

CONTRACT TO AUDIT ACCOUNTS

Of Jackson County Tourism Development Authority
Primary Government Unit

N/A

Discretely Presented Component Unit (DPCU) if applicable

On this 8th day of June, 2018

Auditor: Dixon Hughes Goodman, LLP. Auditor Mailing Address: 500 Ridgefield Court

Asheville, NC 28806 Hereinafter referred to as The Auditor

and Board of Directors (Governing Board(s)) of Jackson County Tourism Development Authority (Primary Government)

and N/A: hereinafter referred to as the Governmental Unit(s), agree as follows: (Discretely Presented Component Unit)

- 1. The Auditor shall audit all statements and disclosures required by accounting principles generally accepted in the United States of America (GAAP) and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit (s) for the period beginning July 1, 2017, and ending June 30, 2018. The non-major combining, and individual fund statements and schedules shall be subjected to the auditing procedures applied in the audit of the basic financial statements and an opinion shall be rendered in relation to (as applicable) the governmental activities, the business-type activities, the aggregate DPCUs, each major governmental and enterprise fund, and the aggregate remaining fund information (non-major government and enterprise funds, the internal service fund type, and the fiduciary fund types).
2. At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with auditing standards generally accepted in the United States of America. The Auditor shall perform the audit in accordance with Government Auditing Standards if required by the State Single Audit Implementation Act, as codified in G.S. 159-34. If required by OMB Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards, (Uniform Guidance) and the State Single Audit Implementation Act, the Auditor shall perform a Single Audit. This audit and all associated audit documentation may be subject to review by Federal and State agencies in accordance with Federal and State laws, including the staffs of the Office of State Auditor (OSA) and the Local Government Commission (LGC). If the audit and Auditor communication are found in this review to be substandard, the results of the review may be forwarded to the North Carolina State Board of CPA Examiners (NC State Board). County and Multi-County Health Departments: The Office of State Auditor will require Auditors of these Governmental Units to perform agreed upon procedures (AUPs) on eligibility determination on certain programs. Both Auditor and Governmental Unit agree that Auditor shall complete and report on these AUPs on Eligibility Determination as required by Office of the State Auditor (OSA) and in accordance with the instructions and timeline provided by OSA.
3. If an entity is determined to be a component of another government as defined by the group audit standards, the entity's Auditor shall make a good faith effort to comply in a timely manner with the requests of the group auditor in accordance with AU-6 §600.41 - §600.42.
4. This contract contemplates an unmodified opinion being rendered. If during the process of conducting the audit the Auditor determines that it will not be possible to render an unmodified opinion on the financial statements of the unit, the Auditor shall contact the SLGFD staff to discuss the circumstances leading to that conclusion as soon as is practical and before the final report is issued. The audit shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract.

Primary Government Unit

N/A

Discretely Presented Component Unit (DPCU) if applicable

5. If this audit engagement is subject to the standards for audit as defined in *Government Auditing Standards*, 2011 revisions, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in *Government Auditing Standards*. The Auditor agrees to provide a copy of their most recent peer review report regardless of the date of the prior peer review report to the Governmental Unit and the Secretary of the LGC prior to the execution of the audit contract. **If the audit firm received a peer review rating other than pass**, the Auditor shall not contract with the Governmental Unit without first contacting the Secretary of the LGC for a peer review analysis that may result in additional contractual requirements.

If the audit engagement is not subject to Government Accounting Standards or if financial statements are not prepared in accordance with GAAP and fail to include all disclosures required by GAAP, the Auditor shall provide an explanation as to why in an attachment.

6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to the SLGFD within four months of fiscal year end. Audit report is due on: October 31, 2018. If it becomes necessary to amend this due date or the audit fee, an amended contract along with a written explanation of the delay shall be submitted to the Secretary of the LGC for approval.
7. It is agreed that generally accepted auditing standards include a review of the Governmental Unit's systems of internal control and accounting as same relate to accountability of funds and adherence to budget and law requirements applicable thereto; that the Auditor shall make a written report, which may or may not be a part of the written report of audit, to the Governing Board setting forth his findings, together with his recommendations for improvement. That written report shall include all matters defined as "significant deficiencies and material weaknesses" in AU-C 265 of the *AICPA Professional Standards (Clarified)*. The Auditor shall file a copy of that report with the Secretary of the LGC.
8. All local government and public authority contracts for audit or audit-related work require the approval of the Secretary of the LGC. This includes annual or special audits, agreed upon procedures related to internal controls, bookkeeping or other assistance necessary to prepare the Governmental Unit's records for audit, financial statement preparation, any finance-related investigations, or any other audit-related work in the State of North Carolina. **Invoices for services rendered under these contracts shall not be paid by the Governmental Unit until the invoice has been approved by the Secretary of the LGC.** (This also includes any progress billings.) [G.S. 159-34 and 115C-447] All invoices for Audit work shall be submitted in PDF format to the Secretary of the LGC for approval. The invoices shall be sent via upload through the current portal address: <https://nctreasurerslgfd.leapfile.net>. Subject line should read "Invoice – [Unit Name]. The PDF invoice marked 'approved' with approval date shall be returned by email to the Auditor to present to the Governmental Unit for payment. Approval is not required on contracts and invoices for system improvements and similar services of a non-auditing nature.
9. In consideration of the satisfactory performance of the provisions of this contract, the Primary Government shall pay to the Auditor, upon approval by the Secretary of the LGC, the fee, which includes any cost the Auditor may incur from work paper or peer reviews or any other quality assurance program required by third parties (Federal and State grantor and oversight agencies or other organizations) as required under the Federal and State Single Audit Acts. (**Note: Fees listed on Fees page.**). This does not include fees for any Pre-Issuance reviews that may be required by the NC Association of CPAs (NCACPA) Peer Review Committee or NC State Board of CPA Examiners (see Item #12).
10. If the Governmental Unit has outstanding revenue bonds, the Auditor shall submit to the SLGFD either in the notes to the audited financial statements or as a separate report, a calculation demonstrating compliance with the revenue bond rate covenant. Additionally, the Auditor shall submit to the SLGFD simultaneously with the

Governmental Unit's audited financial statements any other bond compliance statements or additional reports required by the authorizing bond documents, unless otherwise specified in the bond documents.

11. After completing the audit, the Auditor shall submit to the Governing Board a written report of audit. This report shall include, but not be limited to, the following information: (a) Management's Discussion and Analysis, (b) the financial statements and notes of the Governmental Unit and all of its component units prepared in accordance with GAAP, (c) supplementary information requested by the Governmental Unit or required for full disclosure under the law, and (d) the Auditor's opinion on the material presented. The Auditor shall furnish the required number of copies of the report of audit to the Governing Board as soon as practical after the close of the fiscal year end.
12. If the audit firm is required by the NC State Board, the NCACPA Peer Review Committee, or the Secretary of the LGC to have a pre-issuance review of its audit work, there shall be a statement in the engagement letter indicating the pre-issuance review requirement. There also shall be a statement that the Governmental Unit shall not be billed for the pre-issuance review. The pre-issuance review shall be performed **prior** to the completed audit being submitted to the SLGFD. The pre-issuance review report shall accompany the audit report upon submission to the SLGFD.
13. The Auditor shall electronically submit the report of audit to the SLGFD as a text-based PDF file when (or prior to) submitting the invoice for services rendered. The report of audit, as filed with the Secretary of the LGC, becomes a matter of public record for inspection, review and copy in the offices of the SLGFD by any interested parties. **Any subsequent revisions to these reports shall be sent to the Secretary of the LGC along with an Audit report Reissuance form.** These audited financial statements, excluding the Auditors' opinion, may be used in the preparation of official statements for debt offerings, by municipal bond rating services to fulfill secondary market disclosure requirements of the Securities and Exchange Commission and for other lawful purposes of the Governmental Unit without subsequent consent of the Auditor. If the SLGFD determines that corrections need to be made to the Governmental Unit's financial statements, those corrections shall be provided within three days of notification unless another deadline is agreed to by the SLGFD.

If the OSA designates certain programs to be audited as major programs, as discussed in item #2, a turnaround document and a representation letter addressed to the OSA shall be submitted to the SLGFD.

The SLGFD's process for submitting contracts, audit reports and invoices is subject to change. Auditors shall use the submission process in effect at the time of submission. The most current instructions will be found on our website: <https://www.nctreasurer.com/slq/Pages/Audit-Forms-and-Resources.aspx>

14. Should circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Governing Board in writing of the need for such additional investigation and the additional compensation required therefore. Upon approval by the Secretary of the LGC, this contract may be varied or changed to include the increased time, compensation, or both as may be agreed upon by the Governing Board and the Auditor.
15. If an approved contract needs to be amended for any reason, the change shall be made in writing, on the Amended LGC-205 contract form and pre-audited if the change includes a change in audit fee. This amended contract shall be completed in full, including a written explanation of the change, signed and dated by all original parties to the contract. It shall then be submitted through the audit contract portal to the Secretary of the LGC for approval. The portal address to upload the amended contract is <https://nctreasurerslgfd.leapfile.net>. No change to the audit contract shall be effective unless approved by the Secretary of the LGC, the Governing Board, and the Auditor.

16. A copy of the engagement letter, issued by the Auditor and signed by both the Auditor and the Governmental Unit shall be attached to the contract, and by reference here becomes part of the contract. In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract shall take precedence. Engagement letter terms that conflict with the contract are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item #23 of this contract. Engagement letters containing indemnification clauses shall not be accepted by the SLGFD.
17. Special provisions should be limited. Please list any special provisions in an attachment.
18. A separate contract should not be made for each division to be audited or report to be submitted. If a DPCU is subject to the audit requirements detailed in the Local Government Budget and Fiscal Control Act and a separate audit report is issued, a separate audit contract is required. If a separate report is not to be issued and the DPCU is included in the primary government audit, the DPCU shall be named along with the parent government on this audit contract. DPCU Board approval date, signatures from the DPCU Board chairman and finance officer also shall be included on this contract.
19. The contract shall be executed, pre-audited, physically signed by all parties including Governmental Unit and the Auditor and then submitted in PDF format to the Secretary of the LGC. The current portal address to upload the contractual documents is <https://nctreasurerslgfd.leapfile.net>. Electronic signatures are not accepted at this time. Included with this contract are instructions to submit contracts and invoices for approval as of November 2017. These instructions are subject to change. Please check the NC Treasurer's web site at <https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx> for the most recent instructions.
20. The contract is not valid until it is approved by the Secretary of the LGC. The staff of the LGC shall notify the Governmental Unit and Auditor of contract approval by email. **The audit should not be started before the contract is approved.**
21. There are no other agreements between the parties hereto and no other agreements relative hereto that shall be enforceable unless entered into in accordance with the procedure set out herein and approved by the Secretary of the LGC.
22. **E-Verify.** Auditor **shall comply** with the requirements of NCGS Chapter 64 Article 2. Further, if Auditor utilizes any subcontractor(s), Auditor **shall require** such subcontractor(s) to comply with the requirements of NCGS Chapter 64, Article 2.
23. All of the above paragraphs are understood and shall apply to this contract, except the following numbered paragraphs shall be deleted: (See Item 16 for clarification).

***SIGNATURE PAGES FOLLOW FEES PAGE***

Contract to Audit Accounts (cont.) Jackson County Tourism Development Authority

Primary Government Unit

N/A

Discretely Presented Component Unit (DPCU) if applicable

**FEES – PRIMARY GOVERNMENT**

AUDIT: \$ 7,000 See page 4 of the accompanying engagement letter

WRITING FINANCIAL STATEMENTS: \$ included in the audit fee

ALL OTHER NON-ATTEST SERVICES: \$ N/A

For all non-attest services the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct and *Governmental Auditing Standards* (as applicable). Bookkeeping and other non-attest services necessary to perform the audit shall be included under this contract. However, bookkeeping assistance shall be limited to the extent that the Auditor is not auditing his or her own work or making management decisions. The Governmental Unit shall designate an individual with the suitable skills, knowledge, and/or experience necessary to oversee the services and accept responsibility for the results of the services. Financial statement preparation assistance shall be deemed a “significant threat” requiring the Auditor to apply safeguards sufficient to reduce the threat to an acceptable level. The Auditor shall maintain written documentation of his or her compliance with these standards in the audit work papers.

Prior to submission of the completed audited financial report, applicable compliance reports and amended contract (if required) the Auditor may submit invoices for approval for services rendered, not to exceed 75% of the total of the stated fees above. If the current contracted fee is not fixed in total, invoices for services rendered may be approved for up to 75% of the prior year audit fee.

The 75% cap for interim invoice approval for this audit contract is \$ 5,250

\*\* NA if there is to be no interim billing

**FEES – DPCU (IF APPLICABLE)**

AUDIT: \$ N/A

WRITING FINANCIAL STATEMENTS: \$ N/A

ALL OTHER NON-ATTEST SERVICES: \$ N/A

For all non-attest services the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct and *Governmental Auditing Standards* (as applicable). Bookkeeping and other non-attest services necessary to perform the audit shall be included under this contract. However, bookkeeping assistance shall be limited to the extent that the Auditor is not auditing his or her own work or making management decisions. The Governmental Unit shall designate an individual with the suitable skills, knowledge, and/or experience necessary to oversee the services and accept responsibility for the results of the services. Financial statement preparation assistance shall be deemed a “significant threat” requiring the Auditor to apply safeguards sufficient to reduce the threat to an acceptable level. The Auditor shall maintain written documentation of his or her compliance with these standards in the audit work papers.

Prior to submission of the completed audited financial report, applicable compliance reports and amended contract (if required) the Auditor may submit invoices for approval for services rendered, not to exceed 75% of the total of the stated fees above. If the current contracted fee is not fixed in total, invoices for services rendered may be approved for up to 75% of the prior year audit fee.

The 75% cap for interim invoice approval for this audit contract is \$ N/A

\*\* NA if there is to be no interim billing

Contract to Audit Accounts (cont.) Jackson County Tourism Development Authority  
Primary Government Unit  
N/A  
Discretely Presented Component Unit (DPCU) if applicable

*Communication regarding audit contract requests for modification or official approvals will be sent to the email addresses provided in the spaces below.*

**Audit Firm Signature:**

Dixon Hughes Goodman, LLP.  
Name of Audit Firm

By Brian Broom, Director

**Authorized Audit firm representative name:** Type or print

\_\_\_\_\_  
Signature of authorized audit firm representative

Date \_\_\_\_\_

brian.broom@dhgllp.com  
Email Address of Audit Firm

**Governmental Unit Signatures:**

Jackson County Tourism Development Authority  
Name of Primary Government

By Vick Patel, Chairman

**Mayor / Chairperson:** Type or print name and title

\_\_\_\_\_  
Signature of Mayor/Chairperson of governing board

Date \_\_\_\_\_

By N/A

**Chair of Audit Committee -** Type or print name

\_\_\_\_\_  
Signature of Audit Committee Chairperson \*\*

Date \_\_\_\_\_

*\*\* If Governmental Unit has no audit committee, mark this section "N/A"*

**PRE-AUDIT CERTIFICATE: Required by G.S. 159-28 (a)**

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

By Darlene Fox, Finance Officer

**Primary Government Unit Finance Officer:**  
Type or print name

\_\_\_\_\_  
Primary Government Finance Officer Signature

Date \_\_\_\_\_  
*(Pre-audit Certificate must be dated.)*

darlenefox@jacksonnc.org  
Email Address of Finance Officer

**Date Primary Government Governing Body Approved Audit Contract - G.S. 159-34(a)**

**\*\*\*Please provide us the most current email addresses available as we use this information to update our contact database\*\*\***

Contract to Audit Accounts (cont.) Jackson County Tourism Development Authority  
Primary Government Unit  
N/A  
Discretely Presented Component Unit (DPCU) if applicable

**\*\* This page to only be completed by Discretely Presented Component Units If Applicable \*\***

*Communication regarding audit contract requests for modification or official approvals will be sent to the email addresses provided in the spaces below.*

**DPCU Governmental Unit Signatures:**

\_\_\_\_\_  
Name of Discretely Presented Component Unit

By \_\_\_\_\_  
**DPCU Board Chairperson:** Type or print name and title

\_\_\_\_\_  
Signature of Chairperson of DPCU governing board

Date \_\_\_\_\_

By \_\_\_\_\_  
**Chair of Audit Committee** - Type or print name

\_\_\_\_\_  
Signature of Audit Committee Chairperson \*\*

Date \_\_\_\_\_  
**\*\* If Governmental Unit has no audit committee, mark this section "N/A"**

**PRE-AUDIT CERTIFICATE: Required by G.S. 159-28 (a)**

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

By \_\_\_\_\_  
**DPCU Finance Officer:**  
Type or print name

\_\_\_\_\_  
**DPCU Finance Officer Signature**

Date \_\_\_\_\_  
*(Pre-audit Certificate **must be dated.**)*

\_\_\_\_\_  
**Email Address of Finance Officer**

\_\_\_\_\_  
**Date DPCU Governing Body Approved Audit Contract - G.S. 159-34(a)**

**\*\*\*Please provide us the most current email addresses available as we use this information to update our contact database\*\*\***

### Steps to Completing the Audit Contract

1. Complete the header information – If a DPCU is subject to the audit requirements found in the Local Government Budget and Fiscal Control Act and a separate report is being issued for that DPCU, a separate audit contract for the DPCU is required. If a separate report is not being issued for the DPCU – it is being included in the Primary Government’s audit – the DPCU shall be named with the Primary Government on the audit contract for the Primary Government. The Board Chairperson of the DPCU shall sign the audit contract in addition to the elected leader of the Primary Government.
2. Item No. 1 – Complete the period covered by the audit
3. Item No. 6 – Fill in the audit due date. For Governmental Unit (s), the contract due date can be no later than 4 months after the end of the fiscal year, even though amended contracts may not be required until a later date.
4. Item No. 8 – If the process for invoice approval instructions changed, the Auditor should make sure he and his administrative staff are familiar with the current process. Instructions for each process can be found at the following link. <https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx>
5. Item No. 9 –Please note that the new fee section has been moved to page 5.
6. Item No. 16 – Has the engagement letter been attached to the contract that is being submitted to SLGFD?
  - a. Do the terms and fees specified in the engagement letter agree with the Audit contract? *“In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract shall take precedence.”*
  - b. Does the engagement letter contain an indemnification clause? **The audit contract shall not be approved if there is an indemnification clause – refer to LGC Memo # 986.**
7. Complete the fee section for BOTH the Primary Government and the DPCU (if applicable) on the fees page; please note:
  - The cap on interim payments is 75% of the current audit fee for services rendered if the contracted fee amount is a fixed amount. If any part of the fee is variable, interim payments are limited to 75% of the prior year’s total audit fee. If the contract fee is partially variable, we shall compare the authorized interim payment on the contract to 75% of last year’s actual approved total audit fee amount according to our records. There is a report of audit fees paid by each governmental unit on our web site: [https://www.nctreasurer.com/slg/lfm/audit\\_acct/Pages/default.aspx](https://www.nctreasurer.com/slg/lfm/audit_acct/Pages/default.aspx) select “audit fees”  
  
Please call or email Lorna Hodge at 919-814-4299 [lorna.hodge@nctreasurer.com](mailto:lorna.hodge@nctreasurer.com) if you have any questions about the fees on this list.
  - For variable fees for services, are the hourly rates or other rates clearly stated in detail? If issued separately in an addendum, has the separate page been acknowledged in writing by the Governmental Unit?



Primary Government Unit

N/A

Discretely Presented Component Unit (DPCU) if applicable

- For fees for services that are a combination of fixed and variable fees, are the services to be provided for the fixed portion of the fee clearly stated? Are the hourly rates or other rates clearly stated for the variable portion of the fee? (Note: See previous bullet point regarding variable fees.)
  - If there is to be no interim billing, please indicate N/A instead of leaving the line blank.
8. Signature Area – There are now 2 Signature Pages; one for the Primary Government and one for the DPCU. Please only send the page(s) that are applicable to your Unit of Government and do not include the instructions pages. Make sure all signatures have been obtained, and properly dated. **The contract shall be approved by Governing Boards pursuant to G.S. 159-34(a).** If this contract includes the audit for a DPCU that is a Public Authority that falls under the Local Government Budget and Fiscal Control Act, it shall be named in this contract and the Board Chairperson of the DPCU also shall sign the contract in the area indicated. If the DPCU is filing a separate audit, a separate audit contract is required for that DPCU.
9. Please place the date the Primary Government’s Governing Board and the DPCU’s Governing Board (if applicable) approved the audit contract in the space provided.
- a. Please make sure that you provide email addresses for the audit firm and finance officer as these will be used to communicate official approval of the contract.
  - b. Has the pre-audit certificate for the Primary Government (and the DPCU if applicable) been signed and dated by the appropriate party?
  - c. Has the name and title of the Mayor or Chairperson of the Unit’s Governing Board and the DPCU’s Chairperson (if applicable) been typed or printed on the contract and has he/she signed in the correct area directly under the Auditor’s signature?
10. If the Auditor is performing an audit under the yellow book or single audit rules, has year-end bookkeeping assistance been limited to those areas permitted under the revised GAO Independence Standards? Although not required, we encourage Governmental Units and Auditors to disclose the nature of these services in the contract or an engagement letter. Fees for these services should be shown in the space indicated on the fees page.
11. Has the most recently issued peer review report for the audit firm been included with the contract? This is required if the audit firm has received a new peer review report that has not yet been forwarded to us. The audit firm is only required to send the most current Peer Review report to us once – not multiple times.
12. After all the signatures have been obtained and the contract is complete, please convert the contract and all other supporting documentation to PDF. When submitting for approval send the documents as one PDF file to include the Audit contract, any applicable addendums, the engagement letter and Peer Review Report. Submit these documents using the most current submission process which can be obtained at the NC Treasurer’s web site <https://www.nctreasurer.com/slg/Audit%20Forms%20and%20Resources/Instructions%20for%20Contract%20Submission.pdf>
13. If an audit cannot be completed by the due date, the Auditor or Governmental Unit shall file an Amended Contract form (Amended LGC-205). This form shall be signed by the Governmental Unit representative and the Auditor. The explanation for the delay in completing the audit is part of this contract amendment form and shall be provided. The parties that signed the original audit contract shall sign the amended contract form as well. If the signing representatives are unable to sign the amended contract, please include an explanation for this in the submitted amended contract form.

June 8, 2018

Jackson County Tourism Development Authority  
Sylva, North Carolina

We are pleased to confirm our understanding of the services we are to provide for the Jackson County Tourism Development Authority, (the "TDA") for the year ended June 30, 2018. This attachment to item 16, "Contract to Audit Accounts" (LGC-205) is intended to further clarify certain provisions of the Contract.

### **AUDIT SERVICES**

We will audit the financial statements of the governmental activities and each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of the TDA as of and for the year ended June 30, 2018.

### **AUDIT OBJECTIVES**

The objective of our audit is the expression of opinions as to whether the TDA's financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America, and will include tests of accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

### **AUDIT PROCEDURES – GENERAL**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors,

any fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

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

In providing our audit services, we are required by law and our professional standards to maintain our independence from the TDA. We take this mandate very seriously and thus guard against impermissible relationships which may impair the very independence which you and the users of our reports require. As such you should not place upon us special confidence that in the performance of our audit services we will act solely in your interest. Therefore, you acknowledge and agree we are not in a fiduciary relationship with you and we have no fiduciary responsibilities to you in the performance of our services described herein.

#### **AUDIT PROCEDURES – INTERNAL CONTROLS**

Our audit includes obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the TDA's internal control over financial reporting. Accordingly we will express no such opinion. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under auditing standards generally accepted in the United States of America.

#### **MANAGEMENT'S RESPONSIBILITIES**

Management is responsible for (1) establishing and maintaining effective internal controls and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws and regulations. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management is also responsible for providing us with access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation and other matters. You also agree to provide us with any additional information that we may request from management for the purpose

of the audit as well as unrestricted access to any person within the TDA from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design, implementation and maintenance of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the TDA involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the TDA received in communications from employees, former employees, grantors, regulators, or others.

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

We understand that the TDA's employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Our audit is for the purpose of forming an opinion on the financial statements taken as a whole. Accounting principles generally accepted in the United States ("GAAP") provide for certain required supplementary information ("RSI") to accompany the basic financial statements. We understand the following RSI will accompany the basic financial statements:

1. Management's Discussion and Analysis ("MD&A")

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

The TDA's management is responsible for the fair presentation of the RSI. As part of our engagement, we will apply certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **MANAGEMENT'S RESPONSIBILITY FOR NONATTEST SERVICES**

You agree to assume all management responsibilities and to oversee the non-attest services we will provide by designating an individual possessing suitable skill, knowledge and/or experience. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for the results of such services. You are responsible for designing, implementing, and maintaining internal controls.

We will provide the following non-attest service:

- We will advise management about appropriate accounting principles and their application and will assist in preparation of the TDA's basic financial statements.

You are responsible for evaluating the adequacy and results of the above non-attest service performed and accepting responsibility for the results of this service. This includes your review and approval of all adjustments we may propose to the accounting records of the TDA or its financial statements as a result of this service.

## **USE OF FINANCIAL STATEMENTS**

If the TDA'S financial statements are to be included in a client prepared document, which includes other information, the TDA should notify us of the nature of the document and allow us to read such document prior to submitting the document to others. An example of another document would be an official statement in connection with a public debt offering.

## **AUDIT ADMINISTRATION, FEES AND OTHER**

In connection with providing our professional services, we may engage the assistance of outside service providers. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we are responsible for the adequate oversight of all services provided by the third-party service provider and for ensuring that all services are performed with competence and due professional care.

The audit documentation for this engagement is the property of Dixon Hughes Goodman LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available to the a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office or North Carolina Office of the State Auditor pursuant to authority given to it by law or regulation. If requested, access to such audit documentation will be provided under the supervision of Dixon Hughes Goodman LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

This engagement is limited to the services outlined above. We will perform all services in accordance with applicable professional standards.

Brian Broom is the engagement director and is responsible for supervising the engagement and signing the report or authorizing another individual to sign. We will issue a separate planning letter to you outlining the expected timing and completion of fieldwork when those dates have been agreed to by management.

We estimate our fees for these services will be \$7,000. This estimate is based on the assumption there will be no significant bookkeeping assistance required or significant changes in the TDA's operations including (but not limited to): new construction projects; creation of new funds; or additional procedures required in response to the discovery of fraud. In such event, we will discuss with you the basis of any such charge and we will issue contract addendums explaining the additional services, the hours and our billing rates which range from \$130 per hour to \$500 per hour as disclosed in our proposal.

In providing our services, we may direct you to provide your information to us through a separate web based client portal in an effort to provide greater security with respect to the information. In the event we request you provide your information to us through such a client portal, to the extent you fail to do so or in using the client portal you fail to monitor and restrict access only to your authorized personnel (any such failure being referred to herein as a "Portal Failure") we disclaim, and you release us from, any and all liability for loss and damage, including direct, indirect, consequential, incidental, and special damages such as loss of revenue or anticipated profits, arising from any interception, unintentional disclosure or communication or unauthorized use of such information incident to a Portal Failure. In addition, you agree not to provide access to the client portal for use by any third-party with whom you are affiliated by contract or otherwise without our express prior written consent, and you shall indemnify and hold us harmless from and against any and all claims by any such third-party for all damages whatsoever, including direct or indirect damages, consequential, exemplary, incidental, special or punitive damages including lost profits or lost data, arising from such third party's use of materials on, accessed through, or downloaded from the client portal even if we are aware or have been advised of the use of or the access to, the client portal by such third party in contravention of the restrictions set forth herein.

Many of our clients choose to communicate with us by email, and we may use email in connection with this engagement unless you direct us otherwise. We will use reasonable precautions to protect your confidential information, but we have no obligation to employ any measures that you do not regularly employ in protecting your confidential information. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed, we cannot guarantee or warrant that email from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim any liability or responsibility whatsoever for interception or unintentional disclosure or communication of email transmissions, or for the unauthorized use or failed delivery of emails transmitted by us in connection with the performance of this engagement, or the disclosure or communication of confidential or proprietary information arising therefrom (hereinafter collectively referred to as "Email Interruption"). You agree that we shall have no liability for any loss or damage to any person or entity resulting from or related to any Email Interruption, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, and you hereby forever release us from any such liability and shall indemnify us from any claim related thereto.

In the event DHG is required to respond to a subpoena, court order, government regulatory inquiry or other legal process relating to you or your management for the production of documents and/or testimony relative to information we obtained or prepared incident to this or any other engagement, you shall compensate DHG for all time we expend in connection with such response at normal and customary hourly rates, and to reimburse us for all out of pocket expenses incurred in regard to such response.

Jackson County Tourism Development Authority  
June 8, 2018  
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This agreement and any claim arising out of the services provided shall be governed by the laws of the state of North Carolina, exclusive of its conflict of laws rules. The parties agree that any action between them related to or arising out of this engagement shall be brought only in the state or federal courts of North Carolina.

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

All invoices for this engagement must be submitted to the North Carolina Office of the State Treasurer for approval and then mailed to you. All invoices are payable upon presentation.

We appreciate the opportunity to be of service to the Jackson County Tourism Development Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and the Contract to Audit Accounts and return it to us.

Very truly yours,

DIXON HUGHES GOODMAN LLP

*Dixon Hughes Goodman LLP*

ACKNOWLEDGED:

This letter correctly sets forth the understanding of the Jackson County Tourism Development Authority.

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Vick Patel, Board Chair

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

\_\_\_\_\_  
Darlene Fox, Finance Officer

June 8, 2018

Members of the Board of Directors  
Jackson County Tourism Development Authority  
Sylva, North Carolina

You have engaged Dixon Hughes Goodman LLP to audit the financial statements of the Jackson County Tourism Development Authority (the "Authority") as of and for the year ended June 30, 2018 in accordance with the terms and conditions contained in the signed "Contract to Audit Accounts" and accompanying engagement letter dated June 8, 2018. The purpose of this letter is to establish a basis for effective two-way communication with "those charged with governance" during the course of our audit which will be completed when we have released our reports.

**Our Responsibilities under Auditing Standards Generally Accepted in the United States of America**

As communicated in our engagement letter dated June 8, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We will assist with the preparation of the financial statements as part of this engagement and management will be responsible for designating a competent employee to review and approve those financial statements. However, our assistance in the preparation of the financial statements does not relieve you or management of your respective responsibilities as described in our engagement letter.

The financial statements will include both required and other supplementary information. Our responsibility for required supplementary information ("RSI") is less in scope than an audit and is limited to inquiries regarding the method of preparing RSI and comparing it to the financial statements for consistency. We will not express an opinion or provide any assurance on it. Other supplementary information is presented for the purpose of additional analysis of the financial statements and is not a required part of the basic financial statements. We will subject the supplementary information to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the accounting and other records used to prepare the financial statements.

In planning and performing our audit, we will consider the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.



### **Planned Scope and Timing of the Audit**

We have communicated to you in our engagement letter dated June 8, 2018 our planned scope which includes all activities and funds of the Authority. We will design audit procedures that we feel are appropriate to address the risk of material misstatement, whether due to fraud or error, that we identify in our planning and fraud brainstorming meetings. The risk of material misstatement is determined using the concept of materiality. Materiality in a governmental audit is determined for each "opinion unit" (i.e. governmental activities, business-type activities, each major fund, etc.) and each major federal and state program. Materiality amounts within an opinion unit may be allocated to components in a group audit (if any). Materiality thresholds will be determined in the planning stages of the audit and will be used to plan the extent of audit procedures and evaluate audit results.

We plan to perform fieldwork in September. At the conclusion of the audit, we will attend a board meeting to present the results of the audit at a date to be determined later. If during the course of this year, matters come to your attention that you feel could impact our audit, please contact me prior to September 30, 2018.

My contact information is [brian.broom@dhgllp.com](mailto:brian.broom@dhgllp.com) or 828-236-5802.

Very truly yours,

DIXON HUGHES GOODMAN LLP

A handwritten signature in black ink, appearing to read "Brian Broom", written in a cursive style.

Brian Broom, CPA  
Director