

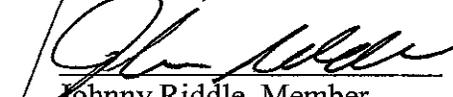
Approved and authenticated on this the 5th day of January 2010.

Attest:


J. Jason Robinson
Clerk to the Board


Walter Savage, Chairman


Jerri Storie, Member


Johnny Riddle, Member

(county seal)





YANCEY COUNTY

110 Town Square, Room 11 • Burnsville, North Carolina 28714
PHONE: (828) 682-3971 • FAX: (828) 682-4301

Nathan Bennett, County Manager

Walter Savage, Chairman

Jerri Storie, Commissioner

Johnny Riddle, Commissioner

AGENDA
YANCEY COUNTY BOARD OF COMMISSIONERS
SPECIAL MEETING
DECEMBER 14, 2009
6:00pm

- I. Call to Order---Chairman Walter Savage
 - II. Approval of Agenda
 - III. RECOGNITION – Charles Stiles Resolution in Memoriam – Chairman Savage
 - IV. West Yancey Fire Department - Report and Update – Eddie Proffitt
 - V. 2010 Holiday Schedule – County Manager Nathan Bennett
 - VI. Tax Matters - Susie McEntyre
 1. Blood and Fire Ministries – Tax Appeal
 2. Releases (*as amended*)
 - VII. 2008-2009 Fiscal Year Comprehensive Financial Audit Report – David Kerestes, Dixon-Hughes
 - VIII. Adjourn
-
-

Attachment B

Nathan Bennett, County Manager

Walter Savage, Chairman

Jerri Storie, Commissioner

Johnny Riddle, Commissioner



YANCEY COUNTY

110 Town Square, Room 11 • Burnsville, North Carolina 28714

PHONE: (828) 682-3971 • FAX: (828) 682-4301

RESOLUTION

IN MEMORIAM OF COMMISSIONER CHARLES STILES

WHEREAS, Charles Stiles was duly elected by the citizens of Yancey County in November 1984 to the Office of Chairman of the Board of Yancey County Commissioners; and

WHEREAS, Commissioner Charles Stiles served in that capacity for one term from 1984 to 1986; and

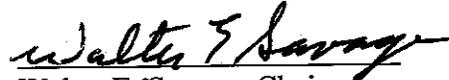
WHEREAS, Commissioner Charles Stiles faithfully discharged the duties of his office; and

WHEREAS, Commissioner Charles Stiles was a friend to all Yancey County citizens; and

WHEREAS, Commissioner Charles Stiles passed away on November 30, 2009.

NOW THEREFORE, BE IT RESOLVED by the Yancey County Board of Commissioners does hereby recognize the contributions and service of The Honorable Charles Stiles and honors his memory.

ADOPTED this the 14th day of December 2009.


Walter E. Savage, Chairman


Jerri Storie, Member


Johnny Riddle, Member

(county seal)



Attest:


J. Jason Robinson, Clerk to the Board

Attachment C

2010 HOLIDAY SCHEDULE

FRIDAY, JANUARY 1	NEW YEAR'S DAY
MONDAY, JANUARY 18	MARTIN LUTHER KING'S BIRTHDAY
FRIDAY, APRIL 2	GOOD FRIDAY
MONDAY, MAY 31	MEMORIAL DAY
MONDAY, JULY 5	INDEPENDENCE DAY
FRIDAY, AUGUST 6	CRAFT'S FAIR FRIDAY
MONDAY, SEPTEMBER 6	LABOR DAY
THURSDAY, NOVEMBER 11	VETERAN'S DAY
THURSDAY, NOVEMBER 25	THANKSGIVING DAY
FRIDAY, NOVEMBER 26	THANKSGIVING FRIDAY
FRIDAY, DECEMBER 24	CHRISTMAS HOLIDAY
MONDAY, DECEMBER 27	CHRISTMAS HOLIDAY
FRIDAY, DECEMBER 31	NEW YEAR'S DAY (2011)

AFFIDAVIT

NOW COMES the Affiant, David VanCronkhite and being sworn under oath, states and deposes that the following statements are true in substance and fact:

- 1. That he is currently, and has been continuously, the Senior Pastor and Executive Director of Blood-n-Fire Ministries of Atlanta, Inc. (hereinafter, referred to as BNF) since its incorporation in 1994.**

- 2. That BNF was and is a church-based inner-city ministry focusing primarily on relational based, Christ-centered evangelism and residential substance abuse recovery. BNF also provided substantial food resources into the streets and housing projects of Atlanta, feeding as many as 3000 people and housing as many as 1500 a week. In addition, during recent hurricane tragedies of Katrina, Rita and Ike in Louisiana, Mississippi, and Texas, BNF churches have obtained and distributed millions of dollars worth of food, drink, and building supplies to these needy areas. Currently, BNF -Atlanta is a church located in Atlanta, Ga. and operates a ministry house providing long-term stable supportive housing for recovering addicts. Another mission of BNF is to coordinate and facilitate similar inner-city churches and ministries in cities within its own association of churches listed in para.3, as well as other cities not listed; all with the goal of seeing the Kingdom of God come in fullness!**

- 3. That, beginning in approximately 1996, BNF has planted inner-city churches and ministries in the following cities: Atlanta, Ga.; Athens, Ga.; Columbia, S.C.; Aiken, S.C.; Muncie, In.; Dallas, Tx; Odessa, Tx; San Antonio, Tx; Houston, Tx, Minneapolis, Mn; Asheville/Burnsville, N.C.; New Orleans, La; Paris, France; London, England; Capetown, South Africa, Guatemala City, Guatemala. These churches all bear the name "Blood-n-Fire Ministries" and ascribe to the same values and belief statement, focusing primarily on redeeming and restoring the inner cities by building Christ-based communities of the youth and poor, and form an association of inner-city church-based ministries. Presently, the active association of churches exist in Atlanta, Muncie, Dallas, Odessa, San Antonio, and Minneapolis, Guatemala City.**

4. That in late 2008, BNF sold its 3.8-acre warehouse church/ministry complex in Atlanta, and has purchased 3 properties in Atlanta, which house the church, staff, and local ministry of BNF. Also purchased in late 2008 was the subject property in Burnsville, N.C. In spring of 2009, BNF bought 2 buildings in the Central City neighborhood of New Orleans to house a local free health –care clinic at some point in the future. These New Orleans buildings were previously owned by the local BNF member church for years’ of inner-city ministry.
5. That the sale of the large warehouse ministry center and the purchase of smaller, neighborhood – based properties, and the subject property represents a strategy shift away from large, program- based ministry and evangelism to a more organic, personal, relational –based ministry style modeled by Jesus himself in the Gospels.
6. That, at all times pertinent herein, BNF is and has been an IRS recognized & approved 501 (a) and 501(c) (3) church.
7. That the association of BNF churches and ministries is founded upon the organic, relational principles embodied in the Book of Acts. Acts 2:42; 4:32. The biblical model of relational –based church vs. program – based church is a primary value to the BNF association.
8. That each year going back to 1997 to present, with the exception of 2008, BNF holds an annual gathering of its association churches in Atlanta, Ga. These week – long events are attended by 50 – 150 people, and involve much teaching, worship, and fellowship. These are also key opportunities to train and share in the development of unified and consistent values and practices among the member churches. Beginning this tax year 2009 these annual meetings will be on the subject Burnsville property.
9. That each and every year since 1997 to present, the Affiant and members of the BNF board and staff have visited the association churches listed in para. 3 to edify, encourage, train, and minister to the church in that city. Some of these visits occur more than once annually.

10. That BNF financially supports many of its member churches; most recently this past year, BNF has made significant financial gifts to pastors and staff of its member churches, to encourage and enable the work /ministry of those local member churches and has paid for the travel and housing of member church pastors to attend training/pastor conferences.

11. That the subject Burnsville property's use as a retreat center, training center, and worship/arts center requires the use of all three houses on the property:

Main House – housing up to 12 people; meals for 30-40;

Log Cabin – housing up to 10 people; Training Room seats 30
Lounge next to Training Room

Cedar Cabin – housing up to 14 people

7. That all the other structures are necessary for the church use of the property: barn & sheds provide storage for necessary implements, tractors, equipment; the soundstage at the barn used for worship events, music and dance: property around the barn and greenhouse used for bonfires, bbq, and community sing-along.

8. That the use of the entirety of the 58 acres is essential to the function of the property as a training / retreat / and worship center. The spring-fed pond has been used extensively for fishing and swimming; there are extensive hiking trails throughout the property, and around the perimeter of the property which are used consistently and frequently by attendees to hike, camp, take pictures, fish, gather herbs /plants. There also have been benches and seating areas positioned strategically around the property to facilitate the use of all the property for relaxation, meditation and prayer. Many of these activities are key to building relationships among pastors from the various BNF churches and the many various other churches from other denominations/associations represented at training and retreat sessions. The entire property w/ structures and improvements is referred to as **“FireCreek Mountain.”**

9. That BNF has undertaken substantial expense and effort to outfit and equip all houses for retreat and training purposes and has extensively landscaped and improved the property to facilitate training and retreat functions. This has entailed 1. Remodeling the basement of the Log Cabin to provide a state-of-the-art training classroom which seats up to 30 people and has been equipped with state-of-the-art computer wiring, audio visual, and "smart board" capabilities. 2. Furnishing all three houses w/ beds, bedding and other improvements to cooking and bath facilities to accommodate as many people as comfortably as possible. 3 landscaping, grading, and clearing of the property to maximize its use and enjoyment by guests for purposes of relaxation, prayer, and outdoor activities consistent with a spiritual retreat.

10. That BNF has conducted numerous training, retreat, and planning functions during the subject tax year. The following is a representative, but not exhaustive, schedule:

FireCreek Mountain Schedule of Events 2008-2009

December 4-18 2008 – Staff on –site @ property to furnish houses

December 20-23 2008 – Dr. Jack Taylor, Bob Mumford meeting w/ BNF staff and Board of Trustees for '09 strategic planning session

February 19- March 12 – Staff retreat and work sessions on property; supervise landscaping.

April 4-7 – Spring break retreat w/ Atlanta project kids

May 10-15 – Dr. Jack and Tim Taylor meeting – planning sessions re: '09 training curriculum.

May 23-28 – prepare houses for meetings

May 29-31 – JoAnn McFadder, Don & Christine Potter, DJ VanCronkhite (recording artists & worship leaders) planning retreat re: recording studio and music production.

June 1-5 – Paul Steyne meeting regarding Haiti mission

June 7-12 –Dr. Nancy Erickson meeting re: asset – based community development planning retreat

June 14-23 –prepare houses for Mumford gathering

July 13-17 – Bob Mumford Bible Training Session #1; 30 people in attendance & residence; all are housed, fed, and trained on the property.

July 27 – Aug. 2 – Summer break retreat with Atlanta project kids

August 10-14 – Bob Mumford Bible Training Session #2; 29 people in attendance & residence; all are housed, fed, and trained on the property

August 15-19 – Dr. Nancy Erickson w/ staff & Board of Trustees –plan retreat re: New Orleans clinic

August 17-22 – JoAnn McFatter, Mary Branche music production planning retreat

August 27-30 – Dr. Jack & Frieda Taylor prepare for meeting

August 30 – Sept. 2 – Dr. Jack Taylor meeting/retreat w/ Dr. Bob Philips; 14 in attendance; all fed & housed on the property

September 14-18 – Mumford Bible Training session #3; 30 people in attendance/residence; all fed, housed, and trained on the property

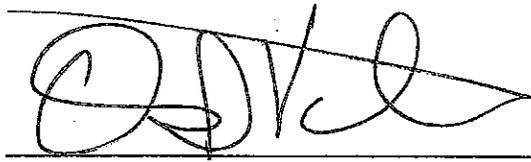
October 3-5 – Michael, Keren, Abby Kilgore creative planning retreat

November 2-6 – Mumford Sessions follow-up retreat; 20 in attendance/residence; again, all fed & housed on property

December 10-12 – Planning retreat regarding Arts, Music, Press; 12 attend/residence; all fed and housed on the property

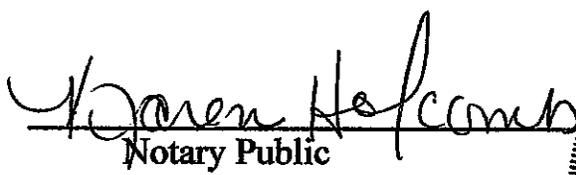
11. That for all of the above dates, attendees came to the retreat or training events from multiple cities and states, and in each case all people were housed on the subject property and fed on the subject property – up to and including 30 people at a time.

The undersigned David VanCronkhite states and deposes under oath that the foregoing facts included in this Affidavit are true in substance and fact.



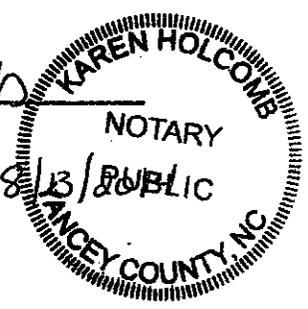
David VanCronkhite
Dec. 14, 2009

Subscribed and sworn to me by oath this 14th day of December, 2009
at Burnsville, N.C.



Notary Public

Commission Expiration - 8/13/2011



Attachment E

LANDSTAR DEVELOPMENT LLC
17505 WEST CATAWBA ST, SUITE 305

CORNELIUS

NC 28031

Value Released
Release Date:

\$74,798
12/04/2009

Official Tax Receipt-Reprint-Administrative Release
YANCEY COUNTY TAX ADMINISTRATION
110 TOWN SQUARE, ROOM 1
BURNSVILLE, NC 28714
828.682.2197

Real Value \$150,000 Taxable \$150,000
Personal Value Exemption Size: 3.730 A

Bill Number PIN Amount Due Total Release Balance
N2009008673 09007 01191-4 \$772.50 \$387.29 \$385.21

Release Distributed:
YANCEY COUNTY \$336.59
SOUTH TOE FIRE DISTF \$50.70

Tax Collector: _____

Boundary agreement for 2009 only between Yancey and Mitchell Counties to collect only one half of lot value.

Walter E. Sawyer

Attachment F

**Report to the Members of Yancey County
Board of Commissioners**

June 30, 2009



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If you should have questions regarding this report, please contact:

Brian Broom, Director
or
Dave Kerestes, Manager

DIXON HUGHES PLLC
500 Ridgefield Court
Asheville, NC 28806
828-236-5802 (bbroom@dixon-hughes.com)
828-236-5796 (dkerestes@dixon-hughes.com)



DIXON HUGHES PLLC
Certified Public Accountants and Advisors

Summary of Professional Services

SERVICES PERFORMED

- Annual audit of financial statements
- Assistance in the preparation of the Basic Financial Statements
- Compliance audit in accordance with OMB Circular A-133 and the State Single Audit Implementation Act
- Preparation of the data collection form required by OMB Circular A-133
- Annual report to management on observations and recommendations for improvements
- Consultation on accounting matters as requested
- Management consulting services on business matters as requested

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Audit and Financial Statement Summary

The following is a summary, from Pages 14 and 15 of the basic financial statements, of fund balance in the General Fund:

	<u>2009</u>	<u>2008</u>
Total fund balance	\$ 435,742	\$ 415,930
Less: reserved by State Statute	<u>(2,386,509)</u>	<u>(1,734,116)</u>
Fund balance available for appropriation	\$ <u>(1,950,767)</u>	\$ <u>(1,318,186)</u>
Total expenditures and other uses	\$ <u>20,135,170</u>	\$ <u>17,032,536</u>
Fund balance as a percentage of expenditures	<u>(9.7)%</u>	<u>(7.7)%</u>

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

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The following is a summary, from Page 61 of the basic financial statements, of property tax collection and collection rates:

	<u>2009</u>	<u>2008</u>
Net levy	\$ 11,522,242	\$ 8,071,772
Uncollected taxes at June 30	<u>803,322</u>	<u>388,321</u>
Current year taxes collected	\$ <u>10,718,920</u>	\$ <u>7,683,451</u>
Ratio of taxes collected to net levy	<u>93.03%</u>	<u>95.19%</u>



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Audit and Financial Statement Summary

Our report for the 2009 audit expresses an **unqualified opinion** on the fair presentation of the financial statements in all material respects, in conformity with accounting principles 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.

Our reports, in accordance with *Government Auditing Standards* and OMB Circular A-133, disclosed eight findings, which are reported in more detail on the Schedule of Findings and Questioned Costs on Pages 15 through 26 of the Compliance Reports.

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Certified Public Accountants and Advisors

Required Auditor Communications

To the Yancey County Board of Commissioners
Burnsville, North Carolina

We have audited the financial statements of Yancey County (the "County") as of and for the year ended June 30, 2009, and have issued our report thereon dated December 9, 2009. Professional standards require we advise you of the following matters related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated June 8, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

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In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We have issued a written report on our consideration of the County's internal control over financial reporting as required by Governmental Auditing Standards which disclosed eight findings that can be found on Pages 15 - 26 of the compliance reports. We have communicated other observations we noted during our audit that are not considered significant deficiencies in the accompanying Communication on Internal Control Related Matters.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which



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Required Auditor Communications

ITEMS TO BE COMMUNICATED AND AUDITORS' RESPONSE

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 our audit.

Our Responsibility under Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act

As stated in our engagement letter dated June 8, 2009, our responsibility, under Federal and State regulations, is to test controls and compliance with the requirements of laws, regulations, contracts and grant agreements that have a direct and material effect on the administration of the County's major Federal and State programs.

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We are also responsible for communicating significant findings and known, or likely, questioned costs in excess of \$10,000 as defined in OMB Circular A-133.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communication to you in our letter about planning matters dated July 15, 2009.

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 County are described in Note 1 to the financial statements. The County adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for*



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Certified Public Accountants and Advisors

Required Auditor Communications

ITEMS TO BE COMMUNICATED AND AUDITORS' RESPONSE

Postemployment Benefits Other Than Pensions, as described in Footnote IIIB3e of the financial statements.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are 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 affecting the financial statements were:

- Management's estimate of accumulated 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 estimate for uncollectible taxes is based on historical experience and appears to be logically developed and consistently applied.
- Management's estimates for other postemployment benefit obligations are based on guidance provided by independent third parties.

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Financial Statement Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. The disclosures present the issues involved, and the related judgments made, in formulating particularly sensitive financial state disclosures (for example, disclosures related to revenue recognition and subsequent events).



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Certified Public Accountants and Advisors

Required Auditor Communications

ITEMS TO BE COMMUNICATED AND AUDITORS' RESPONSE

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 known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The audit resulted in the following adjustments effecting revenues and expenditures:

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	<u>General</u>	<u>Governmental Activities</u>
To adjust year-end receivables	\$ 202,779	\$ -
To adjust year-end payables	(110,671)	-
To adjust payroll and related liabilities	181,452	-
To adjust cash for accounts payable checks held at year end	238,680	-
To adjust property taxes receivable	(168,459)	-
To record prior period adjustment	-	1,292,640

The GASB 34 conversion entries are summarized on Pages 14 and 16 of the financial statements.



DIXON HUGHES PLLC
Certified Public Accountants and Advisors

Required Auditor Communications

ITEMS TO BE COMMUNICATED AND AUDITORS' RESPONSE

Any uncorrected financial statement misstatement should be disclosed to the Board in accordance with Statement of Auditing Standards No. 89, *Audit Adjustments*.

- *An actuarial valuation was not performed for the law enforcement officers separation allowance to determine the net pension obligation. The effect on governmental activities was estimated to be approximately \$57,000. This is 1% of total net assets and is considered immaterial.*

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 auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

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Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2009. See 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 auditor's 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.



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Required Auditor Communications

ITEMS TO BE COMMUNICATED AND AUDITORS' RESPONSE

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.

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. We have assisted management in the preparation of the financial statements and schedule of expenditures of federal and state awards. Management has reviewed and approved these statements and schedule.

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This report is intended solely for the information and use of the Board of County Commissioners, management, and federal and State agencies, and is not intended to be and should not be used by anyone other than these specific 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 conveniences.

December 9, 2009

Dixon Hughes PLLC



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Letter of Comments

Yancey County Board of Commissioners
Yancey County, North Carolina

In planning and performing our audit of the basic financial statements of Yancey County, North Carolina, for the year ended June 30, 2009, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control. Any matters involving the internal control and its operation that are considered to be significant deficiencies under standards established by the American Institute of Certified Public Accountants are communicated in our reports on compliance and internal control in the accompanying compliance reports.

The conditions and recommendations described below are not considered by us to be significant deficiencies but are presented for your consideration to enhance existing control policies and procedures or identify areas to assist management in day to day operations.

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DSS Eligibility

During our single audit test work of Medicaid, we noted minor deviations and/or omissions of required documentation in two Medicaid files. These deviations did not impact the recipients' benefits or result in a questioned cost that is required to be reported under federal and state regulations. However, we recommend that case files be carefully reviewed by the appropriate supervisors to ensure all case files are complete and in compliance with federal and state regulations.

Library Expansion Project

It does not appear that the current Library Expansion project ordinance provides for overhead costs such as the project manager and her assistant and other indirect costs. We recommend the project ordinance be amended to cover these costs.



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Letter of Comments

Cash Disbursements

During walkthrough and testing of controls over non-payroll disbursements, we noted several areas of internal controls where the key controls were not properly documented and in need of improvement.

- Purchase requests should be completed and approved for all non-recurring expenditures.
- Invoices for the receipt of goods should contain a signature to indicate that the goods are inspected upon receipt.
- Invoices relating to DSS expenditures should contain the signature of the supervisor.
- All invoices should contain the signature of the Finance Officer or Director of Finance to indicate approval of expenditures
- Supporting documentation from vendors should be obtained prior to the disbursement of funds.
- "Paid" should be marked directly on invoices when they are paid to ensure duplicate payment does not occur.
- There should be documentation to support that A/P disbursement reports are reviewed by initialing or signing the report.

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It was noted that outstanding checks date back to 2001. Escheatment laws, as described in NCGS Chapter 116B, should be followed on outstanding checks over a year old.

During testing of cash, it was noted that checks were run prior to year-end but not released until after year-end. Therefore, a reclass entry had to be made to move the held checks to accounts payable. We recommend that if there are insufficient funds, the amounts due should stay in accounts payable in a batch in the system until funds are available rather than printing and holding the checks.

Credit Cards

During a walkthrough of the controls in place over credit cards, it was noted that receipts are not consistently attached to the company credit card statement as



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Letter of Comments

proof of purchase. We recommend that receipts be retained as documentation for all credit card expenses prior to the disbursement of funds. We also recommend the County adopt a credit card policy addressing appropriate usage, credit card limits, appropriate access, and approval of expenditures.

Payroll

During a walkthrough of the controls in place over payroll, several areas for improvement were noted. Department heads' timesheets should be signed by the County Manager to indicate approval of employees' time. Documentation should be made to support that pay rates per the timesheets are agreed to the payroll system. Documentation should also be noted to support that the direct deposit report was reviewed by the Finance Officer. When pay rates are set for new employees or changed for existing employees, the Payroll Change Notice form should contain the County Manager's signature to indicate approval of the pay rate.

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Toe River Campground

During a walkthrough of the controls in place at the Toe River Campground several areas of improvement were noted. All credit card transactions should be recorded in the transaction log with carbon copies attached. Two employees should be present during cash counts and signatures should be used to document that both employees were present. The key to the safe should remain with an employee at all times and not be left unattended. As procedures indicate, the campground should regularly submit the Daily Cash Reports to the Finance office and retain a copy at the campground as well.

Information Technology

- File backups are not monitored daily to ensure backup jobs are completing successfully. Management should consider implementing automated alerts which can be enabled to notify County staff of daily backup job statistics. Failed jobs should be reported to the Network Administrator for research and resolution.



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- One shared username and password is being used for access to the Munis application. This practice does not allow for accountability of employee actions nor does it restrict user access according to individual employee job responsibilities. We recommend all employees have individual user names and passwords for access to the accounting software application. Employees should be limited to functions that are aligned with current job responsibilities.
- Register of Deed's computers are standalone PCs (not joined to the County domain) and therefore cannot be administered through Global policies. For these users, local windows passwords have been set up for authentication. Under current configuration, the system will accept any password the employee creates. Passwords do not have to contain letters and numbers, meet a minimum number of characters or expire. Management should consider joining these computers to the Windows domain in an effort to push down security policies to the local computers and to allow deployment of other global policies that are used to manage County computers.

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Per last year recommendations, we noted management has addressed the following prior year recommendations:

- Backups are being executed for all critical systems.
- A Disaster Recovery Plan is underway and documentation is already in place for some critical systems.
- Security administrative procedures for adding, revoking, or changing user access have been established. The County is in the process of requiring all system access requests be documented with proper authorization noted on security access forms.

The remainder of the issues noted in prior year are still considered control deficiencies. However, management has planned for a network upgrade in an effort to resolve most issues. The network upgrade is scheduled for implementation prior to the end of the 2009 calendar year. This upgrade will include installing a new server and network operating system which will allow



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Letter of Comments

for a new version of Munis to be installed. The upgraded version will be installed on Windows and allow internal staff to monitor back-up jobs and administer the application. This version has more advanced security options and functionality that the current version does not offer. The network upgrade plan includes installation of routers that are more secure by design and will allow greater control around remote access.

Through our observations and inquiry we noted the current operating environment has system limitations that prevent the County from implementing many of our prior year comments. However, the County has made progress towards resolving these findings through the planned network and application upgrades.

Capital Asset Recordkeeping

The current capitalization threshold is \$1,000 and asset listing is maintained in Microsoft Excel. This lower threshold and recordkeeping in Microsoft Excel has caused the capital asset recordkeeping to be costly and inefficient. We recommend the County purchase a capital asset system that will tag and track all capital assets that exceed the capitalization threshold, and create a tracking system for "inventory" assets that will fall below the capitalization threshold. We recommend the County evaluate its current capitalization policy and adjust it as necessary. The threshold should not exceed \$5,000, which is suggested by the Government Finance Officers Association and OMB Circular A-87.

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This report is intended solely for the information and use of the Board of County Commissioners, management, and federal and State agencies, and is not intended to be and should not be used by anyone other than these specific parties.



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Certified Public Accountants and Advisors

Letter of Comments

We wish to take this opportunity to thank the County's accounting staff. We would also like to express our appreciation for the assistance and cooperation given our representatives during our audit. Should you have any questions concerning the matter presented herein, we would be pleased to discuss it with you further at your convenience.

December 9, 2009

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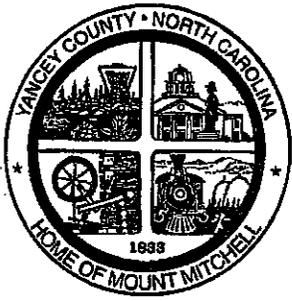
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Appendix A
Signed Management
Representation Letter



DIXON HUGHES PLLC
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YANCEY COUNTY

110 Town Square, Room 11 • Burnsville, North Carolina 28714
PHONE: (828) 682-3971 • FAX: (828) 682-4301

Nathan Bennett, *County Manager*

Walter Savage, *Chairman*

Jerri Storie, *Commissioner*

Johnny Riddle, *Commissioner*

December 9, 2009

Dixon Hughes PLLC
500 Ridgefield Court
Asheville, NC 28806

We are providing this letter in connection with your audit of the financial statements of Yancey County (the County) as of June 30, 2009 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County and the respective changes in financial position and the respective budgetary comparison for the General and E-911 funds in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief the following representations made to you during your audit.

- 1) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
- 2) We have made available to you all—
 - a) Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Minutes of the meetings of Board of Commissioners or notes from meetings for which minutes have not yet been prepared.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal and state awards.
- 5) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

- 6) We are not aware of any material uncorrected financial statement misstatements both individually and in the aggregate, to the financial statements taken as a whole. We are aware that an actuarial valuation of the Law Enforcement Officers' Separation Allowance has not been performed and therefore no liability has been recorded. We believe this estimate should not exceed \$57,000 which approximates 1% of total net assets. We believe this amount is not material to governmental activities.
- 7) You have recommended adjusting journal entries to the County's accounts. We have reviewed these adjusting journal entries and understand them. We agree with your recommendation and approve of these adjustments.
- 8) 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, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 9) We have no knowledge of any allegations of fraud or suspected fraud affecting the County received in communications from employees, former employees, analysts, regulators, or others.
- 10) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net assets/fund balances.
- 11) We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations
- 12) The following, if any, have been properly recorded or disclosed in the financial statements:
 - a) All accounting estimates (including fair value measurements) that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates are reasonable in the circumstances, consistently applied, and adequately disclosed.
 - b) Violations of budget ordinances, laws and regulations.
- 13) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us including 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, including legal and contractual provisions for reporting specific activities in separate funds.
- 14) Yancey County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 15) There are no—

- a) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with *Financial Accounting Standards Board (FASB) Statement No. 5, Accounting for Contingencies*, and we have not contacted our attorney about such matters as of the date of this letter.
 - b) 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.
 - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
 - d) Reservations or designation of fund balances that were not properly authorized and approved.
 - e) Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and amounts receivable from or payable to related parties.
 - f) Guarantees, whether written or oral, under which the County is contingently liable.
- 16) As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal and state awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your service and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal and state awards.
- 17) We have satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, other than has been disclosed to you.
- 18) We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 19) The financial statements include (either recorded or disclosed) all component units as well as joint ventures, and other related organizations.
- 20) The financial statements properly classify all funds and activities.
- 21) 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.
- 22) Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
- 23) Provisions for uncollectible receivables have been properly identified and recorded.

- 24) 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.
- 25) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, and transfers.
- 26) Interfund and internal activity and balances have been appropriately classified and reported.
- 27) Deposits and investment securities are properly classified as to risk.
- 28) Capital assets are properly capitalized, reported, and depreciated.
- 29) Required supplementary information (RSI) is measured and presented within prescribed guidelines.
- 30) We understand the prior period adjustment is the correction of errors made in previous years related to the omission of assets owned and calculation of depreciation expense.
- 31) With respect to federal and state award programs:
 - a) We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina.
 - b) We have, in accordance with OMB Circular A-133 and the State Single Audit Implementation Act, identified in the schedule of expenditures of federal and state awards, expenditures made during the year 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 assistance.
 - c) We are responsible for complying 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 federal and state program.
 - d) We are responsible for establishing and maintaining 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. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to reportable conditions reported in the schedule of findings and questioned costs.

- e) 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 relating to each major federal and state program.
- f) We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement* 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 any known noncompliance with the requirements of federal and state awards, including the results of other audits or program reviews.
- g) 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*.
- h) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- i) We have made available to you all documentation related to the compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- j) 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 schedule of expenditures of federal and state awards.
- k) 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 agency or pass-through entity, as applicable.
- l) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and we have provided you with all information, if any, 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.
- m) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a corrective action plan for each audit finding.
- n) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

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 other

than the two financing agreements in the amounts of \$1,540,000 and \$980,000 that have already been disclosed in the notes to the financial statements.



Lynne Hensley, Finance Director



Brandi Burleson, Finance Officer



Nathan Bennett, County Manager