

Minutes of the 18 April 2011
Special Meeting of the Yancey County Board of Commissioners
Held at 8:00 o'clock a.m. in the Commissioner's Meeting Room
Yancey County Courthouse, Burnsville, North Carolina

Present at the 18 April 2011 meeting of the Yancey County Board of County Commissioners were Chairman Johnny Riddle, Commissioners Michelle Presnell and Marvin Holland, County Manager and Assistant Clerk to the Board Nathan Bennett, Finance Director Lynne Hensley and Finance Officer Brandi Burleson.

Call to Order and Approval of Agenda

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

Rural Center Building Reuse and Restoration Grant

The Board first heard from County Manager Nathan Bennett about the North Carolina Rural Center Building Reuse and Restoration Grant. The grant is being applied for by the county on behalf of a potential project called Mountain Heritage Expo Center. The grant would refurbish and renovate the former Taylor Togs building in Micaville. Mountain Heritage Expo Center, LLC would be making a commitment to create 25 full-time jobs. Upon hearing from Mr. Bennett, Commissioner Presnell made a motion to approve the grant proposal. The motion was seconded by Commissioner Holland and the vote to approve was unanimous. (Attachment B)

Finance Office Report

The Board next heard from Finance Director Lynne Hensley and Finance Officer Brandi Burleson. Ms. Hensley and Ms. Burleson updated the Board about Blue Cross and Blue Shield which is proposing a 21% increase on the insurance rate for the PPO for next year. Ms. Hensley and Ms. Burleson also updated the Board on the Health Savings Account which is not going to experience an increase. Ms. Hensley and Ms. Burleson also presented two budget amendments for the Board's consideration. Ms. Hensley and Ms. Burleson did an overview of both amendments for the Board (Attachment C). Upon hearing from Ms. Hensley and Ms. Burleson, Commissioner Holland made a motion to approve the two budget amendments. The motion was seconded by Commissioner Presnell and the vote to approve was unanimous. Ms. Hensley then presented for the Board's consideration the new audit contract for Dixon Hughes and Goodman. Ms. Hensley stated that auditing now has very complex rules that have started as resulting from the ENRON collapse and a lot of the private sector rules are moving into the public sector. She further stated that a lot of local firms would not be able to keep up with these rules as well as the large firms can keep up with them. It was Ms. Hensley's recommendation that the County continue to stay with Dixon Hughes and Goodman this year and send out for proposals next year. Upon hearing from Ms. Hensley, Commissioner Presnell made a motion to approve the audit contract. The motion was seconded by Commissioner Holland and the vote to approve was unanimous (Attachment D)

Fiscal Year 2011-12 Budget Work Session

Ms. Hensley and Ms. Burleson gave the Board an overview about governmental budgets in general and the Yancey County budget in particular. Ms. Hensley presented the Board with preliminary figures that now have the county about \$1.5 million short in revenues for the amount of expenditures that have been submitted from the department heads. This will have to be decreased somewhere because the County has to have a balanced budget. Discussion followed about the budget and the budgeting process.

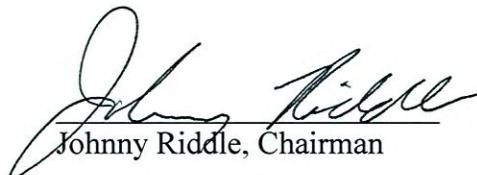
Adjournment

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

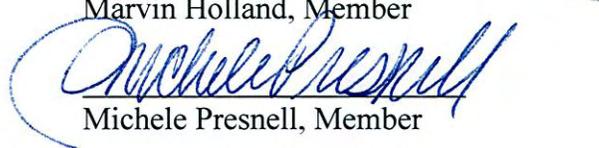
Approved and authenticated on this the 3rd day of May 2011.

Attest:


J. Jason Robinson
Clerk to the Board


Johnny Riddle, Chairman


Marvin Holland, Member


Michele Presnell, Member

(county seal)



COUNTY MANAGER
Nathan Bennett



Attachment A

COMMISSIONERS
Jill Austin
Dale England
Marvin Holland
Michele Presnell
Johnny Riddle

YANCEY COUNTY

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

AGENDA
YANCEY COUNTY BOARD OF COMMISSIONERS
SPECIAL MEETING
April 18, 2011
8:00 A.M.

- I. Call to Order – Chairman Johnny Riddle
- II. Approval of the Agenda
- III. Rural Center Building Reuse and Restoration Grant – Nathan Bennett, County Manager
- IV. Finance Office Report – Lynne Hensley, Finance Director and Brandi Bursleson, Finance Officer
 - a. Insurance Information
 - b. Fiscal Year 2010-11 Budget Amendments 8 and 9
 - c. Audit Contract
 - d. Miscellaneous
- V. Fiscal Year 2011-12 Budget Work Session
- VI. Adjourn

**BUILDING REUSE AND RESTORATION GRANTS PROGRAM
FY 2010-2011 PROGRAM GUIDELINES AND APPLICATION MATERIALS**

PRE-APPLICATION CONFERENCE

**Building
Reuse and
Restoration
Grants**



Building Reuse and Restoration Grants Program Statement

The N.C. General Assembly has authorized funds to stimulate economic development and job creation in distressed areas through constructing critical water and wastewater facilities, addressing technology needs, renovating vacant buildings, and implementing research and demonstration projects. The Building Reuse and Restoration Grants Program is designed to spur economic activity and job creation by assisting in the productive reuse of vacant buildings in small towns, with priority to those with a population of fewer than 5,000.

The pre-application conference guidelines and application form are provided in this information package. Guidelines and application materials for the Building Reuse and Restoration development grants can be found under separate cover. All grant materials are available on the Rural Center's website at www.ncruralcenter.org/reuse/index.html.

Pre-Application Conference Process

The pre-application conference is the first step in the application process for the Building Reuse and Restoration Grants Program. The pre-application conference is a meeting between Rural Center staff and project partners to discuss the potential project and the terms of the Building Reuse and Restoration Grant Program. To schedule a pre-application conference, applicants should submit a completed pre-application form (attached). The pre-application conference will typically take place via telephone conference unless otherwise arranged. Once the pre-application conference is complete, the local government is eligible to submit a full application.

The pre-application conference call should include representatives from the following:

- Local government (applicant)
- Participating business/non-profit
- Property owner
- Other project partners as identified by the business/non-profit and/or local government

Pre-Application Deadline

The pre-application is due at the Rural Center at least seven (7) business days prior to the full application deadline date and the pre-application conference must take place prior to the full-application deadline. A full application may not be submitted for projects that do not complete the pre-application process. Full applications are due at the Rural Center by 5:00 p.m. on deadlines listed below.

Deadline for Full Applications	Date of Award
September 3, 2010	November 4, 2010
December 13, 2010	TBA
February 28, 2011	TBA
May 2, 2011	TBA
June 27, 2011	TBA

**BUILDING REUSE AND RESTORATION PROGRAM
2010-2011 PRE-APPLICATION CONFERENCE FORM**



Applicant Information

Legal Name of Local Government Applicant:
Yancey County Local Government

County: **Yancey**

Local Government Contact Name: **Nathan Bennett, County Manager**

Mailing Address: **110 Town Square, Room 11**

Street Address:

City: **Burnsville**

State: **NC**

Zip: **28714**

Telephone: **828-682-3971**

FAX: **828-682-4301**

E-Mail: **Nathan.Bennett@yanceycountync.gov**

Project Name: **Mountain Heritage Expo Center**

Business Information

Complete the table below for each company that has committed to create new, full-time jobs in the building.

<u>Company Name</u>	<u>Name of Authorized Representative</u>	<u>Telephone Number/E-mail</u>	<u># of Years in Business in NC</u>	<u>Federal Identification Number</u>	<u>NAICS CODE</u>	<u>Benefits Provided Y/N</u>	<u># of Existing Employees</u>	<u># of New Jobs Committed</u>	<u>Average Annual Pay of All New Jobs Committed</u>
Mountain Heritage Expo Center	Melissa Graham	828-208-2594	1	27-2953131	mixed use - several NAICS codes	Y	0	25-35	\$28,000.00

Legal name of the property owner: **Micaville Loop, LLC**

Legal name of authorized representative for the property owner: **Bobby Atkins**

Property owner address: **621 Micaville Loop, Burnsville, NC 28714**

Telephone: **828-467-1001**

E-Mail: **n/a**

Project Description:

Please provide a short description of the project.

The Mountain Heritage Expo Center in Micaville (at the old Taylor Togs building) is a community initiative. The facility is 60,000 sf and is being converted into a facility which will help embrace the

heritage of the area while supporting the local crafters and artists, the local farmers, support the Healthy Yancey initiative, provide large indoor expo space, provide meeting room and classroom space, and more. The Mountain Heritage Expo Center will provide eating establishments, an indoor crafters' village, an indoor walking track, a children's science learning center, a gym, a 20,000 sf expo space large enough for an indoor car show, an agriculture marketing center, a community FDA approved kitchen, a water and mountain herbal tea bottling company, and more. The facility will also be headquarters for the Support Local campaign, which is an initiative to help stimulate local purchasing power. One part of this project enables Yancey residents to redeem receipts of purchases in Yancey County for goods at the Mountain Heritage Expo Center, such as free coffee, gym usage, and more. It's quite an exciting project that will help support many people, as well as employ more residents of the county. The unique set-up of this facility is that it has its own sewage system, water system, and fire extinguishing system. This is the only facility of its kind in this region.

Funding Sources

Please list the source and use for each anticipated funding source for the project.

Source	Amount	Use	Proposed or Committed	Date Available
Micaville Loop, LLC	\$ 100,000	Renovation, start-up capital	Proposed	April, 2011
Micaville Loop, LLC	\$ 100,000	Renovation - matching	Committed	Feb, 2011
Yancey County Gov't (in-kind)	\$ 3,000	in-kind contribution for grant admin.	Committed	April, 2011
	\$			
	\$			
	\$			
	\$			
Rural Center Building Reuse	\$ 100,000	Renovations	Proposed	July, 2011
Total	\$ 303,000.00			

Total Committed Funds for Project: \$ **\$103,000.00**

Please list three dates and times when project partners are available for the pre-application conference call:

1. **Thursday, April 21, 2011 -All day**
2. **Anytime week of April 25, 2011**
3. **Anytime week of April 25, 2011**



Signature of Local Government Representative

Nathan R. Bennett, Yancey County Manager

4/20/2011

Typed Name and Title

Date

**All grant materials should be submitted to the
Building Reuse and Restoration Grants Program,
North Carolina Rural Economic Development Center,
4021 Carya Drive, Raleigh, NC 27610,
Attn: Melody Adams.**

YANCEY COUNTY FINANCE OFFICE



110 TOWN SQUARE, ROOM 11, BURNSVILLE, NC 28714

PHONE (828)682-3819 • FAX (828)682-4301

FINANCE DIRECTOR, LYNNE E. HENSLEY • lhensley@yanceycountync.gov

FINANCE OFFICER, BRANDI BURLESON • bburleson@yanceycountync.gov

ASST. FINANCE OFFICER, LISA MILLER • lmiller@yanceycountync.gov

NOTES TO BUDGET AMENDMENT # 8

The purpose of this budget amendment is to increase some of the revenues for DSS programs that have received additional funding and “clean-up” some line items that were over/under budgeted amounts. This amendment increased the overall 2010-2011 Fiscal Year Budget from \$19,201,396 to \$19,371,570.

NOTES TO BUDGET AMENDMENT # 9

The purpose of this amendment was to reduce prior year delinquent tax collections in the amount of \$200,000. Delinquent collections were extremely high last year due to letters being mailed to taxpayers and payment plans being set up, however this year these numbers are down. Sales tax revenues have been received at a higher amount than expected, so these revenues were increased by \$305,000. There were also various line item “clean-ups”. This amendment increased the overall 2010-2011 Fiscal Year Budget from \$19,371,570 to \$19,385,570.

YANCEY COUNTY COMMISSIONERS

BUDGET AMENDMENT # 8

FUND: GENERAL

As entered in the minutes of the Yancey County Board of Commissioners at a meeting on Monday, April 18, 2011 the following budget amendments are to be recorded:

	EXPEND. CODE	ACCOUNT	INCREASE	DECREASE
1	105320-5775	CRISIS INTERVENTION	140,423.00	
2	105310-5121	SALARIES	4,907.00	
3	105310-5181	FICA/MED		795.00
4	105310-5182	RETIREMENT		259.00
5	105310-5183	HEALTH INS		562.00
6	105320-5121	SALARIES	22,230.00	
7	105320-5181	FICA/MED	798.00	
8	105320-5182	RETIREMENT	1,643.00	
9	105320-5183	HEALTH INS	895.00	
10	105330-5121	SALARIES	41,634.00	
11	105330-5186	SALARIES - TEMP		810.00
12	105330-5181	FICA/MED	32,496.00	
13	105330-5182	RETIREMENT		1,953.00
14	105330-5183	HEALTH INS	12,984.00	
15	105310-5431	COPIER LEASE		2,500.00
16	105310-5334	WATER	2,500.00	
17	105320-5770	SPECIAL ASST		2,000.00
18	105320-5772	MED ASST SITE DRAFT	2,000.00	
19	105320-5779	LINKS		2,000.00
20	105320-577902	LINKS SPECIAL	2,000.00	
21	105330-5126	SALARIES - TEMP		739.00
22	105330-5127	LONGEVITY	739.00	
23	105330-5353	R&M AUTOS		2,000.00
24	105330-5311	TRAVEL-MILEAGE	2,000.00	
25	105330-5782	ADOPTION VENDOR		10,000.00
26	105330-5781	ADOPTION VENDOR - NONREC		3,000.00
27	105330-5783	ADOPTION VENDOR - PSYCH	13,000.00	
28	105330-5251	MOTOR FUELS		12,000.00
29	105330-5199	PROF SERV OTHER		10,000.00
30	105320-5127	LONGEVITY		5,000.00
31	105850-5121	SALARIES	17,259.00	
32	105850-5126	SALARIES - TEMP		500.00
33	105850-5181	FICA/MED	2,260.00	
34	105850-5182	RETIREMENT	1,066.00	
35	105850-5183	HEALTH INS		3,200.00
36	105330-5784	STATE FOSTERCARE		18,942.00
37	105330-5785	FOSTERCARE PROGRAM		54,400.00
38				

TOTALS
NET CHANGE

300,834.00

170,174.00

130,660.00

CURRENT APPROP 19,201,396.00
 TOTAL APPROP AMENDED 19,371,570.00

		REVENUE SECTION	INCREASE	DECREASE
19	104055-475002	CRISIS INTERVENTION	87,401.00	
20	104055-475002	INDIRECT COST	37,000.00	
21	104055-475002	ADMIN REIM	45,773.00	

TOTALS 170,174.00 0.00
 NET CHANGE 170,174.00
 CURRENT APPROP 19,201,396.00
 TOTAL APPROP AMENDED 19,371,570.00

0.00

YANCEY COUNTY COMMISSIONERS

BUDGET AMENDMENT # 9

FUND: GENERAL

As entered in the minutes of the Yancey County Board of Commissioners at a meeting on Monday, April 18, 2011 the following budget amendments are to be recorded:

	EXPEND. CODE	ACCOUNT	INCREASE	DECREASE
1	105910-5912	SCHOOL CAPITAL	25,447.00	
2	104140-5285	TAX REFUNDS	5,000.00	
3	104140-5126	SALARIES - TEMP	10,000.00	
4	104140-5431	COPIER LEASE	4,000.00	
5	104150-519502	LEGAL - CONTRACT		10,000.00
6	104170-5510	CAPITAL		15,000.00
7	104180-5381	COMP PROG TIME		15,000.00
8	104190-524001	R&M COURTHOUSE		10,000.00
9	104195-5440	SERV & MAINT CONT	4,000.00	
10	104200-519101	PROF SERVICES		10,000.00
11	104200-519102	PROF - NONCAPITAL		10,000.00
12	104200-5451	PROP & LIAB INSURANCE		7,000.00
13	104200-5523	COUNTY NETWORK BASE		15,000.00
14	104200-5991	CONTINGENCY		15,000.00
15	104310-5440	SERV & MAINT CONTRACTS	10,000.00	
16	104310-5352	R&M EQUIPMENT	2,500.00	
17	104322-5193	PROF SERV - MEDICAL	3,000.00	
18	104322-5220	FOOD & PROV - INMATES	40,000.00	
19	104322-5238	PHARMECEUTICALS - INMATES	5,000.00	
20	104350-5331	ELECTRICITY		3,000.00
21	104360-5194	AUTOPSIES	5,000.00	
22	104715-5212	UNIFORMS	4,000.00	
23	104715-524014	R&M RECYCLING BLDGS	1,500.00	
24	104715-5332	FUEL OIL	2,000.00	
25	104715-544003	SCRAP TIRE DISPOSAL	10,000.00	
26	104957-5121	SALARIES		9,600.00
27	104957-5181	FICA		700.00
28	104957-5311	TRAVEL		1,000.00
29	104957-5312	TRAVEL		300.00
30	105210-519301	PROF SERVICES		10,000.00
31	106120-5332	FUEL OIL	5,500.00	
32	107000-600009	CONT TO FUND BALANCE	58,653.00	
33	107000-600005	CONT TO FUND 29		50,000.00

TOTALS	195,600.00		181,600.00
NET CHANGE		14,000.00	
CURRENT APPROP		19,371,570.00	
TOTAL APPROP AMENDED		19,385,570.00	

	REVENUE SECTION	INCREASE	DECREASE
34	104042-4310	ARTICLE 39	145,000.00

35	104042-4312		ARTICLE 42	60,000.00		
36	104041-4000		PRIOR YEAR DELINQUENT			200,000.00
37	104050-4603		CDC - YCTA FEES	3,000.00		
38	104050-4616		SMART START - YCTA	6,000.00		

TOTALS	214,000.00		200,000.00
NET CHANGE		14,000.00	
CURRENT APPROP		19,371,570.00	
TOTAL APPROP AMENDED		19,385,570.00	

0.00

Attachment D



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

April 5, 2011

Yancey County
Burnsville, North Carolina

This attachment to item 16, "Contract To Audit Accounts" (LGC-205) is intended to further clarify certain provisions of the Contract.

AUDIT SERVICES

We are pleased to confirm our understanding of the services we are to provide Yancey County (County) for the year ended June 30, 2011. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements, of the County as of and for the year ended June 30, 2011. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist 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 will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by accounting principles generally accepted in the United States of America and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis.
2. The Law Enforcement Officers "Special Separation Allowance"
3. Other Postemployment Benefits

Supplementary information other than RSI also accompanies the basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of Expenditures of Federal and State Awards.
2. Combining fund statements
3. Budget and actual schedules for each fund required to adopt a budget

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements taken as a whole. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements and other matters, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with Single Audit Act Amendments of 1996 and 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*.

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of the board, management, specific legislative or regulatory bodies, federal and state awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133; and the State Single Audit Implementation Act, and will include tests of accounting records, a determination of major program(s) in accordance with Circular A-133 and the State Single Audit Implementation Act, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. If our opinion on the financial statements or the Single Audit compliance opinions are other than

unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the Schedule of Expenditures of Federal and State Awards in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of your financial statements, Schedule of Expenditures of Federal and State Awards, and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements, Schedule of Expenditures of Federal and State Awards, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and the Schedule of Expenditures of Federal and State Awards and that you have reviewed and approved the financial statements, Schedule of Expenditures of Federal and State Awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the fair presentation in the financial statements of 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, where applicable, cash flows in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current

engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud or illegal acts could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants or abuse that we may report. Additionally, as required by OMB Circular A-133 it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a Summary Schedule of Prior Audit Findings and a Corrective Action Plan (if any). You are responsible for the preparation of the supplementary information in conformity with accepted accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to present the supplementary information with the audited financial statements.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the County. Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse. As required by the OMB Circular A-133 and the State Single Audit Implementation Act, our audit will

include tests of transactions related to major federal and state award programs for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We may request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters. Because of the importance of management's written or verbal representations to an effective audit, you agree to release Dixon Hughes Goodman and its personnel from any liability and costs relating to our services under this letter attributable to any misrepresentations by management.

Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of the County and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal and state award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133 and the State Single Audit Implementation Act.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under professional standards, *Government Auditing Standards*, OMB Circular A-133 and the State Single Audit Implementation Act.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the County's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements and other matters. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 and the State Single Audit Implementation Act require that we also plan and perform the audit to obtain reasonable assurance about whether the County has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of the applicable procedures described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina* for the types of compliance requirements that could have a direct and material effect on each of the County's major programs. The purpose of those procedures will be to express an opinion on the County's compliance with requirements applicable to each of its major programs in our reports on compliance issued pursuant to OMB Circular A-133 and the State Single Audit Implementation Act.

MANAGEMENT RESPONSIBILITY FOR NONATTEST SERVICES

The County is responsible for all management decisions and for performing all management functions, and for designating a competent employee to oversee the nonattest services we will provide. Management is responsible for evaluating the adequacy and results of the services performed and accepting responsibility for the results of such services. Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities.

We will provide the following additional nonattest services:

- We will advise management about appropriate accounting principles and their application and will assist in preparation of the County's financial statements. The responsibility for the financial statements and all representations contained therein remains with management, which includes board members of Yancey County;
- At the conclusion of the engagement, we will complete the appropriate sections of and sign the Data Collection Form that summarizes our audit findings. We will provide to management the required copies of the final reporting package (including financial statements, Schedule of Expenditures of Federal and State Awards, Summary Schedule of Prior Audit Findings, auditors' reports, and a Corrective Action Plan, if any) along with the Data Collection Form to the designated federal clearinghouse and the Local Government Commission.

You are responsible for evaluating the adequacy and results of the above nonattest services performed and accepting responsibility for the results of such services. This includes your review and approval of all adjustments we may propose to the accounting records of the County or its financial statements as a result of these services.

Audit Administration, Fees, and Other

We understand that your employees will prepare all schedules and confirmations we request, provide copies of any documents requested, and will locate any invoices or files selected by us for testing.

The audit documentation for this engagement is the property of Dixon Hughes Goodman LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to U.S. Department of Health and Human Services or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Dixon Hughes Goodman personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the date the auditors' report is issued or for any additional period requested by the U.S. Department of Health and Human Services. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

This engagement and any actions that may arise shall be governed by the laws of the state of North Carolina and be brought in the judicial districts in which the North Carolina headquarters of Dixon Hughes Goodman LLP is located.

Whenever possible, each provision of this agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision hereof shall be ineffective, or invalid, such ineffectiveness or invalidity shall be only to the extent of such prohibition or invalidity, without invalidating the remainder of the provision or the remaining provisions of this agreement, which shall otherwise remain in full force and effect. The agreements of Yancey County and Dixon Hughes Goodman contained in this engagement letter shall survive the completion or termination of this engagement.

Brian Broom is the engagement director and is responsible for supervising the engagement and signing the report of authorizing another individual to sign it.

We estimate our fee for these services will be approximately \$50,000. This estimate is based on 65% of our standard hourly rates (which range from \$85-\$350 per hour) plus out of pocket costs. This estimate is based on the assumption there will be no significant changes in the County's operations including: new debt; new construction projects; new funds; and no significant changes in the current federal and state funding levels. Contract addendums will be required for bookkeeping assistance, all new major Federal and State programs, and changes in operations mentioned above and will be billed at standard hourly rates. This estimate does not include additional time that may be required due to the American Recovery and Reinvestment Act of 2009 (a.k.a. Federal Stimulus); however due to the uncertainty of the time requirements, any excess time over our original estimates will be billed at our standard hourly rates. Summer scheduling is very tight and travel accommodations are difficult to change, therefore, a rescheduling fee of 10% may be charged if fieldwork has to be rescheduled within 1 month of the scheduled starting date. In the event we need to reschedule we will try to accommodate your needs, however, due to other client commitments, we cannot guarantee a timetable that will allow us to complete the audit by October 31st. Interim billings will be submitted as the work progresses and are payable upon presentation.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2008 peer review report accompanies this letter.

We appreciate the opportunity to be of service to Yancey County and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions,

Yancey County
April 5, 2011
Page 9

please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and the Contract to Audit Accounts and return it to us.

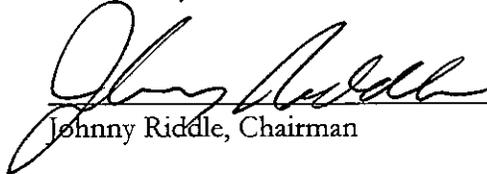
Very truly yours,

DIXON HUGHES GOODMAN LLP

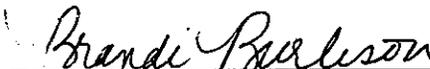
Dixon Hughes Goodman LLP

ACKNOWLEDGED:

This letter correctly sets forth the understanding of the Yancey County.

By:  Date: 4-18-11
Johnny Riddle, Chairman

This instrument has been pre-audited in the manner required by the Local Government Budget and Fiscal Control Act.


Brandi Burleson, Finance Officer