

Minutes of Buncombe County Audit Committee
July 9, 2019
9:00 AM

Members Present: Larry Harris, Robert Pressley, Al Whitesides, Andrew Hoffman, Danny Yelton, Kendra Ferguson, and Mike Knepshield

Members Absent: N/A

County Staff Present: Terri Orange, Kelly Houston, Michael Frue, Don Warn, Autumn Lyvers, Avril Pinder, and Mason Scott

Others Present: Chris Kessler, CLA

The Audit Committee Chairman, Larry Harris, called the meeting to order at 9:00 AM.

Review and Approval of Meeting Minutes

The June 18, 2019 meeting minutes were presented. Al Whitesides moved to approve the minutes as presented. Danny Yelton seconded the motion. The motion passed unanimously.

Fiscal Year 2019 Financial Audit Presentation

Chris Kessler, Principal for CLA (CliftonLarsonAllen LLP), presented to the Buncombe County Audit Committee in regards to the fiscal year 2019 external financial audit. The presentation, which is included in these minutes, covered:

- Audit Services to be Performed
- Auditor's Responsibilities
- Planned Scope and Timing
- Audit Approach
- Governance and Management Responsibilities
- Communication Throughout the Audit
- GASB Update

During and after the presentation, the following items were discussed:

- [Q] In prior years, the October 31st deadline was frequently missed due to the delayed release of required state reports. When were the reports released for fiscal year 2018?
[A] CLA will verify, but believed to be in September 2018.
- GASB Updates and Emerging Issues
 - CLA recommends that governments begin work now on reviewing and planning for the changes associated with upcoming GASB Statement implementations, particularly Statement 84 (Fiduciary Activities) and Statement 87 (Leases).
 - GASB aims to reduce "off the balance sheet" risks by accounting for such items on the balance sheet.

- While Statement 87 is not expected to have a significant impact to the financial statements, it will require considerable time and effort in capturing all applicable leases, which include service agreements that may include an underlying asset (examples include water cooler services or coffee machine services).
 - GASB does not define materiality.
 - Per Don Warn, the County Finance staff is preparing for these GASB statements, and reiterated that the Cobblestone contract software will be an important part of pulling information together.
 - [Q] What if the leases are less than the capitalization threshold?
[A] Leases should be examined in the aggregate, not individually.
- [Q] Where does CLA audit staff assigned to Buncombe County come from?
[A] CLA has a state and local government team, and most of the team assigned to Buncombe County's audit will come from the East Coast.

Fiscal Year 2019 Audit Contract

Don Warn reviewed the fiscal year 2019 audit contract with the Audit Committee. Highlights include:

- Audit Fee for the Primary Government of \$120,030
- Audit Report Due Date of 10-31-2019
- Required by Local Government Commission (LGC)
- Note to the Audit Committee: Any amendments to the contract throughout the course of the audit would go through the Audit Committee and Board of Commissioners for approval.

Kendra Ferguson moved to approve the fiscal year 2019 audit contract. Robert Pressley seconded the motion. The motion passed unanimously.

Meeting Schedule

Larry Harris reminded the committee of the regular meetings scheduled for the remainder of the calendar year: October 15, 2019 and December 3, 2019 (both at 9:00 AM). Avril Pinder reminded the Committee that a special meeting would be called for July 29, 2019 for the full Committee to review and approve the candidate for the Internal Audit Director position. Larry Harris also reminded the Committee that if any special meetings were necessary during the external audit, it would be communicated at that time. Kendra Ferguson, Mike Kneppshield, and Danny Yelton agreed to continue to serve as the External Audit Subcommittee.

Public Comment

Larry Harris noted that there was no member of the public present in the meeting room to make comment.

Adjournment

Larry Harris adjourned the meeting at 9:41.

Fiscal Year 2019 Audit of Buncombe County, North Carolina

Presentation to the Audit Committee
July 9, 2019

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Presentation Agenda

- Auditor's Responsibilities
- Planned Scope and Timing
- Audit Approach
- Governance and Management Responsibilities
- Communication Throughout the Audit



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Audit Services To Be Performed

Financial Statements

- Financial statement audit for the year ended June 30, 2019, in accordance with *Government Audit Standards*

Federal and State Compliance

- Single Audit in accordance with Uniform Guidance and the State Single Audit Implementation Act
- Includes audit of the Schedule of Expenditures of Federal and State Awards and certification of the Data Collection Form

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Auditor's Responsibilities

- Forming an Opinion
- Considering Internal Control over Financial Reporting and Compliance
- Planning and performing the audit to obtain reasonable evidence whether the financial statements are free from material misstatement
- Performing tests of the entity's compliance with certain provisions of laws, regulations, contracts and grants

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Auditor's Responsibilities (Continued)

- Examining on a test basis, evidence about the entity's compliance with compliance requirements of each major federal and state program
- Communication of significant matters that are relevant to your responsibilities in overseeing the financial reporting process
- Communicating matters required by law, regulation, agreement or other requirements

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Planned Scope and Timing

- Auditing all major and non-major funds of the County
- Expected audit timing
 - Continuous auditing throughout the year
 - Issuance by October 31, 2019
- We will examine on a test basis, evidence supporting the amounts and disclosures in the financial statements
- Obtain an understanding of the County and its environment, including the internal control
 - This will be used to assess the risks of material misstatement of the financial statements and;
 - To design the nature, timing and extent of our audit procedures
- Follow up on prior year findings and status of management's corrective action plan

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Audit Approach Summary

- We have assessed the following areas to be of higher audit risk:
 - Overall internal control environment
 - Payables and cutoff of accruals
 - Procurement and P-Cards
 - Information Technology Control Environment
 - Revenue Recognition-Cutoff, classification, collectability
 - Management Override of Controls
 - Grant Compliance
- Areas where findings were noted in the 2018 audit will be assessed at higher risk until the findings are resolved



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Governance and Management Responsibilities

- Our audit does not relieve the Audit Committee, Board of County Commissioners or management of their responsibilities
- Management will be required to make certain representations at the conclusion of the audit

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Communication Throughout the Audit

- There will be two-way communication with governance throughout the audit
- We will communicate the results of the audit and any significant findings at the conclusion of the audit
- Some matters may be communicated sooner if significant

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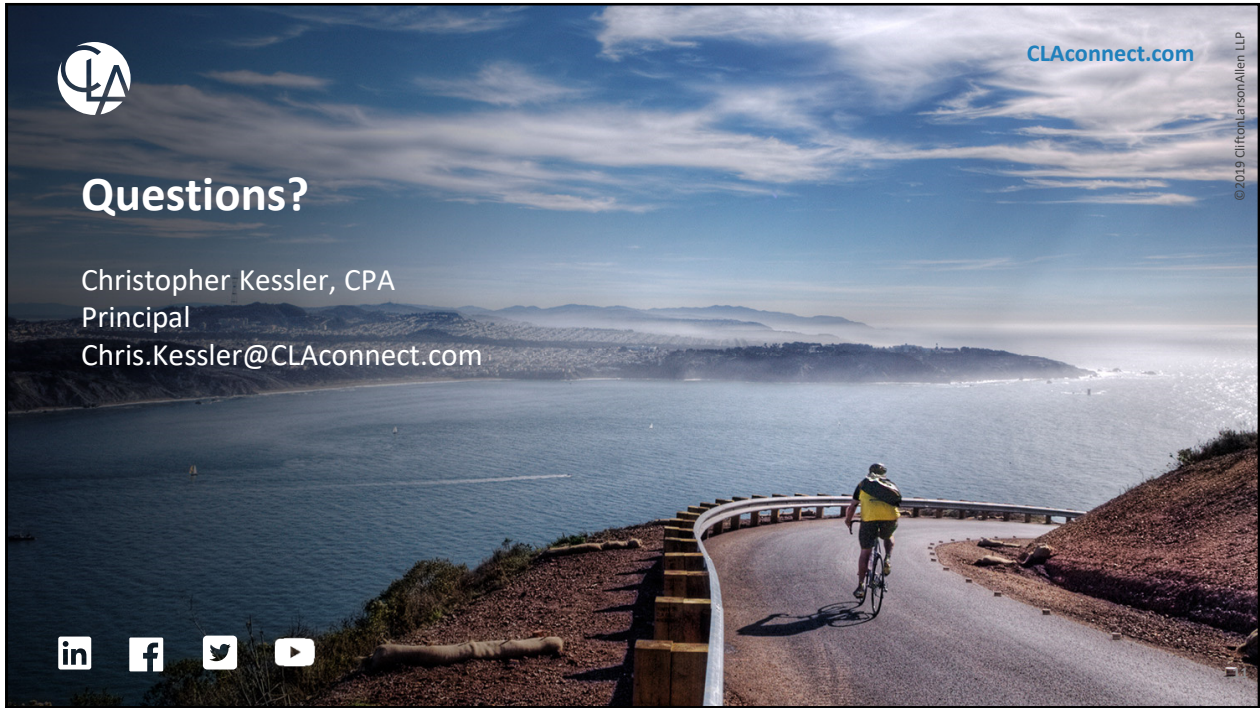
GASB Update and Emerging Issues


- 2019
 - Statement 83—Asset Retirement Obligations
- 2020
 - **Statement 84—Fiduciary Activities**
 - Statement 88—Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
 - Statement 90—Majority Equity Interests
- 2021
 - **Statement 87—Leases**
 - Statement 89—Accounting for Interest Cost Incurred before the End of a Construction Period
- 2022
 - Statement 91—Conduit Debt Obligations

GASB GOVERNMENTAL
ACCOUNTING
STANDARDS BOARD

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Questions?

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