

Yadkin Valley Economic Development District, Inc.

**Financial Statements and
Supplementary Information**

Years Ended June 30, 2016 and 2015

Table of Contents

Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses for the Year Ended June 30, 2016	5
Statement of Functional Expenses for the Year Ended June 30, 2016	6
Statements of Cash Flows	7
Notes to Financial Statements	8
Compliance Section:	
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 <i>Government Auditing Standards</i>	15
Independent Auditors' Report on Compliance for The Major Federal Program and on Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	17
Independent Auditors' Report on Compliance for Each Major State Program and on Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act	19
Schedule of Expenditures of Federal and State Awards.....	21
Schedule of Findings and Questioned Costs	25
Corrective Action Plan	27



Independent Auditors' Report

Board of Directors
Yadkin Valley Economic Development District, Inc.
Boonville, North Carolina

We have audited the accompanying financial statements of Yadkin Valley Economic Development District, Inc. ("YVEDDI") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial 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 an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YVEDDI as of June 30, 2016 and 2015, and the changes in their net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America



Emphasis of Matter

As described in Note 12 to the financial statements, the Organization has restated its financial statements as of June 30, 2015 and for the year then ended to correct unrecognized property, plant, and equipment. Our opinion is not modified with respect to these matters.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected 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 underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2016 on our consideration of YVEDDI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering YVEDDI's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Winston-Salem, North Carolina
December 7, 2016**

Yadkin Valley Economic Development District, Inc.
Statements of Financial Position
June 30, 2016 and 2015 (Restated)

	<u>2016</u>	<u>Restated 2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 843,149	\$ 365,088
Investments	17,655	17,554
Accounts receivable, net of allowance for doubtful accounts of \$71,278 and \$10,000 as of June 30, 2016 and 2015, respectively	261,619	223,444
Grants receivable	414,190	427,530
Inventories	-	14,541
Other current assets	<u>62,969</u>	<u>162,181</u>
Total current assets	1,599,582	1,210,338
Property, plant and equipment, net	<u>2,825,099</u>	<u>2,745,882</u>
Total assets	<u>\$ 4,424,681</u>	<u>\$ 3,956,220</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 317,595	\$ 250,592
Accrued liabilities	402,014	520,656
Grantor payables	25,000	-
Current maturities of capital lease obligations	6,186	20,530
Current maturities of note payable	<u>122,804</u>	<u>8,448</u>
Total current liabilities	873,599	800,226
Capital lease obligations, net of current maturities	11,694	15,031
Note payable, net of current maturities	-	121,377
Net Assets:		
Unrestricted	1,032,257	721,422
Temporarily restricted	<u>2,507,131</u>	<u>2,298,164</u>
Total net assets	<u>3,539,388</u>	<u>3,019,586</u>
Total liabilities and net assets	<u>\$ 4,424,681</u>	<u>\$ 3,956,220</u>

See accompanying notes.

Yadkin Valley Economic Development District, Inc.
Statements of Activities
For the Years Ended June 30, 2016 and 2015 (Restated)

	2016			Restated 2015		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
REVENUE AND SUPPORT						
Grants	\$ -	\$ 7,485,826	\$ 7,485,826	\$ -	\$ 6,931,704	\$ 6,931,704
In-kind contributions	-	269,943	269,943	-	244,313	244,313
Donations	180,046	-	180,046	168,071	-	168,071
Program income	4,366,480	-	4,366,480	3,150,174	-	3,150,174
Local government appropriations	-	401,191	401,191	-	387,904	387,904
Interest	-	633	633	-	431	431
Gain on sale of property, plant and equipment	42,705	-	42,705	38,227	-	38,227
Unrealized gain on investments	-	101	101	-	1,156	1,156
Net assets released from restrictions:						
Satisfaction of program restrictions	7,948,727	(7,948,727)	-	8,385,240	(8,385,240)	-
Total revenue and support	<u>12,537,957</u>	<u>208,967</u>	<u>12,746,924</u>	<u>11,741,712</u>	<u>(819,732)</u>	<u>10,921,980</u>
EXPENSES						
Program expenses	11,545,341	-	11,545,341	11,513,530	-	11,513,530
Management and general	667,169	-	667,169	715,035	-	715,035
Interest expense	14,612	-	14,612	11,063	-	11,063
Total expenses	<u>12,227,122</u>	<u>-</u>	<u>12,227,122</u>	<u>12,239,628</u>	<u>-</u>	<u>12,239,628</u>
Change in net assets	310,835	208,967	519,802	(497,916)	(819,732)	(1,317,648)
Net assets at beginning of year	<u>721,422</u>	<u>2,298,164</u>	<u>3,019,586</u>	<u>1,219,338</u>	<u>3,117,896</u>	<u>4,337,234</u>
Net assets at end of year	<u>\$ 1,032,257</u>	<u>\$ 2,507,131</u>	<u>\$ 3,539,388</u>	<u>\$ 721,422</u>	<u>\$ 2,298,164</u>	<u>\$ 3,019,586</u>

See accompanying notes.

Yadkin Valley Economic Development District, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2016

	<u>Community Services Block Grant</u>	<u>Head Start</u>	<u>U.S.D.A. Nutrition</u>	<u>Older Americans Act</u>	<u>Weather- ization</u>
Personnel:					
Salaries and wages	\$ 172,150	\$ 1,772,396	\$ 18,217	\$ 129,090	\$ 170,364
Fringe	60,722	625,343	2,854	57,621	53,143
Non-personnel:					
Contracted services	-	-	-	2,786	317,437
Travel - staff and board	5,510	40,820	-	5,463	34
Travel - participants/ maintenance	25,993	270,986	-	170,765	7,719
Facilities	9,666	378,955	-	13,654	7,661
Supplies	12,041	92,302	3,137	4,321	486,282
Insurance	1,993	24,900	-	6,272	7,300
Communications	7,120	35,189	-	4,292	4,145
Depreciation	4,780	94,955	-	619	15,102
Food	-	-	296,569	258,016	-
Training	9,769	39,772	-	188	11,331
Other	147,237	651	-	4,943	42,335
Total	<u>\$ 456,981</u>	<u>\$ 3,376,269</u>	<u>\$ 320,777</u>	<u>\$ 658,030</u>	<u>\$ 1,122,853</u>

See accompanying notes.

Yadkin Valley Economic Development District, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2015 (Restated)

	<u>Community Services Block Grant</u>	<u>Head Start</u>	<u>U.S.D.A. Nutrition</u>	<u>Older Americans Act</u>	<u>Weather- ization</u>
Personnel:					
Salaries and wages	\$ 150,587	\$ 1,799,143	\$ 18,255	\$ 151,745	\$ 152,891
Fringe	55,842	528,104	2,846	41,855	49,521
Non-personnel:					
Contracted services	-	2,789	-	2,026	98,460
Travel - staff and board	5,768	56,509	-	6,833	61
Travel - participants/ maintenance	27,962	272,376	-	151,638	16,711
Facilities	15,106	418,225	-	30,115	5,241
Supplies	8,529	88,207	649	4,781	2,326
Insurance	2,068	25,742	-	9,405	4,651
Communications	5,912	26,109	-	6,946	3,274
Depreciation	2,980	111,197	-	863	17,308
Food	-	11,437	263,166	297,698	-
Training	4,494	-	-	940	-
Other	135,037	51,280	4,129	43,381	218,894
Total	<u>\$ 414,285</u>	<u>\$ 3,391,118</u>	<u>\$ 289,045</u>	<u>748,226</u>	<u>\$ 569,338</u>

See accompanying notes.

<u>Retired & Senior Volunteer Program</u>	<u>Community Transportation Program</u>	<u>Other Funded Transport</u>	<u>Other Programs</u>	<u>Local Service Programs</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
\$ 50,516	\$ 1,756,498	\$ -	\$ 217,037	\$ 215,024	\$ 368,820	\$ 4,880,516
12,790	492,460	-	79,494	66,333	123,400	1,452,645
211	60,559	-	5,330	34,321	44,516	248,212
3,850	17,067	-	2,022	2,861	3,824	98,795
3,907	951,147	580,014	6,373	3,960	3,969	2,018,057
1,422	78,611	-	3,600	195,286	33,997	781,603
442	14,864	-	36,963	131,079	9,552	297,392
1,578	147,509	-	1,549	8,554	10,173	211,229
2,332	89,359	-	17,389	62,782	1,412	215,515
364	511,031	-	5,143	15,822	110,301	775,009
-	-	-	-	-	-	572,301
-	4,242	-	-	1,476	-	11,152
3,454	21,074	-	57,656	126,163	5,071	666,139
<u>\$ 80,866</u>	<u>\$ 4,144,421</u>	<u>\$ 580,014</u>	<u>\$ 432,556</u>	<u>\$ 863,661</u>	<u>\$ 715,035</u>	<u>\$ 12,228,565</u>
				Interest expense		11,063
						<u>\$ 12,239,628</u>

Yadkin Valley Economic Development District, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015 (Restated)

	<u>2016</u>	<u>Restated 2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 519,802	\$ (1,317,648)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	648,995	775,009
Gain on sale of property, plant and equipment	(42,705)	(38,227)
Unrealized gain on investments	(101)	(1,156)
Changes in operating assets and liabilities:		
Accounts receivable, net	(38,175)	149,127
Grants receivables	13,340	792,289
Pledges receivable	-	95,189
Inventories	14,541	4,449
Other current assets	99,212	(10,997)
Accounts payable	67,003	(569,172)
Grantor payables	25,000	(35,173)
Accrued liabilities	(118,642)	(31,907)
Net cash provided (used) by operating activities	<u>1,188,270</u>	<u>(188,217)</u>
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	42,705	38,227
Purchase of property, plant and equipment	(728,212)	(265,351)
Net cash used by investing activities	<u>(685,507)</u>	<u>(227,124)</u>
Cash flows from financing activities:		
Payments on note payable	(7,021)	(10,988)
Payments on capital lease obligations	(17,681)	(29,203)
Net cash used by financing activities	<u>(24,702)</u>	<u>(40,191)</u>
Net increase (decrease) in cash equivalents	478,061	(455,532)
Cash and cash equivalents, beginning of year	<u>365,088</u>	<u>820,620</u>
Cash and cash equivalents, end of year	<u>\$ 843,149</u>	<u>\$ 365,088</u>
Supplemental disclosures of cash flow information:		
Cash payments for interest	<u>\$ 14,612</u>	<u>\$ 11,063</u>

See accompanying notes.

Notes to Financial Statements

1. Nature of Business and Significant Accounting Policies

Nature of business

Yadkin Valley Economic Development District, Inc. ("YVEDDI" or the "Organization"), is a nonprofit community action agency, which administers the grant funds it receives by the provision of OMB Circulars A-110 and A-122. The Agency operates a number of funded programs, as well as local service programs, to promote the economic development in Yadkin, Stokes, Davie, and Surry Counties, North Carolina. Local service programs represent the consolidation of Local Effort, Transportation, Yadkin Valley Community Senior Center, L. H. Jones (Surry County) Family Resource Center, Greater East Bend Community & Senior Center, Pilot Mountain Senior Center and Consumables Warehouse operations.

A summary of the Organization's significant accounting policies are as follows:

Basis of accounting

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, Subtopic 205, *Presentation of Financial Statements*. Under those provisions, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets or permanently restricted net assets.

Basis of presentation

Net assets of the Agency are classified as unrestricted, temporarily restricted or permanently restricted.

- *Unrestricted net assets* consist of assets, net of liabilities, related to the Organization's operating activities, which are available at the discretion of the Board of Directors. Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.
- *Temporarily restricted net assets* contain donor-imposed restrictions that permit the Organization to use or expend the assets as specified. These restrictions are satisfied either by the passage of time or by actions of the Organization. Donor restricted contributions and investment returns whose restrictions are met in the same period they are received are reported as unrestricted support and expenditures.
- *Permanently restricted net assets* contain donor-imposed restrictions and stipulate the resources be maintained permanently, but permit the Organization to use, or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenue recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional expenses

The Organization allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expense classification.

Yadkin Valley Economic Development District, Inc.
Notes to Financial Statements

In-kind contributions

In-kind contributions are used by the Organization to satisfy the cost sharing requirements of grantor contracts, including the U.S. Department of Health and Human Services. The Organization will occasionally receive various facility and fixed asset donations, which are allocable to other programs. In-kind contributions used for matching are recognized for grant reporting purposes only to the extent necessary to meet matching requirements.

Inventories

Inventories consist of supplies held at the Consumable Warehouse and are valued at the lower of cost, on a first in, first out basis, or market.

Investments

The Organization owns marketable equity securities which are held in a brokerage account with LPL Financial. These investments were received as contributions and are adjusted annually to reflect their fair value at year end.

Property and equipment

Purchased property and equipment is capitalized at cost. Donated fixed assets are reported as support at their estimated fair value at the date of donation. All data processing equipment with a cost of less than \$500 is expensed in the year of acquisition. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United State of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts receivable

Accounts receivable are uncollateralized obligations of customers that are stated at the amount billed and are due within 30 days. The carrying amount of accounts receivable is reduced by accounts considered uncollectible. The Organization maintains an allowance for doubtful accounts for receivables which is an estimate based on collection experience and a review of the current status of trade accounts receivable.

Income taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and is also exempt from North Carolina income tax. Therefore, no provision has been made for federal or state income taxes in the accompanying financial statements. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2016.

Indirect costs

Indirect costs are those costs which accrue to the benefit of all grant programs, but are not readily identifiable to a particular program. Since these costs do contribute to the cost for implementing the program, the Community Services Block Grant allows it's pro rata share to be claimed for reimbursement. Other programs may not allow their pro rata share of indirect costs to be claimed for reimbursement.

Capital lease obligations

Leases that transfer substantially all of the benefits and risks of ownership to an entity are accounted for as capital leases. The present value of the lease payments are reported as capital lease obligations in the accompanying statements of financial position. The leased assets are capitalized and the related amortization is included in depreciation expense (Note 9).

Yadkin Valley Economic Development District, Inc.
Notes to Financial Statements

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments purchased with an original maturity of three months or less.

Reclassifications

Certain amounts from the 2015 financial statements have been reclassified to conform to the 2016 presentation.

Subsequent events

The Organization evaluated the effect subsequent events would have on the financial statements December 7, 2016, which is the date the financial statements were available to be issued.

2. Property, Plant and Equipment

Property and equipment owned at June 30, 2016 and 2015 by the Organization consists of the following:

	<u>2016</u>	<u>2015</u>
Major fixed asset classification:		
Land	\$ 265,223	\$ 265,223
Buildings and improvements	2,930,184	2,904,085
Office and communications equipment	1,016,709	800,830
Heavy equipment	46,849	46,849
Vehicles	<u>3,553,218</u>	<u>3,108,285</u>
	7,812,184	7,125,272
Less accumulated depreciation	<u>4,987,085</u>	<u>4,379,390</u>
	<u>\$ 2,825,099</u>	<u>\$ 2,745,882</u>

3. Non-Expendable Property

Acquisitions of non-expendable property are treated as transfers of the program fund in the period incurred and asset values are recorded in the fixed asset fund.

The Organization holds the following fixed assets, which were acquired with donor funds with restrictions on asset use and grant funds with the grantor agency holding a principal reversionary interest. All vehicles acquired through the Community Transportation Program are subject to a security agreement with the North Carolina Department of Transportation. The purpose of this lien is to ensure proper procedures are followed in the use and ultimate disposition of the vehicles in accordance with the project agreement. These assets are included in the statements of financial position and consist of the following amounts:

	<u>2016</u>	<u>2015</u>
Book Value of restricted property	\$ 6,534,552	\$ 5,238,453
Accumulated depreciation	<u>4,453,266</u>	<u>3,731,308</u>
Net book value of restricted property	<u>\$ 2,081,286</u>	<u>\$ 1,507,145</u>

4. Pension Plan

The Organization is the sponsor of a Money Purchase Pension Plan whose assets are held by the Hartford Life Insurance Company. All permanent employees who have attained the age of 18 are eligible for pension plan participation. The plan provides disability, death and retirement benefits to its members. Pension plan participants are entitled to vest after three years of service at which time there is 100% vesting. The Organization makes contributions of 5% of each participant's earnings. Employees may elect to make voluntary contributions of up to 10% of their compensation. Retirement expense was \$218,882 for the year ended June 30, 2016 and \$233,107 for the year ended June 30, 2015.

5. Indirect Cost Allocation Plan

Yadkin Valley Economic Development District, Inc. submits its Indirect Cost Allocation Plan to its federal oversight agency, the U.S. Department of Health and Human Services, for approval on a triennial basis. The Indirect Cost Allocation Plan is based on the "alternative simplified method" whereby the costs of the indirect cost pool are allocated to each program and fund in proportion to the direct costs, excluding capital expenditures within each sub-award in excess of \$25,000, contracted costs, and other unallowed costs of each local and funded program in relation to these costs for the Organization as a whole. The final rate approved by the federal oversight agency for the years ended June 30, 2016 and 2015 were 6.5% and 5.65%, respectively. All indirect costs are allocated based on the applicable percentage of allowable direct costs.

6. Compensated Absences

Employees of the Organization are entitled to paid vacations (annual leave) and paid sick days (sick leave). Earned unused annual leave from one fiscal year may be carried over to subsequent periods however, employees may only accumulate up to thirteen days of annual leave. Earned annual leave not used is credited as sick leave. Upon termination from employment, earned unused annual leave may be paid if applicable program/project funds are available. The Organization has no obligation to pay accumulated sick leave upon termination from employment and accordingly, no accrual for sick leave has been recorded.

The total accrual of current unused annual leave was \$146,646 as of June 30, 2016 and \$158,003 as of June 30, 2015. The expenses and accrual, although attributable to employees in various Organization programs/projects, are reflected in the Local Service Program.

7. Concentration of Credit Risk

A substantial portion of the Organization's sources of funding depend on government programs. Should those programs be terminated or cut, it could have an adverse effect on the Organization's future operations. At times, the Company maintains deposits in federally insured financial institutions in excess of federally insured limits. Management monitors the soundness of these financial institutions and believes the risk of loss is insignificant.

Yadkin Valley Economic Development District, Inc.
Notes to Financial Statements

8. Note Payable

	<u>2016</u>	<u>2015</u>
Note Payable - Capital Bank, interest only payable at a rate of 6.25% for September through November 2011, and beginning December 15, 2011, 60 equal payments of \$1,380 including principal and interest until November 15, 2016, at which time the balance is due. Secured by a deed of trust on building at 7131 NC Highway 801 South, Mocksville, NC.	\$ 122,804	\$ 129,825
Less current maturities	<u>122,804</u>	<u>8,448</u>
	<u>\$ -</u>	<u>\$ 121,377</u>

Principal maturities are as follows:

2017	\$ <u>122,804</u>
------	-------------------

The Organization has a \$450,000 line-of-credit agreement with Capital Bank which matures on June 9, 2017 and is secured by certain property. Interest under this agreement is payable monthly at the one month LIBOR rate (0.47% as of June 30, 2016) plus 3.00% per annum. As of June 30, 2016 and 2015, there were no outstanding borrowings on this line-of-credit.

9. Capital Leases

The Organization is the lessee of various copying machines/printers under capital leases. The assets and liabilities under capital lease are initially recorded at the present value of the minimum lease payments, and are amortized over the shorter of the estimated useful lives of the assets or the term of the lease. Amortization of assets under capital lease is included in depreciation expense and the lease is secured by the various assets under lease. The lease expires in October 2018 with an interest rate of 6%.

The future minimum lease payments under these capital leases as of June 30, 2016 are as follows:

2017	\$ 6,920
2018	6,920
2019	<u>5,155</u>
Total minimum lease payments	18,995
Less: amount representing interest	<u>1,115</u>
Present value of net minimum obligations	17,880
Less: current obligation under capital lease	<u>6,186</u>
Long term obligation under capital lease	<u>\$ 11,694</u>

As of June 30, 2016 and June 30, 2015, the capitalized cost of assets held under capital lease obligations was \$31,252 and \$74,775, respectively. Additionally, the related accumulated depreciation for those leased assets as of June 30, 2016 and June 30, 2015 was \$18,230 and \$41,683, respectively.

10. Operating Lease

The Organization leases a facility under a non-cancellable operating lease agreement which expires in November 2018. At the Organization's discretion, the agreement contains a renewal option to extend the lease term for two additional

Yadkin Valley Economic Development District, Inc.
Notes to Financial Statements

five year periods at the conclusion of the original lease term. Monthly rent under this agreement is \$1,775. The minimum annual rent commitment under this non-cancelable operating lease as of June 30, 2016 is as follows:

2017	\$	21,300
2018		21,300
2019		8,875
	\$	<u>51,475</u>

Total rent expense for operating leases was \$21,300 for the years ended June 30, 2016 and June 30, 2015, respectively.

11. Fair Value of Assets and Liabilities

Fair value as defined under generally accepted accounting principles is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1: Observable inputs such as quoted prices in active markets.
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Prices for certain cash equivalents, such as money market mutual funds, and investment securities which are readily available in the active markets in which those securities are traded, are categorized as Level 1.

The following tables set forth by level, within the fair value hierarchy, the Organization's financial assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2016 and 2015:

	<u>Assets at Fair Value as of June 30, 2016</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:			
Equity securities	\$ 17,655	\$ -	\$ -

	<u>Assets at Fair Value as of June 30, 2015</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:			
Equity securities	\$ 17,554	\$ -	\$ -

The Organization has \$843,149 and \$365,088 in cash and cash equivalents as of June 30, 2016 and 2015, respectively, which are not classified as a Level.

Yadkin Valley Economic Development District, Inc.
Notes to Financial Statements

12. Restatement

A physical inventory of fixed assets was performed during 2016, and as a result, management discovered assets that should have been capitalized in prior years. Accordingly, the Organization has restated the affected items from 2015 in order to correct the error.

The following sets forth the previously reported and restated amounts of the selected items within the statement of financial position as of June 30, 2015 and within the statements of activities, functional expenses, and cash flows for the year ended June 30, 2015.

	<u>As Originally Reported</u>	<u>Effect of Restatement</u>	<u>As Restated</u>
Statement of Financial Position			
Property, plant, and equipment, net	\$ 2,674,878	\$ 71,004	\$ 2,745,882
Net Assets:			
Unrestricted	\$ 1,055,731	\$ (334,309)	\$ 721,422
Temporarily restricted	1,892,851	405,313	2,298,164
	<u>\$ 2,948,582</u>	<u>\$ 71,004</u>	<u>\$ 3,019,586</u>
Statement of Activities			
Program expenses	\$ 11,409,199	\$ 104,331	\$ 11,513,530
Management and general	\$ 607,280	\$ 107,755	\$ 715,035
Change in Net Assets	\$ (1,105,562)	\$ (212,086)	\$ (1,317,648)
Net Assets at beginning of year	\$ 4,054,144	\$ 283,090	\$ 4,337,234
Net Assets at end of year	\$ 2,948,582	\$ 71,004	\$ 3,019,586
Statement of Functional Expenses			
Depreciation	\$ 562,923	\$ 212,086	\$ 775,009
Statement of Cash Flows			
Change in net assets	\$ (1,105,562)	\$ (212,086)	\$ (1,317,648)
Depreciation	\$ 562,923	\$ 212,086	\$ 775,009

Compliance Section

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

Board of Directors
Yadkin Valley Economic Development District, Inc.
Boonville, North Carolina

We have audited, in accordance with the 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 financial statements of Yadkin Valley Economic Development District, Inc. ("YVEDDI"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 7, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered YVEDDI'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of YVEDDI's internal control. Accordingly, we do not express an opinion on the effectiveness of the YVEDDI's 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. 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 YVEDDI's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a 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.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-01, which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether YVEDDI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

YVEDDI's Response to Finding

YVEDDI's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. YVEDDI'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 results of that testing, and not to provide an opinion on the effectiveness of the YVEDDI'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**Winston-Salem, North Carolina
December 7, 2016**

Independent Auditors' Report on Compliance for The Major Federal Program and on Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

Board of Directors
Yadkin Valley Economic Development District, Inc.
Boonville, North Carolina

Report on Compliance for the Major Federal Program

We have audited Yadkin Valley Economic Development District Inc.'s ("YVEDDI") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on YVEDDI's major federal program for the year ended June 30, 2016. YVEDDI's major federal program is 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 YVEDDI'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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 YVEDDI'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 YVEDDI's compliance.

Opinion on Each Major Federal Program

In our opinion, YVEDDI complied, in all material respects, with the types of 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, 2016.

Report on Internal Control over Compliance

Management of YVEDDI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered YVEDDI's internal control over compliance with the types of

requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 YVEDDI's internal control over compliance.

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, noncompliance 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 noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**Winston-Salem, North Carolina
December 7, 2016**

Independent Auditors' Report on Compliance for Each Major State Program and on Internal Control over Compliance in Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act

Board of Directors
Yadkin Valley Economic Development District, Inc.
Boonville, North Carolina

Report on Compliance for Each Major State Program

We have audited Yadkin Valley Economic Development District Inc.'s ("YVEDDI") 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 YVEDDI's major state programs for the year ended June 30, 2016. YVEDDI'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 YVEDDI'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 applicable sections of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 YVEDDI'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 on YVEDDI's compliance.

Opinion on Each Major State Program

In our opinion, YVEDDI complied, in all material respects, with the types of 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, 2016.

Report on Internal Control over Compliance

Management of YVEDDI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered YVEDDI'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 Uniform Guidance 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 YVEDDI's internal control over compliance.

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, noncompliance 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

**Winston-Salem, North Carolina
December 7, 2016**

Yadkin Valley Economic Development District, Inc.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
FEDERAL GRANTS		
Cash Assistance:		
<u>U.S. Department of Agriculture</u>		
Passed through the NC Department of Public Instruction Division of Women's and Children's Health Child and Adult Food Program	10.558	305,716
<u>U.S. Department of Health and Human Services</u>		
Direct Programs		
Head Start	93.600	2,458,162
Passed through East Coast Migrant		
Head Start	93.600	390,106
Total Head Start		<u>2,848,268</u>
Passed through NC Governor's Crime Commission		
Victims of Crime Act - Sexual Assault	16.575	79,585
Passed through NC Department of Health and Human Services		
Office of Economical Opportunity		
Community Service Block Grant	93.569	479,123
Passed through NC Department of Health and Human Services		
Family Violence Prevention	93.569	18,912
Total Community Services Block Grant		<u>498,035</u>
Passed through NW Piedmont Triad Regional Council		
Title III, Parts A & B for Supportive Services & Senior Centers	93.044	70,113
Title III, Part C Elderly Nutrition	93.045	204,299
Nutrition Services Incentive Program	93.053	47,991
Social Services Block Grant	93.667	3,872

Yadkin Valley Economic Development District, Inc.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
FEDERAL GRANTS (Continued)		
Cash Assistance:		
<u>U.S. Department of Transportation</u>		
Passed through NC Department of Transportation		
Division of Public Transportation		
Urban Mass Transportation Capital		
and Operating Assistance		
Formula Grants		
Administration	20.509	255,516
Capital	20.509	574,482
Operating	20.509	71,402
		<u>901,400</u>
Enhanced mobility of seniors and individuals	20.513	75,443
<u>Corporation for National and Community Service</u>		
Direct Program		
Retire Senior Volunteer Program	94.002	45,770
<u>U.S. Department of Energy</u>		
Passed through NC Department of Commerce,		
Energy Division		
Weatherized Assistance for Low Income Persons	81.042	527,433
		<u>527,433</u>
Total federal awards		<u>\$ 5,607,925</u>

**Yadkin Valley Economic Development District, Inc.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016**

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
STATE GRANTS		
Cash Assistance:		
<u>N.C. Department of Health and Human Services:</u>		
Division of Aging		
Pass through NW Piedmont		
Triad Regional Council		
General Purpose Senior Centers YV	N/A	\$ 11,056
General Purpose Senior Centers YC	N/A	10,954
General Purpose Senior Centers EC	N/A	12,190
General Purpose Senior Centers SFRC	N/A	13,225
General Purpose Senior Centers PM	N/A	1,975
 Title III, Parts A & B for Supportive Services and Senior Centers	 N/A	 106,935
 Title III, Part C Elderly Nutrition	 N/A	 164,203
<u>N.C. Department of Transportation</u>		
Public Transportation Division		
Formula Grants		
Administration	N/A	15,966
Capital	N/A	71,808
Elderly and Disabled	N/A	237,901
Rural General Public	N/A	277,646
5310 - Enhanced mobility of seniors and individuals	N/A	3,060
<u>N.C. Department of Administration</u>		
NC Council on the Status of Woman		
Stokes County Domestic Violence Program and Marriage License Fee Funds	N/A	65,701
Surry County Domestic Violence Program and Marriage License Fee Funds	N/A	65,701
Yadkin County Domestic Violence Program and Marriage License Fee Funds	N/A	65,701
 Stokes County Sexual Assault	 N/A	 23,542
Surry County Sexual Assault	N/A	23,542
Yadkin County Sexual Assault	N/A	23,542
 Stokes County Divorce Filing Fees	 N/A	 20,867
Surry County Divorce Filing Fees	N/A	20,867
Yadkin County Divorce Filing Fees	N/A	20,867

Yadkin Valley Economic Development District, Inc.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2016

<u>Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
STATE GRANTS (Continued)		
<u>N.C. Department of Public Instruction</u>		
Pass through Davie County Schools NC Pre-Kindergarten Program	N/A	46,297
Pass through Stokes Partnership for Children NC Pre-Kindergarten Program	N/A	92,855
Pass through Surry County Early Childhood Partnership NC Pre-Kindergarten Program	N/A	165,702
Pass through Yadkin County Schools NC Pre-Kindergarten Program	N/A	163,568
Total state awards		<u>\$ 1,725,671</u>
Total awards		<u>\$ 7,333,596</u>

Notes to the Schedule of Expenditures of Federal and State Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state grant activity of the Yadkin Valley Economic Development District, Inc. under the programs of the federal government and the state of North Carolina for the year ended June 30, 2016. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State Single Audit Implementation Act. Because the SEFSA presents only a select portion of the operations of the Yadkin Valley Economic Development District, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of the Yadkin Valley Economic Development District, Inc.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Yadkin Valley Economic Development District, Inc.
Schedule of Findings and Questioned Costs**

1. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified yes none reported

Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified yes none reported

Noncompliance material to federal awards yes no

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 2 CFR 200.516(a) yes no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
---------------------	--------------------------------------------

93.600	Head Start
--------	------------

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? yes no

State Awards

Internal control over major state programs:

- Material weaknesses identified? yes no
- Significant deficiencies identified yes none reported

Noncompliance material to state awards yes no

**Yadkin Valley Economic Development District, Inc.
Schedule of Findings and Questioned Costs**

Type of auditors' report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act _____ yes x no

Identification of major state programs:

<u>Program Name</u>
NC Pre-Kindergarten Program
Rural Operating Assistance Program
Elderly and Disabled Transportation Assistance Program
Rural General Public Program

2. Financial Statement Findings

**Finding 2016-01
SIGNIFICANT DEFICIENCY**

Criteria: Property, Plant, and Equipment should be appropriately capitalized in the year the item is placed into service.

Condition: The Organization did not capitalize all property, plant, and equipment in the correct period.

Effect: Additions were expensed in prior years and not correctly added to property, plant, and equipment, resulting in a restatement of the June 30, 2015 financial information.

Cause: Management did not have the appropriate processes in place to identify purchases that should be capitalized.

Recommendation: We recommend management correctly capitalize appropriate purchases in the year they are placed into service.

Views of Responsible Officials: The Organization agrees with this finding.

3. Federal Award Findings and Questioned Costs

None

4. State Award Findings and Questioned Costs

None

Yadkin Valley Economic Development District, Inc.
Corrective Action Plan

Finding 2016-01

Name of Contact Person: Rick Seibert

Corrective Action: The Organization agrees with this finding. Management performed a physical inventory of fixed assets during fiscal year 2016 which resulted in assets discovered that should have been capitalized in prior years.

The fixed asset ledger system is now maintained by Dixon Hughes Goodman, a third party provider. The Organization's management has put processes in place to provide the necessary detail related to changes in fixed assets, such as additions or deletions, to the firm maintaining the fixed asset ledger system. Processes have also been put into place to subsequently reconcile the general ledger of the Organization to the fixed asset ledger system balances, as they are updated.

Accordingly, the changes in the procedures will result in the timely recording of fixed asset additions and deletions and the firm maintaining the system has the appropriate level of expertise and knowledge to ensure that calculations are made in accordance with the appropriate authoritative guidelines.

Proposed Completion Date: June 30, 2016