*2021*

*Annual Report Sample Letter of Certification  
From Your Agency to the Office of the State Controller*

**Prepare on Agency Letterhead**

*(Date: should be the date package is submitted, cannot be an earlier date)*

Dr. Linda Combs  
State Controller  
1410 MAIL SERVICE CENTER  
Raleigh, North Carolina 27699-1410

Dear Dr. Combs:

In accordance with G.S.143B-426.40H and G.S.143D, I herewith submit the financial statements of *(AGENCY / COMPONENT UNIT NAME)* for the fiscal year ended June 30, 2021. We have completed the accrual process for the year ended June 30, 2021 and will require no further updating.

We are providing this letter in connection with your compilation of the general purpose financial statements of the State of North Carolina {and the additional requirements of the Single Audit Act} as of June 30, 2021 and for the period then ended for the purpose of presenting fairly, in all material respects, the financial position of the *(AGENCY / COMPONENT UNIT NAME),* and the results of operations and the cash flows of its proprietary fund types in conformity with generally accepted accounting principles as prescribed by the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (Governmental Accounting Standards Board, Financial Accounting Standards Board)**1** (***see non-profit note below***). We confirm that we are responsible for the fair presentation in the financial statements of the financial position, results of operations, and cash flows in conformity with generally accepted accounting principles**1** (***see non-profit note below*)**.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgement of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We certify, to the best of our knowledge and belief, the following representations of the financial amounts and disclosures reported by the *(AGENCY / COMPONENT UNIT NAME)* to the Office of the State Controller and compliance with laws and regulations:

1. We are responsible for the fair presentation in the general ledger and the Annual Report Footnote Worksheets of the financial position and results of operations of the (AGENCY / COMPONENT UNIT NAME), and the cash flows of its proprietary fund types in conformity with generally accepted accounting principles. The general ledger and worksheets include all properly classified funds and account groups of the agency and all blended component units required by generally accepted accounting principles to be included in the State's financial reporting entity using the proper basis of accounting.

**(Note to Preparer: The following section only applies to universities, the NC State Ports Authority,** **NC** **Global TransPark Authority, and the NC Partnership for Children. For all other entities, this section should be excluded.)**

1. Using the prescribed pro forma documents, the formal financial statements, the formal notes to the financial statements, the management’s discussion and analysis, and required supplementary information (if applicable) prepared in accordance with GAAP will be made available to the State Auditor by September 21, 2021.

**(Note to Preparer: Sections “b” and “c” below only apply to universities, UNC Hospitals, and the NC Education Lottery. For all other entities, these sections should be excluded.)**

1. A copy of the formal notes to the financial statements and fiduciary activity financial statements will be sent to the Office of the State Controller by September 21, 2021.
2. As required, a completed foundation conversion template that converts private foundations and similarly affiliated organizations from the FASB format to the State Annual Report format will be sent to the Office of the State Controller by September 10, 2021. [Omit this item if it does not apply.]

(Note to Preparer: The following section only applies to the NC Housing Finance Agency, Rex Healthcare, Golden LEAF, State Education Assistance Authority, NC Biotechnology Center, Centennial Authority, NC Turnpike Authority, and the Economic Development Partnership of NC. For all other entities, this section should be excluded.)

1. The formal financial statements, the formal notes to the financial statements, the management’s discussion and analysis, and required supplementary information (if applicable) prepared in accordance with GAAP will be audited and a copy of the audited financial statements will be submitted to the Office of the State Controller by September 30, 2021 in accordance with the Office of the State Controller’s Submission of Audit Reports policy.

(Note to Preparer: The following section only applies to the 401(k) Supplemental Retirement Income Plan, Deferred Compensation Plan, and NC Railroad Company. For all other entities, this section should be excluded.)

1. The formal financial statements, the formal notes to the financial statements, the management’s discussion and analysis, and required supplementary information (if applicable) prepared in accordance with GAAP will be audited and a copy of the audited financial statements will be submitted to the Office of the State Controller by August 16, 2021 in accordance with the Office of the State Controller’s Submission of Audit Reports policy.

(Note to Preparer: The following section only applies to the North Carolina Department of State Treasurer Investment Programs. For all other entities, this section should be excluded.)

1. The formal financial statements, the formal notes to the financial statements, the management’s discussion and analysis, and required supplementary information (if applicable) prepared in accordance with GAAP will be audited and a copy of the audited financial statements will be submitted to the Office of the State Controller by October 15, 2021 in accordance with the Office of the State Controller’s Submission of Audit Reports policy.

2. We have made available to the State Auditor:

a. Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.

b. Minutes of board meetings or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. There have been no:

a. Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.

b. Fraudulent financial reporting or misappropriation of assets involving other employees that could have a material effect on the financial statements.

c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the (agency’s /component unit’s) financial disclosures.

4. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund balances, and all reserves and designations of fund equities, if any, have been properly approved.

5. The following have been properly recorded or disclosed in the (AGENCY / COMPONENT UNIT NAME) financial disclosures:

a. Joint ventures and related party transactions and related accounts receivable or payable, including revenues, expenditures, loans, transfers, leasing arrangements, and guarantees.

b. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.

c. Agreements to repurchase assets previously sold.

6. There are no:

a. Violations or possible violations of budget ordinances or laws or regulations (including those pertaining to adopting and amending budgets) whose effects should be considered for disclosure in the (agency’s/component unit’s) financial disclosures or as a basis for recording a loss contingency.

b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by *Codification of Governmental Accounting and Financial Reporting Standards Section C50 or Statement of Financial Accounting Standards No. 5 for entities that follow FASB standards (e.g., NC Railroad Company and NC Biotechnology Center). [If material contingent liabilities exist, add the following: “other than those disclosed in the contingency worksheet and narrative”] (Note: Any material contingency liabilities that are $20 million or greater must be disclosed in the contingency worksheet and narrative.)*

c. Reservations or designations of fund equity that were not properly authorized and approved.

7. There are no outstanding claims or assessments, including unasserted claims or assessments, that our lawyer has advised us are probable of assertion and must be disclosed in accordance with *Codification of Governmental Accounting and Financial Reporting Standards Section C50.*

8. There are no material transactions that have not been properly recorded in the accounting records underlying the (AGENCY / COMPONENT UNIT NAME)financial disclosures.

9. Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.

10. The (AGENCY / COMPONENT UNIT NAME) has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged. [If the agency/component unit has pledged assets **reported in worksheet narrative 306 and/or worksheet narrative 311**, add "except as made known to you and disclosed in the notes to the financial statements.”]

11. We are responsible for the (AGENCY / COMPONENT UNIT NAME) compliance with laws and regulations applicable to it; and we have identified, and disclosed to you, all laws and regulations that have a direct and material effect on the determination of financial amounts. We have complied with all aspects of laws, regulations, and contractual agreements that would have a material effect on the (agency’s/component unit’s) financial disclosures in the event of noncompliance.

12. We have identified all accounting estimates that could be material to the (AGENCY / COMPONENT UNIT NAME) financial disclosures, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

13. [“Except as disclosed in the notes to the financial statements, no events…”] No events have occurred subsequent to the fiscal year end that would require adjustments to, or disclosure in, the (agency’s/component unit’s) financial disclosures.

14. We have reviewed the approved Cash Management Plan and Delegation of Disbursing Authority for (AGENCY / COMPONENT UNIT NAME). All necessary changes have been implemented and the revised Cash Management Plan and/or Delegation of Disbursing Authority have been sent to the Office of the State Controller for approval. The original of the approved Cash Management Plan and Delegation of Disbursing Authority signed by the State Controller will be maintained for review by the Office of the State Controller and the Office of the State Auditor.

15. We have complied with the requirements of the North Carolina General Statute Chapter 143D, “*The* *State Governmental Accountability and Internal Control Act”*.

16. With respect to federal financial award programs:

a. We are responsible for complying with the requirements of the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and any other applicable laws and regulations and provisions of contracts and grant agreements.

b. We have identified in the Schedule of Expenditures of Federal Awards all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, insurance and other assistance received for the purpose of administering federal programs. We have also made records available to the State Controller relating to such financial awards received directly, as well as indirectly, as pass-through awards.

c. We have identified, and complied with in all material respects, the compliance requirements set forth in the Uniform Guidance *Compliance Supplement*, as it relates to the programs identified as major programs.

d. Amounts claimed or used for matching were determined in accordance with relevant guidelines in accordance with the Uniform Guidance.

e. [“Except as made known to you, there are no contracts or other agreements in place with a service provider.”] We have no contracts or other agreements in place with a service provider.

f. We have monitored subrecipients to determine that the subrecipients expend financial awards in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance. **[Omit this item if there are no subrecipients.]**

g. We have ensured that subrecipients expending $750,000 or more in federal awards during the subrecipient’s fiscal year have met the audit requirements of the Uniform Guidance. **[Omit this item if there are no subrecipients.]**

h. We have ensured that subrecipients expending less than $750,000 during the subrecipient’s fiscal year have not charged the cost of any audit to a federal program, except as might be related to the cost of limited scope audits to monitor subrecipients in accordance with the Uniform Guidance. **[Omit this item if there are no subrecipients.]**

i. We have taken appropriate corrective action on a timely basis after receipt of a subrecipient's auditor's report that identifies noncompliance with federal laws and regulations. **[Omit this item if there are no subrecipients.]**

j. We have considered the results of subrecipients' audits and made any necessary adjustments to [Name of Governmental Unit] own books and records. **[Omit this item if there are no subrecipients.]**

k. We have identified and disclosed to you all amounts questioned, as well as known violations of requirements that, if not complied with, could have a material effect on a major program.

l. We have received no requests from a federal agency to audit one or more specific programs as a major program. **[If such a request has been received, add "except for (name the programs)".]**

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Chief Executive Officer Chief Financial Officer

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(Note to Preparer: Delete this note and the section below after reading and do not include on your final letter of representation submitted with your package.)

**[ATTENTION NOT-FOR-PROFIT ENTITIES]**

***1****Generally Accepted Accounting Principles:* State agencies and ***other governmental entities***, must prepare their separately issued financial statements in accordance with the Governmental Accounting Standards Board (GASB) pronouncements which establish generally accepted accounting principles (GAAP) for governmental organizations.

The following American Institute of Certified Public Accountants (AICPA) definition has been agreed upon by both the FASB and the GASB. According to the *AICPA Audit and Accounting Guide for State and Local Governments*, Section AAG-SLV-1.01,

***“Public corporations and bodies corporate and politic are governmental entities. Other entities are governmental if they have one or more of the following characteristics:***

* Popular election of officers or appointment (or approval) of a controlling majority of the members of the organization’s governing body by officials of one or more state or local governments;
* The potential for unilateral dissolution by a government with the net position reverting to a government; or
* The power to enact and enforce a tax levy.”