

**SOUTHWESTERN NORTH CAROLINA  
PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Financial Statements

June 30, 2013

(with Independent Auditors' Report thereon )

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Table of Contents

June 30, 2013

<b><u>Exhibits</u></b>	<b><u>Page(s)</u></b>
Independent Auditors' Report .....	1-3
Management's Discussion and Analysis .....	4-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
"1"    Statement of Net Position .....	11
"2"    Statement of Activities .....	12
Fund Financial Statements:	
"3"    Balance Sheet—Governmental Funds .....	13
"4"    Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds .....	14-16
"5"    Statement of Revenues, Expenditures and Changes in Fund Balances— Annual Budget and Actual—General and Annually Budgeted Major Special Revenue Fund .....	17-22
Notes to the Financial Statements .....	23-34
 <b><u>Schedules</u></b>	
Supplementary Information:	
Revenues and Expenditures in Detail Compared to Budget:	
"A-1"    Older Americans Act Programs .....	35-36
"A-2"    Workforce Investment Act Programs .....	37-38
"A-3"    Economic Development Administration Planning Grants .....	39
"A-4"    Appalachian Regional Commission Grants .....	40-41
"A-5"    Revolving Loan Fund Administration .....	42
"A-6"    Various Community and Economic Development Projects .....	43-44
"B-1"    Schedule of Indirect Costs .....	45
"B-2"    Schedule of Indirect Cost Allocation .....	46-47

**Schedules**

**Page(s)**

“C-1”	Schedule of Indirect Cost Pool for Year Ending June 30, 2014.....	48
“C-2”	Consolidated Central Service Cost Allocation Plan and Indirect Cost Proposal For Year Ending June 30, 2014 .....	49
Compliance Section:		
“D-1”	Schedule of Expenditures of Federal and State Awards.....	50-52
	Independent Auditors’ Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance with Government Auditing Standards.....	53-54
	Independent Auditors’ Report On Compliance With Requirements To Each Major Federal Program; Report on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act .....	55-57
	Independent Auditors’ Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act.....	58-60
“D-2”	Schedule of Findings and Questioned Costs.....	61-64
“D-3”	Corrective Action Plan .....	65
“D-4”	Summary Schedule of Prior Year Audit Findings.....	66

**- Independent Auditors' Report -**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Southwestern North Carolina Planning and Economic Development Commission (the "Commission") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Others Matters***

#### *New Accounting Pronouncements*

As discussed in Note 3 to the financial statements, the Commission adopted the provisions of Government Accounting Standards Board (“GASB”) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2013. Our opinions are not modified with respect to these changes.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis on pages 4 through 10, be presented 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 operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do 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.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules, other schedules and Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the budgetary schedules, other schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2013, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Accordingly, we express no opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Asheville, North Carolina  
November 22, 2013

*Dixon Hughes Goodman LLP*

# **SOUTHWESTERN NORTH CAROLINA PLANNING AND ECONOMIC DEVELOPMENT COMMISSION**

## **Management's Discussion and Analysis**

This section of the Southwestern North Carolina Planning and Economic Development Commission (the Commission) financial report represents our discussion and analysis of the financial performance of the Commission for the year ended June 30, 2013. This information should be read in conjunction with the audited financial statements included in this report.

### **Financial Highlights**

- The assets of the Commission exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,219,548.
- The Commission's total net position increased by \$192,072, primarily due to an increase in activity in the Revolving Loan Fund.
- As of the close of the current fiscal year, the Commission's capital assets increased by \$7,632. This increase was a result of the purchase of a new telephone system.
- As of the close of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of \$ 1,462,371, decrease of \$175,878 in comparison with the prior year. Approximately 28.7% of this total amount, or \$419,108, is restricted for stabilization by North Carolina State Statutes.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements which consist of three components as follows: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The basic financial statements present two different views of the Commission's finances through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Commission.

### **Basic Financial Statements**

The first two statements (Exhibits 1 and 2) in the basic financial statements are the *government-wide statements*. They provide both short and long-term information about the Commission's financial status.

The next statements (Exhibits 3 through 5) are *fund financial statements*. These statements focus on the activities of the individual parts of the Commission's government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

The next section of the basic financial statements is the *notes*. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the Commission's non-major governmental funds, all of which are added together in one column on the basic financial statements. Budgetary information required by the General Statutes also can be found in this part of the statements.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Commission's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Commission's financial status as a whole.

The two government-wide statements report the Commission's net position and how they have changed. Net position is the difference between the Commission's total assets, total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Commission's financial condition.

Government-wide financial statements may be divided into as many as three categories: 1) governmental activities, 2) business-type activities, and 3) component units. However, the Commission does not have any business-type activities or component units. The governmental activities include all of the Commission's basic services such as general administration, public safety, transportation, economic and physical development, environmental protection, and human services. State and federal grants and contributions from local governments comprising the service area of the Commission finance most of these activities.

### **Fund Financial Statements**

The fund financial statements provide a more detailed look at the Commission's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Commission's budget ordinance. All of the funds of the Commission are of the governmental fund category.

***Governmental Funds*** - Governmental funds are used to account for those functions reported as governmental activities in the government wide financial statements. All of the Commission's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Commission's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Commission adopts an annual budget for its General Fund and Special Revenue Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the constituent member local governments, the management of the Commission, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Commission to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund and major Special Revenue Fund demonstrates how well the Commission complied with the budget ordinance and whether or not the Commission succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges to appropriations, and ending balances in the General and major Special Revenue Fund, and 4) the difference or variance between the final budget and the actual resources and charges.

***Notes to the Financial Statements*** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on Page 23 of this report.

***Other Information*** - In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information concerning the Commission's Federal and State programs. Other information can be found beginning on Page 35 of this report.

**Government-Wide Financial Analysis**

**Table 1**  
**Condensed Statements of Net Position**  
**June 30, 2013 and 2012**

	<b>Governmental Activities</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
Current assets	\$ 2,733,328	\$ 2,578,879
Capital assets	7,632	-
Total assets	<u>2,740,960</u>	<u>2,578,879</u>
Current liabilities	341,933	373,636
Long-term liabilities	52,925	62,020
Total liabilities	<u>394,858</u>	<u>435,656</u>
Deferred inflows of resources	<u>126,554</u>	<u>115,747</u>
Net position:		
Net investment in capital assets	7,632	-
Restricted	2,357,654	2,084,876
Unrestricted	<u>(145,738)</u>	<u>(57,400)</u>
Total net position	<u>\$ 2,219,548</u>	<u>\$ 2,027,476</u>

Net position may serve over time as one indicator of a government's financial condition. On June 30, 2013, the Commission's net position was \$2,219,548. This was an overall increase of \$192,072 from the previous year. The increase is due to increases in Revolving Loan Fund activities well as new programs from independent foundations and state funds.

**Table 2**  
**Condensed Statements of Activities**  
**For the Fiscal Years Ended June 30, 2013 and 2012**

	<b>Governmental Activities</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 5,836,103	\$ 5,711,432
General revenues:		
Local government dues	145,577	145,577
Dues and contributions not restricted to specific programs	20,506	21,449
Miscellaneous revenues	49,878	-
Investment earnings, unrestricted	25,060	11,837
Miscellaneous, unrestricted	-	-
Total revenues	<u>6,077,124</u>	<u>5,890,295</u>
Expenses:		
Governmental activities:		
General government	25,420	41,942
Public safety	650,416	684,548
Transportation	117,848	117,866
Technology	33,087	114,869
Economic and physical development	463,115	437,366
Human services	2,687,945	2,672,752
Workforce development	1,907,221	1,898,811
Total expenses	<u>5,885,052</u>	<u>5,968,154</u>
Change in net position	192,072	(77,859)
Beginning net position	<u>2,027,476</u>	<u>2,105,335</u>
Ending net position	<u>\$ 2,219,548</u>	<u>\$ 2,027,476</u>

**Governmental Activities** - Governmental activities increased from 2012 as a result of increased Loan activities and increased funding from various foundations.

**Financial Analysis of the Commission's Funds**

As noted earlier the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Specifically, fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund accounts for all unrestricted resources and provides the local matching share for all grant programs as well as transfers from the Special Revenue Fund (Revolving Loan Fund). At the end of the fiscal year, unassigned fund balance of the General Fund was \$(166,126), while total fund balance was \$308,900. The Commission's unassigned fund balance is negative due to grant funds expended prior to June 30, 2013, for which reimbursement had not yet been received, as well as reimbursement of funds from the Special Revenue Fund. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures, \$5,900,575. Total fund balance represents 5 % of General Fund expenditures.

The Special Revenue Fund/Revolving Loan Fund is strictly for providing low interest loans to small business in the region. This fund originally funded primarily by federal funds from the Economic Development Administration and The Appalachian Regional Commission. However, the fund now is made up predominantly of loan repayments and interest. The interest is used for administration of the program. At the end of the fiscal year, restricted fund balance of the Special Revenue Fund was \$1,153,471.

At June 30, 2013, the governmental funds of the Commission reported a total combined fund balance of \$1,462,371, representing an 11 % decrease from the previous year. The primary reasons for this decrease are the drop in loan repayment in the Revolving Loan Fund and increased grant matching requirements.

**Governmental Funds Budgetary Highlights** - During the fiscal year, the Commission revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total amendments to the General Fund increased revenues and other financing sources by \$841,539. The greatest portion of this increase was a result of increases in the Older Americans Act programs and the pass through funds in several new programs. The Special Revenue Fund saw a decrease in the number and amounts refunded to the original funding agencies: Appalachian Regional Commission and the Economic Development Administration. The reason for the decrease in refunds from the previous year was no excess cash being held.

## Capital Asset Administration

*Capital Assets* - The Commission's capital assets, net of accumulated depreciation as of June 30, 2012 and 2013, were \$-0- and \$7,632, respectively.

## Economic Factors and Next Year's Budgets and Rates

- The Commission relies on funding from state and federal sources for the majority of its revenues in the both the General and Special Revenue Funds. The Commission receives federal and State distributions from various agencies. Local revenues are comprised of per capita contributions from constituent local governments served by the Commission and by in kind contributions of materials and volunteer services by advisory boards, local government agencies, and not-for-profit organizations.
- Budgetary highlights for the fiscal year ending June 30, 2014, include the continuation of a series of grants to be used to connect and better use broadband internet in all the schools in a six county area within the region. Several new foundation funded projects are upcoming including one from Duke Energy. The OAA saw an increase in the number of various programs to serve a greater number of senior citizens with more diverse needs. Economic and community development programs remained stable although there was no significant federal or state increase in funding. As a result, any salary increases or increased program costs were funded by increased local funds and fund balance appropriation. The budget for fiscal year 2013-2014 has been presented to the Board of Directors and represents a decrease of approximately \$998,161 when compared to the final budget for fiscal year 2012-2013.
- As of May 2006, the Commission moved into their new office space at 125 Bonnie Lane in Sylva, NC. A lease agreement is currently in place. Due to recent legislative changes, the Commission will be able to borrow funds to purchase the building outright in the future. However, recent budgetary constraints have resulted in all major capital expenditures for the near future to be held in abeyance.

## Requests for Information

This report is intended to provide a summary of the financial condition of the Commission. Questions or requests for additional information should be addressed to:

Roger Wiggins, CPA  
Fiscal Officer  
Southwestern North Carolina  
Planning and Economic Development Commission  
125 Bonnie Lane  
Sylva, NC 28779  
Tel: 828-586-1962, Ext. 203  
roger@regiona.org

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Statement of Net Position  
June 30, 2013

	<b><u>Governmental Activities</u></b>
Assets	
Current assets:	
Cash and cash equivalents	\$ 381,387
Restricted cash	1,136,076
Receivables	401,712
Notes receivable	802,470
Interest receivable	11,683
Total current assets	2,733,328
Capital assets:	
Equipment, net of depreciation	7,632
Total assets	2,740,960
Liabilities	
Accounts payable and accrued expenses	341,933
Long-term liabilities:	
Due in more than one year	52,925
Total liabilities	394,858
Deferred inflows of resources	126,554
Net position	
Net investment in capital assets	7,632
Restricted for:	
Stabilization by State Statute	419,108
Revolving loan	1,938,546
Unrestricted	(145,738)
Total net position	\$ 2,219,548

The notes to the financial statements are an integral part of this statement.

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Statement of Activities

For the Fiscal Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u> <u>Governmental Activities</u>
Governmental activities:			
General government	\$ 25,420	\$ -	\$ (25,420)
Public safety	650,416	650,416	-
Transportation	117,848	90,500	(27,348)
Technology	33,087	33,087	-
Economic and physical development	463,115	526,891	63,776
Human services	2,687,945	2,627,988	(59,957)
Workforce development	1,907,221	1,907,221	-
	<u>\$ 5,885,052</u>	<u>\$ 5,836,103</u>	<u>\$ (48,949)</u>
		General revenues:	
		Local governmental dues	145,577
		Grants and contributions not restricted to specific programs	20,506
		Miscellaneous revenues	49,878
		Investment earnings	25,060
		Total general revenues	<u>241,021</u>
		Change in net position	192,072
		Net position—beginning	<u>2,027,476</u>
		Net position—ending	<u>\$ 2,219,548</u>

The notes to the financial statements are an integral part of this statement.

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Balance Sheet—Governmental Funds

June 30, 2013

<u>Assets</u>	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	
Assets:			
Cash and cash equivalents	\$ 381,387	\$ -	\$ 381,387
Restricted cash	-	1,136,076	1,136,076
Receivables:			
Grants	396,901	-	396,901
Sales tax refund	3,060	-	3,060
Notes	-	802,470	802,470
Interest	-	11,683	11,683
Miscellaneous	1,751	-	1,751
Due from other funds	-	5,712	5,712
	<u>\$ 783,099</u>	<u>\$ 1,955,941</u>	<u>\$ 2,739,040</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 8,755	\$ -	\$ 8,755
Due to subcontractors	333,178	-	333,178
Due to other funds	5,712	-	5,712
Total liabilities	<u>347,645</u>	<u>-</u>	<u>347,645</u>
Deferred inflows of resources	<u>126,554</u>	<u>802,470</u>	<u>929,024</u>
Fund balances:			
Restricted:			
Stabilization by State Statute	401,712	17,395	419,107
Revolving loans	-	1,136,076	1,136,076
Committed:			
Special assessment—building	73,313	-	73,313
Unassigned	(166,125)	-	(166,125)
Total fund balances	<u>308,900</u>	<u>1,153,471</u>	<u>1,462,371</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 783,099</u>	<u>\$ 1,955,941</u>	<u>\$ 2,739,040</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:			
Ending fund balance—governmental funds			\$ 1,462,371
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds			7,632
Notes receivable related to revolving loan activity in the governmental-wide statements do not provide current financial resources, and therefore are deferred in the fund statements.			802,470
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.			(52,925)
Net position of governmental activities			<u>\$ 2,219,548</u>

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Statement of Revenues, Expenditures and Changes in Fund Balances—  
Governmental Funds

For the Fiscal Year Ended June 30, 2013

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue</u>	
Revenues:			
Federal:			
Grants	\$ 3,594,036	\$ -	\$ 3,594,036
Revolving loan repayments	-	15,189	15,189
State:			
Grants	1,946,169	-	1,946,169
County OJJ funds	41,956	-	41,956
Local funds:			
General assessments	145,577	-	145,577
Foundation funds	48,087	-	48,087
Miscellaneous	49,878	-	49,878
Interest	376	24,684	25,060
Contributions/fees	9,953	-	9,953
Total revenues	<u>5,836,032</u>	<u>39,873</u>	<u>5,875,905</u>
Expenditures:			
Local activities	42,151	-	42,151
Appalachian Regional Commission—Administration Grants #076A-02 and #076A-03	154,000	-	154,000
Appalachian Regional Commission—Housing	9,158	-	9,158
Appalachian Regional Commission—Water Project	17,691	-	17,691
Appalachian Regional Commission—Telecommunications Grant	20,765	-	20,765
NC Tomorrow Project	10,000	-	10,000
Regional Toolbox Project	45,000	-	45,000
Duke Energy Project	5,000	-	5,000
Regional Trail Project	23,711	-	23,711
N.C. Office of Juvenile Justice	650,416	-	650,416
WNCEDNET Technology	33,087	-	33,087
N.C. DOT—RPO Grant	117,848	-	117,848
ARC Green Equipment Project	37,845	-	37,845
Economic Development Administration—Planning Projects #04-83-04638-02 and #04-83-04638-03	116,593	-	116,593
Economic Development Administration-RLF Loans Made	-	150,000	150,000
Economic Development Administration—RLF Refunds	-	1,208	1,208
Economic Development Administration—Revolving Loan Fund Administration	1,638	-	1,638
WIA Fund 2050	21,007	-	21,007

(Continued)

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Statement of Revenues, Expenditures and Changes in Fund Balances—  
Governmental Funds, Continued

For the Fiscal Year Ended June 30, 2013

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue</u>	
Expenditures, Continued:			
Workforce Investment Act—Administration—Fund 2010	\$ 168,449	\$ -	\$ 168,449
Workforce Investment Act—Adult—Fund 2020	694,070	-	694,070
Workforce Investment Act—Youth—Fund 2040	438,894	-	438,894
Workforce Investment Act—Dislocated Workers— Fund 2030/2031	562,801	-	562,801
Workforce Investment Act— Fund 2011	22,000	-	22,000
Division of Aging—Planning and Administration	178,069	-	178,069
Division of Aging—Elder Abuse	5,715	-	5,715
Division of Aging—Senate Bill 1559—AAA Support	48,262	-	48,262
Division of Aging—Senior Center General Purpose	42,841	-	42,841
Division of Aging—Family Caregiver	173,848	-	173,848
Division of Aging—SMP	15,000	-	15,000
Division of Aging—MIPPAA	18,753	-	18,753
Division of Aging—Long-term Care Ombudsman	111,520	-	111,520
Division of Aging—Home Community Care Block Grant	2,010,674	-	2,010,674
Division of Aging-CDSMP	1,000	-	1,000
Division of Aging-CRC	48,311	-	48,311
Division of Aging—Legal Services	15,496	-	15,496
Division of Aging—Title IIID—Preventive Health	16,396	-	16,396
Division of Aging—Fan Project	2,060	-	2,060
State Technical Assistance Grant	20,506	-	20,506
Total expenditures	<u>5,900,575</u>	<u>151,208</u>	<u>6,051,783</u>
Deficiency of revenues over expenditures	(64,543)	(111,335)	(175,878)
Other financing sources (uses):			
Transfers from (to) other funds	<u>1,638</u>	<u>(1,638)</u>	<u>-</u>
Net change in fund balances	(62,905)	(112,973)	(175,878)
Fund balances:			
Fund balances—beginning	<u>371,805</u>	<u>1,266,444</u>	<u>1,638,249</u>
Fund balances—ending	<u>\$ 308,900</u>	<u>\$ 1,153,471</u>	<u>\$ 1,462,371</u>

(Continued)

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Statement of Revenues, Expenditures and Changes in Fund Balances—  
Governmental Funds, Continued

For the Fiscal Year Ended June 30, 2013

Amounts reported for governmental activities in the statements of activities are different because:	
Net change in fund balance—total governmental funds	\$ (175,878)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	7,632
Revolving loan repayments and advances are reported as revenues and expenditures in the governmental funds. This is the amount that advances exceeded repayments.	134,815
Reversal of revolving notes receivable written off in prior year and reported as an increase to revenues in the governmental funds Statement of Activities.	216,408
Some expenses reported in the Statement of Activities do not require the use of current financial resources in governmental funds:	
Compensated absences	<u>9,095</u>
Total changes in net position of governmental activities	<u><u>\$ 192,072</u></u>

The notes to the financial statements are an integral part of this statement.

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Statement of Revenues, Expenditures and Changes in Fund Balances—  
Annual Budget and Actual—General and Annually Budgeted Major Special Revenue Fund

For the Fiscal Year Ended June 30, 2013

	<b>General</b>			<b>Variance With Final Budget Favorable (Unfavorable)</b>
	<b><u>Original Budget</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	
Revenues:				
Federal:				
Grants	\$ 3,910,090	\$ 4,199,046	\$ 3,594,036	\$ (605,010)
Revolving loan payments	-	-	-	-
State	1,679,397	2,040,914	1,946,169	(94,745)
Local funds:				
General assessments	145,577	145,577	145,577	-
Interest	3,500	1,000	376	(624)
Foundation funds	-	175,000	48,087	(126,913)
Miscellaneous	7,000	37,000	49,878	12,878
Contributed match (local)	50,000	50,000	41,956	(8,044)
Contributions/fees	-	10,100	9,953	(147)
Total revenues	<u>5,795,564</u>	<u>6,658,637</u>	<u>5,836,032</u>	<u>(822,605)</u>
Expenditures:				
Local activities	25,000	50,000	42,151	7,849
Revolving loans made	-	-	-	-
Appalachian Regional Commission—Administration				
Grants #076A-02 and #076A-03	143,695	154,000	154,000	-
Appalachian Regional Commission—Housing	9,250	9,250	9,158	92
Appalachian Regional Commission—Water Project	17,877	17,877	17,691	186
Appalachian Regional Commission—				
Telecommunications Grant	20,963	20,963	20,765	198
ARC Green Equipment Project	-	38,000	37,845	155
Regional Trails Project	-	24,000	23,711	289
NC Tomorrow Project	-	50,000	10,000	40,000
N.C. Office of Juvenile Justice	500,000	690,000	650,416	39,584
Toolbox Project	-	50,000	45,000	5,000
OPTIN Project	-	50,000	-	50,000
WNCEDNET Technology	-	50,000	33,087	16,913
Duke Energy Project	-	75,000	5,000	70,000
Bad Debt Expenditure	-	-	-	-
N.C. DOT—Transportation RPO	117,525	117,900	117,848	52
Economic Development Administration—Planning				
Project #04-83-04638-02 and #04-83-04638-03	112,326	116,605	116,593	12
Economic Development Administration—				
Revolving Loan Fund Administration	-	4,000	1,638	2,362
Refunds to EDA (RLF)	-	-	-	-

**Special Revenue**

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
\$ -	\$ -	\$ -	\$ -
15,000	15,000	15,189	189
-	-	-	-
-	-	-	-
7,540	14,790	24,684	9,894
-	-	-	-
-	-	-	-
-	-	-	-
<u>22,540</u>	<u>29,790</u>	<u>39,873</u>	<u>10,083</u>
-	-	-	-
22,540	168,540	150,000	18,540
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	6,000	-	6,000
-	-	-	-
-	-	-	-
-	-	-	-
-	1,250	1,208	42

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Statement of Revenues, Expenditures and Changes in Fund Balances—  
Annual Budget and Actual—General and Annually Budgeted Major Special Revenue Funds, Continued

For the Fiscal Year Ended June 30, 2013

	<b>General</b>			<b>Variance With Final Budget Favorable (Unfavorable)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
Expenditures, Continued:				
WIA Fund 2050—Incentive	\$ 175,000	\$ 21,500	\$ 21,007	\$ 493
Workforce Investment Act Admin.—Fund 2010	250,000	218,351	168,449	49,902
Workforce Investment Act—Adult—Fund 2020	650,000	819,214	694,070	125,144
Workforce Investment Act—Youth—Fund 2040	523,747	650,000	438,894	211,106
Workforce Investment Act-Fund 2011	-	22,000	22,000	-
Workforce Investment Act—Dislocated Workers Program—Fund 2030/2031	822,116	711,798	562,801	148,997
Division of Aging—Planning and Administration	174,978	178,100	178,069	31
Division of Aging—Elder Abuse	5,617	5,715	5,715	-
Division of Aging—Senate Bill 1559—AAA Support	45,423	48,262	48,262	-
Division of Aging—Senior Center General Purpose	50,000	43,089	42,841	248
Division of Aging—Family Caregiver	164,704	173,985	173,848	137
Division of Aging—Medicare Patrol	9,300	15,000	15,000	-
Division of Aging—MIPPAA	29,890	18,806	18,753	53
Division of Aging—Fan Project	2,304	2,704	2,060	644
Division of Aging—Long-Term Care—Ombudsman	104,284	111,520	111,520	-
Division of Aging—Home Community Care Block Grant	1,883,128	2,087,146	2,010,674	76,472
Division of Aging—HCCBG Legal Services	15,085	15,497	15,496	1
Division of Aging-CRC Project	-	48,311	48,311	-
Division of Aging—Title IIID—Preventive Health	15,776	16,396	16,396	-
Division of Aging—CDSMP Grant	15,468	1,000	1,000	-
State Technical Assistance Grant	21,500	20,506	20,506	-
Total expenditures	<u>5,904,956</u>	<u>6,746,495</u>	<u>5,900,575</u>	<u>845,920</u>



**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Statement of Revenues, Expenditures and Changes in Fund Balances—  
Annual Budget and Actual—General and Annually Budgeted Major Special Revenue Funds, Continued

For the Fiscal Year Ended June 30, 2013

	<b>General</b>			<b>Variance With Final Budget Favorable (Unfavorable)</b>
	<b><u>Original Budget</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>(Unfavorable)</u></b>
Deficiency revenues over expenditures	\$ (109,392)	\$ (87,858)	\$ (64,543)	\$ 23,315
Other financing sources(uses):				
Transfers from (to) other funds	-	4,000	1,638	(2,362)
Appropriated fund balance	<u>109,392</u>	<u>83,858</u>	<u>-</u>	<u>(83,858)</u>
Total other financing sources	<u>109,392</u>	<u>87,858</u>	<u>1,638</u>	<u>(86,220)</u>
Net changes in fund balances	<u>\$ -</u>	<u>\$ -</u>	(62,905)	<u>\$ (62,905)</u>
Fund balances—July 1			<u>371,805</u>	
Fund balances—June 30			<u>\$ 308,900</u>	

The notes to the financial statements are an integral part of this statement.

**Special Revenue**

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
\$ -	\$ (146,000)	\$ (111,335)	\$ 34,665
-	(4,000)	(1,638)	2,362
-	150,000	-	(150,000)
-	146,000	(1,638)	(147,638)
<u>\$ -</u>	<u>\$ -</u>	(112,973)	<u>\$ (112,973)</u>
		<u>1,266,444</u>	
		<u>\$ 1,153,471</u>	

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Notes to the Financial Statements

June 30, 2013

1. **Summary of Significant Accounting Policies**

The accounting policies of Southwestern North Carolina Planning and Economic Development Commission (the "Commission") conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. **Reporting Entity** - Southwestern North Carolina Planning and Economic Development Commission a voluntary association of local governments, is one of eighteen multi-county planning districts in the State of North Carolina and is comprised of Cherokee, Clay, Graham, Haywood, Jackson, Macon and Swain Counties. The Commission provides a wide range of technical assistance and planning services to member governments upon request. The member governments are separate governmental entities whose financial statements are not included in the accompanying financial statements.

B. **Basis of Presentation**

***Government-Wide Statements*** - The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements display the *governmental activities* of the Commission. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including member dues, are presented as general revenues.

***Fund Financial Statements*** - The fund financial statements provide information about the Commission's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Commission reports the following major governmental funds:

- **General Fund**

The General Fund is the general operating fund of the Commission. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are technical assistance contracts, contract and fees, and member dues. The primary expenditures are for area agency on aging, planning assistance and administration, workforce development and the regional initiatives group. A special revenue fund for future capital outlay has been consolidated into the General Fund in accordance with GASB Statement No. 54.

- **Special Revenue Fund**

The Special Revenue Fund accounts for specific revenue sources that are legally restricted to expenditures for specified purposes. The Revolving Loan Fund, established to meet the overall economic development goals for the area by encouraging the development of new industries and the expansion of established industries, is accounted for as a special revenue fund.

- C. **Measurement Focus and Basis of Accounting** - In accordance with North Carolina General Statutes, all funds of the Commission are maintained during the year using the modified accrual basis of accounting.

***Government-Wide Financial Statements*** - The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

***Governmental Fund Financial Statements*** - Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general

long-term debt and acquisitions under capital leases are reported as other financing sources.

The Commission considers all revenues available if they are collected within 60 days after year-end. Grant revenues which are unearned at year-end are recorded as unearned revenues.

Those revenues susceptible to accrual are member dues, investment earnings, technical assistance contracts, contracts and fees, and federal and State restricted intergovernmental revenues. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

- D. **Budgetary Data** - The Commission's budgets are adopted as required by the North Carolina General Statutes. Annual budgets are adopted for all funds. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the program level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any program within a fund and all amendments must be approved by the governing board. However, transfers from one appropriation to another within the same fund and program in any amount may be made by the finance officer but must be reported to the Board at its next regular meeting. The finance officer is also permitted to authorize expenditures from the contingency account, if any, provided that such expenditures are transferred to an existing appropriation on a budget line-item before the expenditure is made. All such transfers must be reported to the Board at its next meeting and duly recorded in the minutes. During the year, several amendments were necessary due to increased or decreased federal and State funding for various programs.

- E. **Assets, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances**

***Cash and Cash Equivalents*** - The Commission pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Commission considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

***Deposits and Investments*** - All deposits of the Commission are made in board-designated official depositories and are secured as required by state law (G.S. 159-31). The Commission may designate, as an official depository, any

bank or savings association whose principal office is located in North Carolina. Also, the Commission may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Commission to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT), an SEC registered mutual fund. The Commission's investments are stated at fair value as determined by quoted market prices.

**Capital Assets** - Capital assets are defined by the Commission as assets with an initial individual cost of more than a certain cost and an estimated useful life in excess of two years. The approved capitalization policy is \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Computer equipment is the Commission's only capital asset class and is depreciated using the straight-line method over the estimated useful life of three years.

**Restricted Assets** - Certain cash balances are restricted by purpose. Revolving loan cash balances are restricted for loan activity and administration of the program.

**Notes Receivable** - Loans are recognized as funds are lent. Because the Commission's notes receivable are long-term, they do not meet the definition of a current asset under the "current financial resources measurement focus" and therefore, a like amount of the Commission's Loan Administration special revenue fund balance is reserved by deferring the outstanding balance as unavailable revenue. Notes receivable that historically experience uncollectible accounts are shown net of allowance for doubtful accounts. Notes receivable determined to be uncollectible are shown in the statement of revenue, expenditures and changes in fund balance as a reduction of fund balance. The amount of principal due on notes receivable within one year is considered immaterial.

**Deferred inflows of resources** - In addition to liabilities the statement of financial position will some time report a separate financial statement element, *Deferred Inflows of Resources*. This element represents an acquisition of net position that applies to a future period and so will not be recognize as revenue until then. The

Commission has two items that meet this criterion - unearned grant revenue in the General Fund and notes receivable in the Special Revenue Fund.

**Long-Term Obligations** - In the government-wide financial statements, other long-term obligations are reported as liabilities in the applicable governmental activities.

**Compensated Absences** - Employees of the Commission earn vacation leave of varying rates based upon experience with the Commission with a maximum of 19.76 days per year. The vacation policy of the Commission provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. At December 31 of each year, any excess accumulated vacation is converted into sick leave. For the Commission, the current portion of the accumulated vacation pay is not considered to be material. The Commission's liability for accumulated earned vacation and the salary-related payments as of June 30, 2013, are recorded in the government-wide financial statements on a FIFO basis, assuming that employees are taking leave time as it is earned.

The Commission's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Commission has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**Net Position** - Net position in government-wide financial statements are classified as investment in capital assets, restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

**Fund Balance** - In the governmental fund financial statements, fund balance is composed of three classifications designed to disclose the hierarchy of constraints place on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

- Restricted Fund Balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.
  - *Stabilization by State Statute* - portion of fund balance that is constrained by state statute G.S. 159-8(a) from appropriation.

- *Revolving Loans* - portion of fund balance restricted for low interest loan program activity.
- Committed Fund Balance - This classification includes amounts that can only be spent for specific purposes that have been approved by the highest level of formal action of the Board and does not lapse at year-end. Any changes or removal of specific purposes require the same formal action by the Board. The amounts are committed for the building project.
- Unassigned Fund Balance - This classification includes amounts of fund balance that are spendable and have not been restricted, committed, or assigned to specific purposes or other funds. Unassigned fund balance does not represent amounts of fund balance that can be appropriated.

The Commission does not have a formal fund balance policy. Therefore, any unassigned fund balance in the General Fund is available for appropriation.

The Commission does not have a formal revenue spending policy; however, it is the Commission's practice to use resources in the following hierarchy: Federal funds, State funds, local non-Commission funds and Commission funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed by committed fund balance, and lastly unassigned fund balance.

F. **Revenues and Expenditures**

***Indirect Costs*** - Indirect costs are allocated to the various grants, based on the proportion of each grant's salaries, to the total of direct salaries for all grants. The allocation ratio for the year ended June 30, 2013, is 40.23% of direct salaries. The Appalachian Regional Commission, the Commission's oversight agency, has reviewed and found no fault in the provisional rate. The indirect cost provisional rate is adjusted to actual at year-end if the actual rate is determined to be lower than the provisional rate. However, if the actual rate is higher than the rate used, local income is used to supplement the indirect costs instead of adjusting the rate used. The actual indirect cost rate for the year ended June 30, 2013, is 40.23% of direct salaries.

***Other Resources*** - The Special Revenue Fund provides reimbursement for the administration of the Revolving Loan Funds to the General Fund. These transactions are recorded as "Transfers to other funds" in the Special Revenue Fund and "Transfers from other funds" in the General Fund.

2. **Detail Notes on All Funds**

A. **Assets**

***Deposits*** - All deposits of the Commission are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Commission's agent in the Commission's name. Under the Pooling Method, a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Commission these deposits are considered to be held by the Commission's agent in the Commission's name. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Commission or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Commission under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Commission has no policy regarding custodial credit risk for deposits.

At June 30, 2013, the Commission's deposits had a carrying amount of \$193,621 and a bank balance of \$501,907. Of the bank balance, \$250,000 was covered by federal depository insurance and \$251,907 was covered by collateral held under the Pooling Method. The Commission also had petty cash on hand in the amount of \$50.

***Investments*** - At June 30, 2013, the Commission had \$1,323,792 invested with the North Carolina Capital Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's. The Commission has no policy for managing interest rate risk or credit risk.

***Notes Receivable*** - The notes receivable represents loans made to companies from the Revolving Loan Fund. The major criterion for receiving such a loan is that the money is spent for purposes that will create new jobs in the area. The notes receivable are at interest rates that vary from 5% to floating prime and are repaid quarterly and monthly over a period of one to seven years. Notes receivable are

collateralized by the personal assets of the companies' owners or majority shareholders or by the assets of the company.

The amount of notes receivable presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2013, were:

	<u>Economic Development Administration</u>	<u>Appalachian Regional Development</u>	<u>Total</u>
Notes receivable	\$ 599,689	\$ 202,781	\$ 802,470

*Capital Assets* - A summary of changes in capital assets follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets being depreciated:				
Equipment	\$ -	\$ 9,540	\$ (1,908)	\$ 7,632

B. **Liabilities**

*Pension Plan Obligations:*

- Local Governmental Employees' Retirement System
  - **Plan Description.** The Commission contributes to the statewide Local Governmental Employees' Retirement System ("LGERS") a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 3512 Bush Street, Raleigh, North Carolina, 27609, or by calling (919) 981-5454.
  - **Funding Policy.** Plan members are required to contribute 6% of their annual covered salary. The Commission is required to contribute at an actuarially determined rate of 7.07%. The contribution requirements of members and of the Commission are established and may be amended by the North Carolina General Assembly. The Commission's contributions to

LGERS for the years ended June 30, 2013, 2012 and 2011, were \$51,828, \$54,562, and \$51,890. The contributions made by the Commission equaled the required contributions for each year.

**Post-Employment Benefit** - The Commission has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest month's salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The Commission has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Because the benefit payments are made by the Death Benefit Plan and not by the Commission the Commission does not determine the number of eligible participants. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount.

**Other Post-employment Benefits** – During the year the Commission approved a resolution whereby the Commission will assist retired employees (with over 25 years of experience at the Commission) with health insurance cost at a rate of \$400 per month from the ages 62 to 65 years old. There was one participant as of June 30, 2013, and payments were started on behalf of retired employees in July 2013.

**Long-Term Obligation Activity** - The following is a summary of changes in the Commission's long-term obligations for the year ended June 30, 2013:

	<b>July 1, 2012</b>	<b>Net Decrease</b>	<b>June 30, 2013</b>
Compensated absences payable	\$ 62,020	\$ (9,095)	\$ 52,925

**Lease Obligation** - During 2006 the Commission entered into a lease agreement for the use of office space for a term of five years, with renewal provisions. Payments are to be made in monthly installments of \$6,975 for the current year of

the lease, and thereafter shall increase 3% per year for the remaining term. The approximate future minimum lease payments are as follows:

<u>Fiscal Year</u>	
2014	\$ 83,694
2015	83,694
2016	<u>27,898</u>
	<u>\$ 195,286</u>

It is expected that the rental payments will remain approximately the same through October 2015, at which time the Commission will have the option to renew the lease for an additional 5 years. Operating lease expense for the year ended June 30, 2013, was \$83,311.

**Risk Management** - The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission participates in two self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Commission has worker's compensation coverage of up to statutory limits, and employee health coverage up to a \$1 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for worker's compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance based upon a percentage of total insurance values.

Commission employees are performance bonded through a commercial surety policy. All employees are covered under a \$20,000 blanket bond. The executive director/finance officer is covered by an additional \$50,000 position specific amount.

The Commission does not carry flood insurance on any facility based on no material assets located within a flood prone area.

The Commission carries commercial insurance against all other risks of loss, including property and general liability insurance. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded commercial insurance coverage in any of the last three fiscal years.

***Unemployment Compensation Insurance*** - The Commission is required to fund unemployment compensation benefits for its employees. The Commission has elected the experience rate method for paying the costs of unemployment compensation benefits. Under this method, the Commission pays the state .7% of the first \$20,400 of gross wages paid per employee during a calendar year.

***Federal and State Assisted Programs*** - The Commission has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

***Contingent Liabilities*** – In the normal course of business the Commission becomes subject to claims and counter claims with the potential to result in liabilities to the Commission. In the opinion of management and the Commission’s attorney, the ultimate effect on these legal matters will not have a material adverse effect on the Commission’s financial position.

C. **Deferred Inflows of Resources**

The balance in deferred inflows of resources at June 30, 2013 is composed of the following:

	<b><u>Unearned Revenue</u></b>	<b><u>Unavailable Revenue</u></b>
Grants not yet earned (General)	\$ 126,554	\$ -
Notes Receivable, net (Special Revenue)	-	802,470
	<hr/>	<hr/>
Total	<b><u>\$ 126,554</u></b>	<b><u>\$ 802,470</u></b>

D. **Interfund Balances and Activity**

The \$5,712 in Due from General Fund to the Special Revenue Fund results from an adjustment in the General Fund resulting in excess cash to be reimbursed to the Special Revenue Fund.

Transfers from the Special Revenue Fund to the General Fund of \$1,638 were for Revolving Loan Fund administrative cost reimbursements.

3. **Change in Accounting Principles**

The Commission implemented Governmental Accounting Standards Board (“GASB”) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and Statement No. 65, *Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Liabilities, Deferred Inflows of Resources, and Net Position. In accordance with GASB 65, unearned grant revenue and notes receivable previously classified as deferred revenue has been reclassified as deferred inflows of resources.

**SUPPLEMENTARY INFORMATION  
AND  
OTHER SCHEDULES**

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Schedule of Revenues and Expenditures in Detail  
Compared to Budget—Older Americans Act Programs

For the Fiscal Year Ended June 30, 2013

	<b><u>Budgeted Amount</u></b>	<b><u>P&amp;A</u></b>	<b><u>Elder Abuse</u></b>	<b><u>AAA Support</u></b>	<b><u>Family Caregiver</u></b>	<b><u>Medicare Patrol</u></b>	<b><u>Senior Center General Purpose</u></b>
Revenues:							
Federal		\$126,882	\$ 4,858	\$ -	\$ 158,001	\$ -	\$ -
State		6,953	286	48,262	10,534	9,000	42,841
Local		40,594	571	-	-	6,000	-
Contributions/fees		<u>3,640</u>	<u>-</u>	<u>-</u>	<u>5,313</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 2,765,531</u>	<u>\$178,069</u>	<u>\$ 5,715</u>	<u>\$ 48,262</u>	<u>\$ 173,848</u>	<u>\$ 15,000</u>	<u>\$ 42,841</u>
Expenditures:							
Salaries		\$ 74,210	\$ 3,334	\$ 23,814	\$ 54,232	\$ 9,585	\$ -
Fringe		22,510	846	9,330	19,292	1,206	-
Travel		7,257	183	2,444	5,176	353	-
Training		50	-	143	65	-	-
Operating		41,210	11	2,950	9,755	-	-
Contracted services		-	-	-	63,509	-	42,841
MIS		2,664	-	-	-	-	-
Miscellaneous		311	-	-	-	-	-
Indirect		<u>29,857</u>	<u>1,341</u>	<u>9,581</u>	<u>21,819</u>	<u>3,856</u>	<u>-</u>
Total expenditures	<u>\$ 2,765,531</u>	<u>\$178,069</u>	<u>\$ 5,715</u>	<u>\$ 48,262</u>	<u>\$ 173,848</u>	<u>\$ 15,000</u>	<u>\$ 42,841</u>

See the accompanying Independent Auditors' Report.

<u>Ombudsman</u>	<u>HCCBG</u>	<u>Legal</u>	<u>Title IID</u>	<u>CDSMP</u>	<u>CRC</u>	<u>MIPPAA</u>	<u>Fan Project</u>	<u>Total</u>	<u>Variance</u>
\$ 49,614	\$ 1,026,654	\$ 14,634	\$ 13,936	\$ -	\$ -	\$ 18,753	\$ -	\$1,413,332	
50,754	984,020	862	820	-	48,311	-	2,060	1,204,703	
11,152	-	-	1,640	-	-	-	-	59,957	
-	-	-	-	1,000	-	-	-	9,953	
<u>\$ 111,520</u>	<u>2,010,674</u>	<u>\$ 15,496</u>	<u>\$ 16,396</u>	<u>\$ 1,000</u>	<u>\$ 48,311</u>	<u>\$ 18,753</u>	<u>\$ 2,060</u>	<u>\$2,687,944</u>	<u>\$ (77,586)</u>
\$ 56,284	\$ -	\$ -	\$ 8,667	\$ -	\$ -	\$ 3,467	\$ -	\$ 233,593	
17,981	-	-	3,033	-	-	1,385	-	75,583	
11,245	-	-	210	-	-	630	-	27,508	
-	-	-	-	-	-	-	-	258	
3,365	-	-	999	1,000	-	-	-	59,290	
-	2,010,674	15,496	-	-	48,311	11,876	-	2,192,707	
-	-	-	-	-	-	-	-	2,664	
-	-	-	-	-	-	-	2,060	2,371	
22,645	-	-	3,487	-	-*	1,395	-	93,981	
<u>\$ 111,520</u>	<u>\$ 2,010,674</u>	<u>\$ 15,496</u>	<u>\$ 16,396</u>	<u>\$ 1,000</u>	<u>\$ 48,311</u>	<u>\$ 18,753</u>	<u>\$ 2,060</u>	<u>\$2,687,944</u>	<u>\$ 77,586</u>

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Schedule of Revenues and Expenditures in Detail  
Compared to Budget—Workforce Investment Act Programs

For the Fiscal Year Ended June 30, 2013

	<u>Budgeted Amount</u>	<u>Fund 2010</u>	<u>Fund 2020</u>	<u>Fund 2030</u>	<u>Fund 2040 In-School</u>	<u>Fund 2040 Out-School</u>
Revenues:						
Federal:						
PY 2010		\$ -	\$ -	\$ -	\$ -	\$ -
PY 2011		37,664	169,099	498,979	41,825	187,472
PY 2012		<u>130,785</u>	<u>524,971</u>	<u>63,822</u>	<u>38,265</u>	<u>171,332</u>
Total revenues	<u>\$ 2,442,863</u>	<u>\$ 168,449</u>	<u>\$ 694,070</u>	<u>\$ 562,801</u>	<u>\$ 80,090</u>	<u>\$ 358,804</u>
Expenditures:						
Salaries		\$ 44,976	\$ 84,277	\$ 56,797	\$ 32,853	\$ 32,853
Fringe		3,984	31,706	20,329	10,189	10,239
Travel		3,652	6,534	4,054	5,255	4,785
Program activities		-	-	-	-	-
Operating		14,548	21,600	22,532	14,240	14,930
Contracted services		-	409,382	427,955	-	269,087
Participant services		-	140,571	31,134	17,553	26,910
Indirect		<u>101,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 2,442,863</u>	<u>\$ 168,449</u>	<u>\$ 694,070</u>	<u>\$ 562,801</u>	<u>\$ 80,090</u>	<u>\$ 358,804</u>

See the accompanying Independent Auditors' Report.

<u>Fund 2011</u>	<u>Fund 2050</u>	<u>Total</u>	<u>Variance</u>
\$ -	\$ 21,007	\$ 21,007	
22,000	-	957,039	
-	-	929,175	
<u>\$ 22,000</u>	<u>\$ 21,007</u>	<u>\$ 1,907,221</u>	<u>\$ (535,642)</u>
\$ -	\$ -	\$ 251,756	
-	-	76,447	
1,499	-	25,779	
20,501	21,007	41,508	
-	-	87,850	
-	-	1,106,424	
-	-	216,168	
-	-	101,289	
<u>\$ 22,000</u>	<u>\$ 21,007</u>	<u>\$ 1,907,221</u>	<u>\$ 535,642</u>

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Schedule of Revenues and Expenditures in Detail  
Compared to Budget—Economic Development Administration Planning Grants

For the Fiscal Year Ended June 30, 2013

	<b><u>Budgeted Amount</u></b>	<b><u>EDA 301(b) #1</u></b>	<b><u>EDA 301(b) #2</u></b>	<b><u>Total</u></b>	<b><u>Variance</u></b>
Revenues:					
Federal		\$ 29,463	\$ 40,492	\$ 69,955	
Local		19,642	26,996	46,638	
Total revenues	<u>\$ 116,605</u>	<u>\$ 49,105</u>	<u>\$ 67,488</u>	<u>\$ 116,593</u>	<u>\$ (12)</u>
Expenditures:					
Salaries		\$ 26,323	\$ 35,647	\$ 61,970	
Fringe		8,346	10,394	18,740	
Travel		1,663	3,005	4,668	
Operating		2,182	4,100	6,282	
Indirect		10,591	14,342	24,933	
Total expenditures	<u>\$ 116,605</u>	<u>\$ 49,105</u>	<u>\$ 67,488</u>	<u>\$ 116,593</u>	<u>\$ 12</u>

See the accompanying Independent Auditors' Report.

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Schedule of Revenues and Expenditures in Detail  
Compared to Budget—Appalachian Regional Commission Grants

For the Fiscal Year Ended June 30, 2013

	<b><u>Budgeted Amount</u></b>	<b><u>ARC 302(a) #1</u></b>	<b><u>ARC 302(a) #2</u></b>	<b><u>ARC 207-HP</u></b>
Revenues:				
Federal		\$ 51,907	\$ 41,276	\$ 9,000
Local		<u>34,605</u>	<u>26,212</u>	<u>158</u>
Total revenues	<u>\$ 240,090</u>	<u>\$ 86,512</u>	<u>\$ 67,488</u>	<u>\$ 9,158</u>
Expenditures:				
Salaries		\$ 45,904	\$ 39,798	\$ 5,262
Fringe		9,091	8,597	1,537
Travel		10,463	1,231	242
Operating		2,585	1,850	-
Indirect		<u>18,469</u>	<u>16,012</u>	<u>2,117</u>
Total expenditures	<u>\$ 240,090</u>	<u>\$ 86,512</u>	<u>\$ 67,488</u>	<u>\$ 9,158</u>

See the accompanying Independent Auditors' Report.

<u>ARC 207-WP</u>	<u>ARC 207-TEL</u>	<u>ARC Green Equip</u>	<u>Total</u>	<u>Variance</u>
\$ 8,500	\$ 10,000	\$ 37,845	\$ 158,528	
9,191	10,765	-	80,931	
<u>\$ 17,691</u>	<u>\$ 20,765</u>	<u>\$ 37,845</u>	<u>\$ 239,459</u>	<u>\$ (631)</u>
\$ 10,854	\$ 11,838	\$ -	\$ 113,656	
2,360	3,964	-	25,549	
110	200	-	12,246	
-	-	37,845	42,280	
4,367	4,763	-	45,728	
<u>\$ 17,691</u>	<u>\$ 20,765</u>	<u>\$ 37,845</u>	<u>\$ 239,459</u>	<u>\$ 631</u>

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Schedule of Revenues and Expenditures in Detail  
Compared to Budget—Revolving Loan Fund Administration

For the Fiscal Year Ended June 30, 2013

	<b><u>Budgeted Amount</u></b>	<b><u>EDA RLF</u></b>	<b><u>ARC RLF</u></b>	<b><u>Total</u></b>	<b><u>Variance</u></b>
Revenues:					
Transfers in	<u>\$ 4,000</u>	<u>\$ 1,638</u>	<u>\$ -</u>	<u>\$ 1,638</u>	<u>\$ (2,362)</u>
Expenditures:					
Salaries		\$ -	\$ -	\$ -	
Legal services		1,600	-	1,600	
Operating		38	-	38	
Indirect		<u>-</u>	<u>-</u>	<u>-</u>	
Total expenditures	<u>\$ 4,000</u>	<u>\$ 1,638</u>	<u>\$ -</u>	<u>\$ 1,638</u>	<u>\$ 2,362</u>

See the accompanying Independent Auditors' Report.

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Schedule of Revenues and Expenditures in Detail  
Compared to Budget—Various Community and Economic Development Projects

For the Fiscal Year Ended June 30, 2013

	<u>Budgeted Amount</u>	<u>Local Activity</u>	<u>Office of Juvenile Justice</u>	<u>WNC EDNET</u>	<u>WNC Tomorrow</u>
Revenues:					
Federal		\$ -	\$ -	\$ -	\$ -
State		-	608,460	-	-
Foundation funds		-	-	33,087	10,000
Local		42,151	-	-	-
County match		-	41,956	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>\$ 1,127,406</u>	<u>\$ 42,151</u>	<u>\$ 650,416</u>	<u>\$ 33,087</u>	<u>\$ 10,000</u>
Expenditures:					
Salaries		\$ -	\$ -	\$ -	\$ -
Fringe		16,150	-	-	-
Travel		1,708	-	-	-
Operating		24,293	-	-	-
Pass through		-	650,416	33,087	10,000
Indirect		-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	<u>\$ 1,127,406</u>	<u>\$ 42,151</u>	<u>\$ 650,416</u>	<u>\$ 33,087</u>	<u>\$ 10,000</u>

See the accompanying Independent Auditors' Report.

<u>Regional Trail Project</u>	<u>Transportation RPO</u>	<u>Duke Project</u>	<u>Toolbox Initiative</u>	<u>State Technical Assistant</u>	<u>Total</u>	<u>Variance</u>
\$ -	\$ -	\$ -	\$ 45,000	\$ -	\$ 45,000	
22,000	90,500	-	-	20,506	741,466	
-	-	5,000	-	-	48,087	
1,711	27,348	-	-	-	71,210	
-	-	-	-	-	41,956	
<u>\$ 23,711</u>	<u>\$ 117,848</u>	<u>\$ 5,000</u>	<u>\$ 45,000</u>	<u>\$ 20,506</u>	<u>\$ 947,719</u>	<u>\$ (179,687)</u>
\$ 15,984	\$ 61,402	\$ -	\$ -	\$ -	\$ 77,386	
1,296	18,080	-	-	1,032	36,558	
-	2,697	-	-	488	4,893	
-	10,965	-	-	18,986	54,244	
-	-	5,000	45,000	-	743,503	
6,431	24,704	-	-	-	31,135	
<u>\$ 23,711</u>	<u>\$ 117,848</u>	<u>\$ 5,000</u>	<u>\$ 45,000</u>	<u>\$ 20,506</u>	<u>\$ 947,719</u>	<u>\$ 179,687</u>

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Schedule of Indirect Costs

For the Fiscal Year Ended June 30, 2013 (Additional Information)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Indirect earned	\$ 297,065	\$ 297,065	\$ -
Expenditures:			
Salaries		143,837	
Fringe benefits		38,931	
Professional services		33,000	
Communications		9,890	
Postage		4,707	
Travel		2,926	
Maintenance and repair		200	
Advertising		1,727	
Occupancy		16,647	
Office supplies		12,515	
Printing and publications		(1,802)	
Dues and subscriptions		975	
Insurance and bonds		8,629	
Training		2,347	
Janitorial		10,014	
Utilities		9,780	
MIS		647	
Non-Capital Equipment		2,095	
Total expenditures	<u>297,065</u>	<u>297,065</u>	<u>-</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying Independent Auditors' Report.

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Schedule of Indirect Cost Allocation

For the Fiscal Year Ended June 30, 2013 (Additional Information)

	<b><u>Direct Salary Expense</u></b>	<b><u>Fringe</u></b>
Local Expenditures	\$ -	\$ 16,150
Appalachian Regional Commission—302#1	45,904	9,091
Appalachian Regional Commission—302#2	39,799	8,597
Appalachian Regional Commission—207 Housing Project	5,262	1,537
Appalachian Regional Commission—207 Water Project	10,854	2,360
Appalachian Regional Commission—207 Telecomm Project	11,837	3,964
N.C. DOT—Transportation RPO	61,402	18,080
Economic Development Administration—301 #1	26,324	8,346
Economic Development Administration—301 #2	35,647	10,384
 Regional Trails Project	 15,984	 1,297
 Older American Act—Planning and Administration	 74,210	 22,510
Older American Act—Elder Abuse	3,334	846
Older American Act—AAA Support	23,814	9,330
Older American Act—Family Caregiver	54,232	19,292
Older American Act—Senior Medicare Patrol	9,585	1,206
Older American Act— Long-Term Care Ombudsman	56,284	17,981
Older American Act—Title III D	8,667	3,033
Division of Aging—MIPPAA	3,466	1,385
Workforce Investment Act—all funds	251,757	76,446
North Carolina State Technical Assistance	-	-
Pass-through to Sub-Contractors	-	-
	<hr/>	<hr/>
Total	\$ 738,362	\$ 231,835
	<hr/>	<hr/>
	<b><u>Indirect Salaries</u></b>	<b><u>Indirect Fringe</u></b>
Indirect Costs	\$ 143,837	\$ 38,932
	<hr/>	<hr/>

See the accompanying Independent Auditors' Report.

<u>Travel</u>	<u>Occupancy</u>	<u>Other Operating Costs</u>	<u>Pass Through Costs</u>	<u>Indirect Costs</u>	<u>Total Costs</u>
\$ 1,708	\$ -	\$ 24,293	\$ -	\$ -	\$ 42,151
10,463	1,646	939	-	18,469	86,512
1,230	1,850	-	-	16,012	67,488
242	-	-	-	2,117	9,158
110	-	-	-	4,367	17,691
200	-	-	-	4,763	20,764
2,697	3,523	7,442	-	24,704	117,848
1,663	2,181	-	-	10,591	49,105
3,005	1,368	2,742	-	14,342	67,488
-	-	-	-	6,431	23,712
7,257	17,510	26,724	-	29,857	178,068
183	-	11	-	1,341	5,715
2,444	305	2,788	-	9,581	48,262
5,176	2,837	8,484	-	21,819	111,840
353	-	-	-	3,856	15,000
11,245	1,236	2,130	-	22,644	111,520
210	-	1,000	-	3,487	16,397
630	-	11,877	-	1,395	18,753
25,716	31,738	313,852	-	101,289	800,798
-	2,472	18,034	-	-	20,506
-	-	-	4,071,799	-	4,071,799
<u>\$ 74,532</u>	<u>\$ 66,666</u>	<u>\$ 420,316</u>	<u>\$4,071,799</u>	<u>\$297,065</u>	<u>\$5,900,575</u>

<u>Indirect Travel</u>	<u>Indirect Occupancy</u>	<u>Indirect Operating Costs</u>	<u>Total Indirect Costs</u>
<u>\$ 2,926</u>	<u>\$ 16,646</u>	<u>\$ 94,724</u>	<u>\$ 297,065</u>

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Indirect Cost Pool

For The Year Ending June 30, 2014

**Expenditure:**

Salaries & wages	\$	154,074
Fringe benefits		38,756
Professional services		-
Training		1,500
Communications		6,000
Postage		4,000
Travel		2,500
Maintenance & repair-equipment		1,500
Building rent		14,785
Janitorial		8,400
Utilities		8,000
Advertising		1,500
Office supplies		9,500
Printing & publications		1,500
Dues & subscriptions		500
Insurance & bonds		2,000
		<hr/>
Total estimated indirect cost	\$	<u><u>254,515</u></u>

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Consolidated Central Service Cost Allocation Plan and Indirect Cost Proposal

For The Fiscal Year Ending June 30, 2014

	<b>Total Estimated Costs</b>	<b>Estimated Pass-Through Funding</b>	<b>Estimated Indirect Costs</b>	<b>Estimated Direct Salaries</b>	<b>Estimated Agency Operating Costs</b>
Indirect Costs:					
Unallocable costs	\$ -	\$ -	\$ 254,515	\$ -	\$ -
Local projects	20,000	-	-	-	20,000
Fed/State programs:	-	-	-	-	-
Arc 207-Housing	9,000	-	-	3,021	5,979
Arc 207-Water	17,000	-	-	5,706	11,294
Arc 207-Telecom	20,000	-	-	6,716	13,284
Arc 302(A)-Planning	116,139	-	-	52,097	64,042
OJJ Passthrough	600,000	600,000	-	-	-
WNCEDNET	60,000	58,000	-	-	2,000
Transportation RPO	110,634	-	-	44,176	66,458
EDA 301(B)-Planning	105,000	-	-	53,518	51,482
Aging programs	2,615,672	2,158,683	-	221,783	235,206
WIA programs	2,063,389	1,520,000	-	288,008	255,381
State Tech.Asst.	11,500	-	-	3,861	7,639
Totals	<u>\$ 5,748,334</u>	<u>\$ 4,336,683</u>	<u>\$ 254,515</u>	<u>\$ 678,886</u>	<u>\$ 732,765</u>

# **COMPLIANCE SECTION**

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Schedule of Expenditures of Federal and State Awards

For the Fiscal Year Ended June 30, 2013

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
Federal Awards:					
U.S. Department of Commerce:					
Direct Grants:					
Economic Development Administration:					
Planning Grant #1	11.302	\$ 29,463	\$ -	\$ 19,642	\$ 49,105
Planning Grant #2	11.302	40,492	-	26,996	67,488
Revolving Loan Fund cash and investments	11.301	1,072,432	-	-	1,072,432
Revolving Loan Fund loans outstanding*	11.301	599,689	-	-	599,689
Total U.S. Department of Commerce		<u>1,742,076</u>	<u>-</u>	<u>46,638</u>	<u>1,788,714</u>
U.S. Department of Health and Human Services:					
Passed through N.C. Department of Health and Human Services:					
Title VII-B—Elder Abuse	93.041	4,858	286	571	5,715
Preventive Health—III-D	93.043	13,936	820	1,640	16,396
Family Caregiver	93.052	158,001	10,534	5,313	173,848
CDSMP Program	93.048	-	-	1,000	1,000
MIPPAA Program	93.071	18,753	-	-	18,753
Aging Cluster:					
Title III—P&A	93.044, 93.045	126,882	6,953	44,234	178,069
Title III—Ombudsman	93.044	49,614	50,754	11,152	111,520
Title III—Legal	93.044	14,634	862	-	15,496
Title III—Access	93.044	164,471	155,254	-	319,725
Medicare Patrol	93.044	-	9,000	6,000	15,000
NSIP—Nutrition	93.053	103,589	-	-	103,589
Block Grant—Titles III-B, C, SSBG	93.667	758,594	828,766	-	1,587,360
Total U.S. Department of Health and Human Services		<u>1,413,332</u>	<u>1,063,229</u>	<u>69,910</u>	<u>2,546,471</u>
U.S. Department of Labor:					
Passed through N.C. Department of Commerce:					
WIA Cluster:					
Workforce Investment Act	17.258, 17.259 17.278	1,907,221	-	-	1,907,221
Appalachian Regional Commission:					
Direct Grants:					
Appalachian Local Development District Assistance:					
2011 ARC Administrative Grant	23.009	51,907	-	34,605	86,512
2012 ARC Administrative Grant	23.009	41,276	-	26,212	67,488
ARC Green Equipment	23.001	37,845	-	-	37,845
Revolving Loan Fund cash and investments	23.011	63,644	-	-	63,644
Revolving Loan Fund loans outstanding*	23.011	202,781	-	-	202,781
Toolbox Project	23.001	45,000	-	-	45,000

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Schedule of Expenditures of Federal and State Awards, Continued

For the Fiscal Year Ended June 30, 2013

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
Passed through N.C. Department of Administration:					
Appalachian Housing Programs	23.002	\$ 9,000	\$ -	\$ 158	\$ 9,158
Telecommunication Project	23.002	10,000	-	10,765	20,765
Water Project	23.002	8,500	-	9,191	17,691
Total Appalachian Regional Commission		<u>469,953</u>	<u>-</u>	<u>80,931</u>	<u>550,884</u>
N.C. State Funds:					
N.C. Department of Health and Human Services:					
Division of Aging:					
AAA Support		-	48,262	-	48,262
CRC Program		-	48,311	-	48,311
Senior Center General Purpose		-	42,841	-	42,841
Project Fan		-	2,060	-	2,060
N.C. Department of Administration:					
Technical Assistance Grant		-	20,506	-	20,506
N.C. Department of Transportation:					
Transportation RPO		-	90,500	27,348	117,848
Other Funds:					
NC Tomorrow Project		-	-	10,000	10,000
Duke Energy Project		-	-	5,000	5,000
Regional Trails Projects		-	22,000	1,711	23,711
WNCEDNET Project:					
Cherokee Preservation		-	-	33,087	33,087
Total expenditures of federal and State awards		<u>\$ 5,532,582</u>	<u>\$ 1,337,709</u>	<u>\$ 274,625</u>	<u>\$ 7,144,916</u>

(continued)

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Schedule of Expenditures of Federal and State Awards, Continued

For the Fiscal Year Ended June 30, 2013

**Notes to Schedule of Expenditures of Federal and State Awards**

Note 1 - Basis of Presentation - The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of Southwestern North Carolina Planning and Economic Development Commission and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2 - Revolving Loan Expenditures - These expenditures include the balance of loans made in the current and previous years for which the federal government is at risk, i.e., the project is still open.

\*Revolving loans with continuing compliance requirements are reported at beginning of year outstanding amounts.

Note 3 - Subrecipient Awards - Federal and State awards have been passed through to subrecipients from Home Community Care Block Grant funds (as defined by the N.C. Department of Health and Human Services). Due to the nature of these funds it is not practical to segregate federal and State portions. Subrecipients and amounts awarded are as follows:

Cherokee Co. DSS	\$ 78,965
Cherokee Co. (Penland Sr. Ctr.)	260,497
Clay Co. DSS	67,639
Clay Co. Senior Center	77,393
Clay Co. Transportation	13,729
Rescare	27,704
Eastern Band of the Cherokee Indian	56,145
Smoky Mountain Center	1,000
Graham Co. Senior Services	145,231
WestCare	55,370
Disability Partners	35,748
Haywood County	454,624
JCFRC	62,509
Jackson Co. D.O.A.	271,719
Jackson Co. Transit	12,396
Macon Co. D.O.A.	319,685
Macon Co. Transportation	45,437
State of Franklin	101,852
Swain Co. Health Department	89,568
	<hr/>
	\$ 2,177,211

See the accompanying Independent Auditors' Report.



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

**Independent Auditors' Report On Internal Control Over Financial Reporting and  
On Compliance and Other Matters Based On An Audit of Financial Statements  
Performed In Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards 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, the accompanying financial statements of the governmental activities and each major fund of Southwestern North Carolina Planning and Economic Development Commission (the "Commission"), as of and for the year ended June 30, 2013, which collectively comprises the Commission's basic financial statements, and have issued our report thereon dated November 22, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned

functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs reported as 2013-1 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which 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 and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Response to Findings**

The Commission's response to the finding identified in our audit is described in the accompanying corrective action plan. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Asheville, North Carolina  
November 22, 2013

*Dixon Hughes Goodman LLP*

**Independent Auditors' Report On Compliance With Requirements To Each Major Federal Program; Report on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act**

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

**Report on Compliance For Each Major Federal Program**

We have audited the Southwestern North Carolina Planning and Economic Development Commission (the "Commission"), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2013. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However our audit does not provide a legal determination of the Commission's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of types of compliance requirements referred to above. In planning and performing our audit, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2013-1 to be a material weakness.

The Commission's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The Commission's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133.. Accordingly, this report is not suitable for any other purpose.

Asheville, North Carolina  
November 22, 2013

*Dixon Hughes Goodman LLP*



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

**Independent Auditors' Report on Compliance For Each Major State Program;  
Report on Internal Control Over Compliance in Accordance with Applicable  
Sections of OMB Circular A-133 and the State Single Audit Implementation Act**

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

**Report on Compliance For Each Major State Program**

We have audited the Southwestern North Carolina Planning and Economic Development Commission (the "Commission"), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Commission's major state programs for the year ended June 30, 2013. The Commission's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Commission's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However our audit does not provide a legal determination of the Commission's compliance.

### **Opinion on Each Major State Program**

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of types of compliance requirements referred to above. In planning and performing our audit, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program, and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the

deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2013-1 to be a material weakness.

The Commission's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The Commission's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Asheville, North Carolina  
November 22, 2013

*Dixon Hughes Goodman LLP*

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Schedule of Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2013

**Section I  Summary of Auditors  Results**

*Financial Statements*

Type of auditors  report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                        X     Yes                               No
- Significant deficiencies identified that are not considered to be material weaknesses?                               Yes                        X     none reported
- Non-compliance material to financial statements noted?                               Yes                        X     No

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?                        X     Yes                               No
- Significant deficiencies identified that are not considered to be material weaknesses?                               Yes                        X     none reported

Type of auditors  report issued on compliance for major federal programs: unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?                        X     Yes                               No

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Schedule of Findings and Questioned Costs, Continued

For the Fiscal Year Ended June 30, 2013

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
17.258, 17.259 and 17.278	Workforce Investment Act Cluster
93.044, 93.045, and 93.053	Aging Cluster
93.667	Block Grant <input type="checkbox"/> Title IIIB, C, SSBG
11.301	Economic Development <input type="checkbox"/> Revolving Loan Fund

Dollar threshold used to distinguish  
between Type A and Type B Programs \$ 300,000

Auditee qualified as low risk auditee? \_\_\_\_\_ Yes \_\_\_\_\_ X No

*State Awards*

Internal control over major state programs:

- Material weakness(es) identified? \_\_\_\_\_ X Yes \_\_\_\_\_ No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes \_\_\_\_\_ X none reported

Type of auditors  report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act. \_\_\_\_\_ X Yes \_\_\_\_\_ No

Identification of major state programs:

Name of State Program or Cluster

Aging Cluster  
Block Grant  Title IIIB, C, SSBG



**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Schedule of Findings and Questioned Costs, Continued

For the Fiscal Year Ended June 30, 2013

---

**Section III □ Federal Award Findings and Questioned Costs**

---

MATERIAL WEAKNESS IN INTERNAL CONTROLS

2013-1 Segregation of Duties □ see Section II.

---

**Section IV □ State Award Findings and Questioned Costs**

---

MATERIAL WEAKNESS IN INTERNAL CONTROLS

2013-1 Segregation of Duties □ see Section II.

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Corrective Action Plan

For the Fiscal Year Ended June 30, 2013

Finding: 2013-1

- A. Name of contact person: Ryan Sherby, Executive Director
- B. Corrective action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. As additional employees are hired, steps will be taken to structure their responsibilities to achieve greater separation of duties.
- C. Proposed completion date: The Commission will implement the above procedure when practical.

**SOUTHWESTERN NORTH CAROLINA PLANNING AND  
ECONOMIC DEVELOPMENT COMMISSION**

Summary Schedule of Prior Year Audit Findings

For the Fiscal Year Ended June 30, 2013

Finding 2012-1 will be repeated as 2013-01

There were no findings in FY 2011.