

AUDIT WRAP UP

April 9, 2021

The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Governing Board and Audit Committee) and, if appropriate, management of the Government and is not intended and should not be used by anyone other than these specified parties.





**GOULD KILLIAN
CPA GROUP, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

April 9, 2021

Board of Commissioners
Surry County
Dobson, North Carolina

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On March 26, 2020, we presented in the engagement letter an overview of our plan for the audit of the financial statements of Surry County (the County) as of and for the year ended June 30, 2020, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the County's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the County and look forward to meeting with you to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

Gould Killian CPA Group, P.A.

Asheville, North Carolina

Discussion Outline

	Page
Status of Our Audit	1
Results of Our Audit	2-3
Internal Control over Financial Reporting.....	4
Other Required Communications	5
Independence Communication.....	6
Significant Accounting & Reporting Matters	7

Status of Our Audit

We have completed our audit of the financial statements as of and for the year ended June 30, 2020. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- There were no changes to our planned audit strategy to perform an audit in accordance *Government Auditing Standards*.
- We have issued an unmodified opinion on the financial statements and released our report April 9, 2021.
- We have issued an unmodified opinion on compliance requirements that could have a direct and material effect on the County's major federal and state programs.
- Our responsibility for other information in documents containing the County's audited financial statements (e.g. management's discussion and analysis, budgetary comparisons, schedules of pension amounts) does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the County and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
- All records and information requested by GK were freely available for our inspection.
- Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of Surry County personnel throughout the course of our work.

Results of Our Audit

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

The following summarizes the more significant required communications related to our audit concerning the County's accounting practices, policies, and estimates:

Surry County's significant accounting practices and policies are those included in Note 1 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 1 to the financial statements.

- A summary of recently issued accounting pronouncements is included in the Significant Accounting and Reporting Matters section of this report.
- There were no new accounting standards implemented during the fiscal year.
- We noted no transactions entered into by the County during the fiscal year for which there is a lack of authoritative guidance or consensus.
- All significant transactions have been recognized in the financial statements in the proper period.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The County's most significant accounting estimates were:

Significant accounting estimates include:

Depreciation methods and useful lives of capital assets as described in the Notes to the financial statements,

Allowances for uncollectible receivables, which are based upon management's judgments and the aging of receivables that may be uncollectible,

Pension and OPEB obligations, which are based on actuarial assumptions and methods, as well as the allocation of the overall plan data between the plan participants,

- We evaluated the key factors and assumptions used to develop the significant estimates in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management did not make any significant changes to the processes or significant assumptions used to develop the significant accounting estimates in FY 2020.

The financial statement disclosures are neutral, consistent, and clear.

Results of Our Audit

CORRECTED AND UNCORRECTED MISSTATEMENTS

We have proposed several adjustments which have been made by management. Some of these are normal closing entries which arise during our audit based on information provided to us by management. These closing entries by their nature are entries that would have been prepared and posted. However, others of these entries are considered to be material audit adjustments due to their size and overall impact on the financial statement. A complete listing of our audit adjustments is available upon request.

There were also uncorrected misstatements (or passed adjustments) as summarized below. We concur with management’s assessment that the effects of not recording such adjustments are, both individually and in the aggregate, immaterial to the financial statements taken as a whole, considering both qualitative and quantitative factors. None of the proposed adjustments could potentially cause future-period financial statement to be materially misstated.

Passed Adjustment	Description
Accrued Salaries	An estimated liability of \$95,000 in the general fund and \$30,000 in the landfill fund have not been recorded. It is the County’s policy to record payroll in the period paid and not accrue salaries at year-end, because most salary payments would not be subject to accrual. However, a small portion of the payroll related to hourly wages paid after June 30 relate to service performed before June 30, and therefore should be accrued.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Surry County’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the County’s internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in Internal Control	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
Significant Deficiency	A deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the County’s financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit, we noted the following:

Material Weakness	Description
<i>Material Prior Period Adjustments</i>	A material adjustment to beginning net position was required to correct several errors related to school-owned buildings that had been erroneously recorded on the books of the County. The presence of such an adjustment indicates that errors existed which were not detected and corrected by previous management in a timely manner, in the normal course of their duties. See Finding 2020-001 for more information.

During our audit, we routinely provide management with other advice and recommendations for best practices or improvements of accounting and finance-related processes and procedures. We consider these to be an integral part of providing valuable audit services, and we do not consider them to be reportable findings.

Other Required Communications

Following is a summary of those required items, along with specific discussion points as they pertain to the County:

Requirement	Discussion Points
Significant changes to planned audit strategy or significant risks initially identified	There no significant changes to the planned audit strategy to perform an audit in accordance with <i>Government Auditing Standards</i> .
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the County's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
If applicable, nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the County's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were significant difficulties encountered during the audit. There were numerous significant audit adjustments and client-prepared adjustments well after final fieldwork. The prior Finance Director left before the audit was completed, and additional time was necessary for the newly appointed Finance Director to pick up both normal operating duties and wrap-up the audit.
If applicable, other matters significant to the oversight of the County's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the County's financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter obtained from management.

Independence Communication

Our engagement letter to you dated March 26, 2020 describes our responsibilities in accordance with professional standards with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the County with respect to independence as agreed to by the County. Please refer to that letter for further information.

Significant Accounting & Reporting Matters

The Governmental Accounting Standards Board (GASB) has recently issued several new standards. We do not expect the new standards to have a significant effect on the County's future financial reporting.

Recently issued statements are as follows:

- GASB No. 87 "Leases" -- This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract requirements. This new requirement increases the usefulness of governmental financial statements. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governmental leasing activities. The new standard brings governmental GAAP in line with GAAP for private and public companies, effective for years ending December 31, 2021.