

November 4, 2019

The Washington County Board of Commissioners met in Regular Meeting on Monday, November 4, 2019 at 6:00 PM in the Cooperative Extension Conference Room, 128 Water Street, Plymouth, NC. Commissioners Johnson, Phelps, Riddick, Sexton and Walker were present. Also present were County Manager/County Attorney Curtis Potter, Clerk to the Board Julie J. Bennett and Finance Officer Missy Dixon.

Chair Johnson called the meeting to order. Commissioner Sexton gave the invocation; County Manager Potter led the Pledge of Allegiance.

ADDITIONS/DELETIONS: Chair Johnson made an addition under Other Items: 9A Approval for County Offices to Close for the Employee Christmas Luncheon on December 6.

Commissioner Phelps added item 5A: ¼ cent sales tax referendum

CONSENT AGENDA: **Commissioner Phelps made a motion to approve the Consent Agenda:**

- a) Approval of Minutes
- b) Tax Refunds & Releases and Insolvent Accounts
- c) Resolution: FEMA Public Assistance Designation of Agent
- d) Riverlight Transit Document: Americans with Disabilities Act of 1990 (ADA) Policy and Procedures
- e) Petition for McNair Road Addition

Chair Johnson asked that the address box on Item c) gets fixed.

Commissioner Sexton seconded, motion carried unanimously.

PUBLIC FORUM: None.

REPUBLIC SERVICES: Mr. Kavanaugh, District Manager and Mr. Dehner, General Manager of Republic Services spoke to the Board and presented the following information.

Washington County Commissioner Meeting

Residential Curbside Collection Review

November 4, 2019



Agenda

- Missed Pick Up Reporting
- Yard Waste Collection
- Recycling Education Project
- Resident Concerns/Q&A



Missed Pick Up Reporting

- ❑ What does Republic Services consider to be a missed pick up?
 - ❑ Any missed collection based on the perception of our customer. If the customer believes they were missed, regardless of the circumstances, we treat it and measure it as a miss.
- ❑ How does Republic Services measure missed pick ups and service reliability?
 - ❑ Failures per 10,000
- ❑ How is that calculated?
 - ❑ $10,000/\text{Total Service Opportunities} \times \text{total missed pick ups} = \# \text{ of MPU's per } 10,000 \text{ services}$



Missed Pick Up Reporting

- ❑ Washington County house count-3789
 - ❑ 2 services for each home, MSW & Recycling
 - ❑ Weekly service
- ❑ Total service opportunities/month-32,813
- ❑ Sample period for this review- 6/1/2019 thru 10/31/2019
 - ❑ 5 months of data, as reported by Washington County Tax office
- ❑ Total service opportunities for the same 5 month sample period-164,065



Missed Pick Up Reporting

- ❑ Total Missed Pick Ups reported by Washington County Tax Office- 31
- ❑ Missed Pick ups per 10,000 in Washington Co- 1.88
- ❑ What does all this mean???



Missed Pick Up Reporting

For every 10,000 service opportunities we
miss 1.88 times

Or...

Our service reliability for weekly
MSW/Recycling collections is 99.98%
reliable

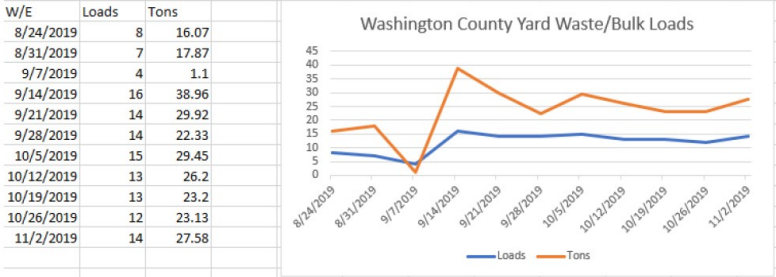


Yard Waste Collection-Post Hurricane Dorian

- Yard waste volume increased following Hurricane Dorian.
- Some minor collection delays based on volume
- Maintained effective communication with County Staff throughout.
- If our collection capabilities allowed, we picked up yard waste that was not necessarily conforming to the contract definition.
- Demonstrates our commitment to our partnership with Washington County

2.9. "Yard Waste" means leaves, limbs (no longer than Waste Material (six foot in length or six inches in diameter) and grass clippings but not stumps, rocks, dirt or construction materials.

Yard Waste Collection-Post Hurricane Dorian



Yard Waste Collection-Post Hurricane Dorian



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Republic Services Confidential

Yard Waste Collection-Post Hurricane Dorian



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Republic Services Confidential

Yard Waste Collection-Post Hurricane Dorian



11

Republic Services Confidential

Yard Waste Collection-Post Hurricane Dorian



12

Republic Services Confidential

Yard Waste Collection-Post Hurricane Dorian



Republic Services Confidential

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Recycling Education Project

1. *Information Decals have been affixed to all recycling containers*
2. *Good cooperation from Washington County residents*
3. *"Oops" tag program is fully implemented to further reduce contaminants from the curbside recycling stream*

Republic Services Confidential

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Thank You!

Open Discussion/Q&A



Commissioner Phelps asked if Republic Services will put out a holiday schedule for Veterans Day, Thanksgiving and Christmas. Mr. Kavanaugh said Republic Services recognizes Thanksgiving Day, Christmas Day and New Year's Day. Mr. Potter said Republic Services lets the County Manager's Office know when/if their schedule changes (due to weather, truck difficulties, etc.) and we put it on the County's Facebook page and relay that information to callers if they call in. Commissioner Phelps said everyone doesn't have Facebook and asked if this information be put in the paper. Mr. Potter said he will mention it in his radio broadcast. The service will move by one day on these holidays.

Mr. Jones asked why they don't recycle Styrofoam. Mr. Kavanaugh said it is not included in the items that Republic Services can collect. ECBC in Greenville dictates what Republic Services can and can't recycle due to their process and what they can handle.

Mr. Potter said that recycling is going through a major shift throughout the country. There is not as robust a market for those materials.

REPORT TO THE PEOPLE: Ms. Rebecca Liverman, Cooperative Extension Director, spoke to the Board. She explained that Cooperative Extension made a video and focused on one of their 4-Hrs. For the first time, she is fully staffed and her building doesn't leak! Ms. Liverman said she would have a look back at the year at a future Commissioners' meeting with the numbers of kids in programs and programs offered, etc. Ms. Liverman said she still is doing Medicare enrollment until sometime in December.

PRE-AUDIT BOOK KEEPING UPDATE: Mr. Potter's email to the Board is below, along with Mr. Best's report and the letter from and response to the LGC.

COUNTY OF WASHINGTON
BOARD OF COMMISSIONERS

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CLERK TO THE BOARD
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AGENDA ITEM MEMO

MEETING DATE:	November 4 th , 2019	MEMO Date: November 1 st , 2019
SUBJECT:	Pre-Audit Book Keeping & Journal Adjustment Consultation Services Update	
DEPARTMENT:	Finance Office	
FROM:	Curtis S. Potter, County Manager/County Attorney (CM/CA)	

ATTACHMENTS:

- A- FY18 Audit Findings
- B- 7/30/19 Letter from Sharon Edmundson at LGC
- C- 9/9/19 Letter to Sharon Edmundson at LGC from Tracey Johnson

PURPOSE: To update the Board regarding recently completed consultation services with CPA Jeff Best for year-end book keeping and journal adjustments in preparation of upcoming audit for fiscal year ended 6/30/19.

BACKGROUND: The county encountered significant challenges with completing its audit in a timely manner, under two different auditing firms, over the past two fiscal years for a variety of unanticipated reasons beyond its reasonable control. These delays create obstacles for management's ability to timely identify and correct financial weaknesses or concerns that may be brought to light through the audit process including compliance with changing auditing regulations and standards.

At the same time, like many similarly sized jurisdictions in North Carolina with limited financial and personnel resources, the county faced additional challenges from significant increases in the regulations and standards that apply to the preparation of a local government audit in North Carolina.

These include but are not limited to stricter prohibitions against an auditor assisting a local government with certain year-end book keeping or journal adjustments prior to assisting with and/or auditing the contents of, that same jurisdiction's final year-end financial statements prepared after such adjustments are made. Up until recently this has not been an altogether uncommon practice, particularly for smaller jurisdictions throughout the state. Recently revised regulations made it clear such practices were no longer permitted.

The additional burden that complying with these and other increasing regulations creates for smaller jurisdictions is significant and potentially substantial, and is the subject of ongoing conversations between such jurisdictions, the NC Association of County Commissioners, and the Local Government Council (the "LGC") of the NC Treasurer's Office which ultimately oversees such compliance.

Washington County's audit for the fiscal year ended June 30, 2018 by the Auditing Firm Mauldin & Jenkins was finally completed and delivered to the County and the LGC sometime during the month of April 2019. It contained a number of audit findings, attached hereto, many of which stemmed from the county's failure to properly address such year-end book keeping and journal adjustment entries prior to the auditor's review.

Washington County also received a letter from the LGC dated July 30, 2019 which is attached hereto expressing concerns about certain audit findings and asking for the county to acknowledge and respond in writing to the LGC how it intended to address such finding.

One of the primary methods by which the Board of Commissioners and County Management and staff determined to address these concerns was through the engagement of an independent CPA/Auditor that could consult with county staff prior to the upcoming audit of the fiscal year ended June 30, 2019 in an effort to insure better understanding, training, and compliance with applicable year-end book keeping and journal adjustments which would be required to be made prior to the next county audit.

Following discussions with the Board of Commissioners, Washington County responded by letter dated September 9th, 2019 which is attached hereto as requested and addressed each of the concerns expressed by the LGC and referencing the engagement of such a consultant.

Subsequently Jeff Best, CPA who's accounting practice is based in Belhaven, NC and who has audited other counties within our region was engaged after soliciting interest from various CPA consultants to provide the necessary services to Washington County needed to address the concerns described above.

These services were fairly extensive in scope during this first year of such consultation given the fact that the county needed to quickly review a broad scope of current accounting practices and spend more time discussing and training staff in various year-end book keeping processes and adjustments which have not been performed internally prior to this year.

Mr. Best and members of his accounting staff have worked extensively with county staff and management over the past few months in collaboration with the auditors engaged to perform the pending audit for the fiscal year ended June 30, 2019, and ahead of their pending field visit which is tentatively scheduled for November 5th, 2019. These services included broadly and without limitation review, analysis, and discussion/training/assistance with necessary adjustments related to the following:

Trial Balance, Fund Balances,	Tax Receivables,
Indirect Cost Accounting,	Post Closure Landfill Liabilities,
EMS Receivables/Allowances,	Water Receivables/Allowances,
AP listings and tie outs to trial balances,	
Due To – Due From Acct Review & Adjustments,	Payroll & Compensation Liabilities Review,
Debt Schedule,	Fixed Assets,
Depreciation,	Property Tax Accounts and Reconciliation,
SFSA Data & Preparation.	

Following the conclusion of these services county management and finance staff feel the county has adequately reviewed and addressed most of the concerns outlined in the prior year audit findings stemming from year-end book keeping and journal adjustments and is in a much better position to insure continuing compliance with such matters in future years.

FINANCIAL IMPACT: The comprehensive financial cost incurred for this year's consultation services of Mr. Best and members of his staff are currently estimated to be approximately \$13,000. Such costs are anticipated to decrease in coming years due to staff's ability to receive and implement training on various matters which required more extensive initial consultation this first year. However increasing compliance regulations may offset that savings.

RECOMMENDATION(S): No Action Required. Mr. Best will attend the Board meeting on November 4th, 2019 to discuss his work and opinions with the Board at their pleasure.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with 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 programs:

Material weaknesses identified: yes no

Significant deficiencies identified: yes none reported

Type of auditor's report issued on compliance of 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 programs:

CFDA Number(s) _____
93.778
93.558
20.509

Name of Federal Program or Cluster _____
Medicaid Cluster
Temporary Assistance for Needy Families
Formula Grants for Rural Transportation

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

No

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I
SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

State Awards

Internal control over major state programs:

Material weaknesses identified: yes no

Significant deficiencies identified:

yes none reported

Type of auditor's report issued on compliance of major state programs:

Unmodified

Any audit findings disclosed that are require to be reported
in accordance with the State Single Audit Implementation Act?

yes no

Identification of major state program:

Program Name

Transit Formula Grants for Rural Transportation
Commerce Center Special Appropriations
Rural Operating Assistance Program (ROAP) Cluster

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2018-001 Revenue Recognition

Criteria: Internal controls should be in place to ensure that amounts reported as revenues and related balance sheet accounts are appropriate, are properly valued, and are recorded in the proper period in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the County's revenues and related balance sheet accounts.

Context/Cause: During our testing, audit adjustments were required to properly report the County's revenues and related balance sheet accounts. The nature of these adjustments is as follows:

- Adjustments were required to correct the reporting of the General Fund's outstanding receivables for the property taxes and the motor vehicle taxes as of June 30, 2018. The accrued receivables had not been adjusted from the prior year and an audit entry of approximately \$678,000 and \$14,000, respectively, were required to adjust the general ledger to reflect the balances provided in the County's subsidiary ledger system;
- The County was not reporting the occupancy taxes levied by the County as a revenue and expenditure in the General Fund. As the County is the legal authority authorized to levy the occupancy tax and then pass the funds on to the Travel & Tourism Authority, the revenues and related expenditures should be reported as a tax revenue to the County. An adjustment of approximately \$156,000 was required to record the 2018 fiscal year activity;
- An adjustment was required in the Emergency Medical Services Fund in order to record the current year's outstanding receivables. As the revenues of this fund are billed and collected on a separate general ledger system, the year-end adjustments were not properly recorded to the County's general ledger. An adjustment of approximately \$539,000 were required to adjust the current year outstanding receivables, the related allowance for uncollectable estimates from management, and the recognition of accrued revenues as of June 30, 2018;
- Adjustments were required to correct the reporting of the Sanitation Fund's outstanding receivables as of June 30, 2018. The accrued receivables had not been adjusted from the prior year and an audit entry of approximately \$130,000, was required to adjust the general ledger to reflect the balances provided in the County's subsidiary ledger system and the related allowance for uncollectable accounts.

Effects: Total misstatements related to revenue recognition and reporting of the related balance sheet accounts were approximately \$1,517,000 for the year ended June 30, 2018.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018-001 Revenue Recognition

Recommendation: We recommend the County carefully review all revenues to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

Auditee's Response: We will take necessary steps in the future to ensure that revenues and related balance sheet accounts are properly recorded.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018-002 Expenditure/Expense Recognition

Criteria: Generally, expenditures/expenses should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles.

Condition: Misstatements were detected in the reporting of the County's expenditures/expenses and the related balance sheet accounts.

Context/Cause: During our testing, audit adjustments were required to properly report the County's expenditures/expenses and related balance sheet accounts. The nature of these adjustments is as follows:

- During the testing of the County's accounts payable balances, it was identified the general ledger balance included several years of manual audit entries from prior years which were never reversed, thus duplicating the recognition of previous expenditures/expense in both the year of the accrual and the following year of disbursements. Adjustments of approximately \$361,700 were required to the General Fund (\$200,000), the Emergency Medical Services Fund (\$61,600), the Sanitation Fund (\$62,800), the Water Fund (\$12,700), and the NCHFA Single Family Rehabilitation Loan Fund (\$12,800), and Travel & Tourism Authority (\$11,800);
- During the testing of the current year payroll costs at the County, it was noted the County was not recording the accrued wages for the employee's time worked during June, but not paid until July. The entry affected the General Fund (\$265,000, with \$256,000 to restate opening fund balance), the Emergency Medical Services Fund (\$62,000, with \$59,000 to restate opening fund balance), the Sanitation Fund (\$5,000, with \$4,000 to restate opening net position), the Water Fund (\$14,000, with \$17,000 to restate opening net position), the Airport Fund (\$2,000, with \$3,000 to restate opening fund balance), and the Travel & Tourism Authority (\$1,000, with \$1,000 to restate opening fund balance). The accrual for the fiscal year ended June 30, 2018 also required an adjustment to the opening balances of each fund for the accrual of wages earned as of June 30, 2017 in the appropriate year. Total adjustments to the current year accruals were approximately \$350,000, with adjustments to the opening balances of approximately \$340,000;
- An adjustment of approximately \$6,500 was required in the Water Fund in order to record the current year balances of compensated absences which were earned by employees of the fund, as of June 30, 2018;
- An adjustment of approximately \$52,000 was required to adjust the Sanitation Fund's estimated closure and post-closure costs for the County's landfill as of June 30, 2018 to be reported in accordance with GAAP to account for the usage of landfill capacity during the year;
- An adjustment of approximately \$105,000 was required to reconcile the opening fund balance for the recognition of legal expenditures, incorrectly reported as a reduction of fund balance, rather than being recognized as expenditures in the fiscal year ended June 30, 2018;

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018-002 Expenditure/Expense Recognition

- An adjustment of approximately \$13,500 was required to adjust the accrued interest balance in the Water Fund, associated with the interest incurred as of June 30, 2018 on the long-term liabilities;
- An adjustment of approximately \$275,000 was required to write-off interfund balances where the General Fund was advancing funds to the Sanitation Fund. It was determined the Sanitation Fund did not have the ability or intent to repay these funds, and the receivable was written off as a transfer, thus increasing the transfers out in the General Fund and increasing transfers in for the Sanitation Fund.

Effects: Audit adjustments totaling approximately \$1,163,700 were needed to correct the County's expenditures/expenses and related balance sheet accounts, with approximately \$701,700 of these adjustments restating the opening balances of the funds noted above.

Recommendation: We recommend the County ensure all expenditures/expenses are properly reported in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding and are currently implementing controls to ensure these year-end adjustments are considered and reflected in the general ledger, as appropriate.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018-003 Schedule of Expenditures of Federal and State Awards

Criteria: 2 CFR 200.302(b)(1) states that all nonfederal entities must identify in its accounts all federal awards received and expended. The schedule of expenditures of federal and state awards (SEFSA), as required by 2 CFR 200.510(b), should be derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements for the County.

Condition: Internal controls were not in place to timely prepare, support, or reconcile the expenditures reported on the schedule of expenditures of federal and state awards (SEFSA) to the County's underlying accounting records. The County was not able to timely prepare the complete schedule of expenditures of federal and state awards until December 2018. Additionally, the County prepares the majority portion of the schedule of expenditures of federal and state awards based on revenues received from the State for state and pass-through federal funds.

Context/Cause: During the preparation of the schedule of expenditures of federal and state awards, it was noted the County was not preparing the report based on expenditures. The majority of the County's federal and state awards are related to health and human service grant activity, which is maintained outside of the County's finance department. As such, the County did not have procedures in place to permit for the reconciliation of the schedule of expenditures of federal and state awards to be reconciled to the underlying expenditures of the County.

Effects: Ultimately the County was able to provide the necessary underlying records to support the expenditures reported on the schedule of expenditures of federal and state awards, but the reconciliation was performed with the Finance department and the department of Social Services working together to go through the general ledger and supporting workpapers to reconcile the activity of the County to the SEFSA.

Recommendation: We recommend the County establish procedures to ensure all federal and state grant expenditures are included in the schedule of expenditures of federal and state awards (on an accrual basis) and that CFDA numbers are reported correctly. The County should utilize the County's general ledger system to separately track the expenditures which are program eligible in project codes to aide Finance in the reconciliation of the accounting system to the SEFSA.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to properly track the expenditures of all federal and state funded programs. We will utilize the general ledger system of the County to aide in both the tracking but also the monthly reporting, in an attempt to minimize the manual calculations involved in the reconciliations.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2018-004 Segregation of Duties

Criteria: Segregation of employees' duties is a common practice in an effective internal control structure. Segregation of duties is achieved when specific employee functions related to important accounting areas are separated among different individuals to significantly reduce the risk that any one individual could intentionally or unintentionally misappropriate assets. Policies should be in place requiring the segregation of certain duties.

Condition: The limited number of employees and the resulting overlapping of duties causes segregation of duties to be difficult.

Context/Cause: During the course of our test work, we noted the following areas where the County's control procedures were not sufficient to mitigate risks:

- Bank statements are received, downloaded, or accessed online, and reviewed by the same person who reconciles the bank account. We recommend the employee who reconciles the bank statement does not initially open the bank statement.
- During our review of manual journal entries during the year ended June 30, 2018, we noted the daily collections of property taxes are accounted for using the County's separate property tax system. A manual journal entry is required to post the daily collections into the County's general ledger. Although the tax collections are reconciled and approved, prior to posting, there was no documented review or approval of the manual entries entered into the County's general ledger. We recommend the County document the review and independent approval of all manual journal entries prior to posting.

Effects: Without some segregation of duties within these functions, there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the County. Additionally, without additional internal controls related to financial reporting, errors could occur and not be detected.

Recommendation: We recommend that the County review its processes and determine where it can effectively segregate duties to alleviate the segregation of duties issues as described above and strengthen internal controls.

Auditee's Response: We will review our operations to determine the most efficient and effective solutions to properly segregate duties and strengthen internal controls at the County.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION III STATE AWARDS FINDINGS AND QUESTIONED COSTS

2018-005 Rural Operating Assistance Program (ROAP)
North Carolina Department of Transportation
Allowable Costs

Criteria: Departments, agencies and/or organizations using ROAP funds to provide services shall determine a billing/reimbursement rate by mile, hour or trip which is based on the fully allocated cost of the service. The fully allocated cost of providing a trip should include both direct costs and shared (indirect) costs. The ITRE Rate Setting Model or other fully allocated cost model approved by the Public Transportation Division (PTD) are acceptable.

Condition: During testing of the per trip costs utilized by the County, the rates were not based on the fully allocated cost of the service and were not calculated using the ITRE (Institution for Transportation Research and Education) Rate Setting Model.

Context/Cause: During the testing of the program costs reported on the quarterly reports for the operation of the ROAP activities, we noted the costs were based on rates set by the County, but were not based on the fully allocated costs of the current year operations and were not set using the State recommended Rate Setting Model.

Effects: While the rates were calculated using an other basis for the fiscal year ended June 30, 2018, the overall cost of running the transportation programs were significantly greater than the available funding. During the year, the fully allocated rate of the program generated a per trip rate greater than that ultimately charged by the County, therefore, there were no questioned costs.

Questioned Costs. None.

Recommendation: We recommend that the County utilize a rate cost which complies with the requirements of the program.

Auditee's Response: We will review our cost rate structure to ensure we utilize the ITRE rate setting model in the coming fiscal year.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

2017-001 Hospital Pension Plan Actuarial Study was not in Accordance with GASB

Condition: The actuarial study for the Washington County Hospital, Inc. Employees' Pension Plan was performed in accordance with the requirements of the Financial Accounting Standards Board (FASB) accounting standards, rather than meeting the reporting requirements of Governmental Accounting Standards.

Context: The Hospital was a non-profit organization. The Hospital Board was sold and the Hospital Pension Plan was frozen in March 2007. Washington County assumed the liability for the hospital pension's plan. The County continued to use FASB standards applicable to non-profit organizations when preparing the annual actuarial study for the Hospital Employee's Pension Plan.

Current Status: The issue was corrected in the current year.

2017-002 Deficit Fund Balance / Net Position of Certain Funds

Condition: North Carolina General Statute 159 requires all funds to have a balanced budget and also requires local governments to appropriate funds to remove any deficit fund balances of individual funds.

Context: Expenditures exceeded revenues for the Airport Fund during the current year. The Library Capital Project Fund expenditures exceeded grant revenues in a prior year. The deficit in the Sanitation Fund was due to a substantial increase in non-cash estimated landfill closure costs and excess expenditures over revenues.

Current Status: The issue was corrected in the current year.

2017-003 Accounts Receivable were not Reconciled to the General Ledger

Condition: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Context: The County did not reconcile subsidiary billings and collection reports from the tax department, water sewer and solid waste fees to the general ledger each month. The allowance for doubtful accounts were not adjusted at year end based on prior experience of uncollectible accounts.

Current Status: Repeat finding at 2018-001.

WASHINGTON COUNTY, NORTH CAROLINA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

2017-004 Expenditures Exceeded Budgeted Appropriations

Condition: North Carolina General Statute 159 requires all funds to have a balanced budget. Expenditures may not exceed amounts approved by elected officials in the annual budget ordinance or amendments thereto.

Context: Washington County expended funds in excess of amounts approved in the annual budget ordinance and amendments for debt service and capital outlay expenditures in the General Fund.

Current Status: The finding was corrected in the current year.

2017-005 Bank Account was not Reconciled during the Year

Condition: The bank account for the Detention Center inmate's trust fund was not reconciled during the year.

Context: The bank account is maintained by the Sheriff's Department. All other bank accounts are maintained in the Finance Department. Therefore, this account was not reconciled to the general ledger during the year. All other bank accounts were reconciled each month.

Current Status: The finding was corrected in the current year.

2017-006 Capital Outlay Expenditures were Posted Incorrectly to Repairs and Maintenance

Condition: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Context: The purchase of two HVAC units were recorded as repairs and maintenance expense rather than capital outlay.

Current Status: The finding was corrected in the current year.

COUNTY OF WASHINGTON
BOARD OF COMMISSIONERS

COMMISSIONERS:
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JENNIFER C. RIDDICK, VICE-CHAIR
D. COLE PHELPS
WILLIAM "BILL" R. SESTON, JR.
JULIUS WALKER, JR.



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MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

2018-001 Revenue Recognition

Contact Person Responsible for the Corrective Action Plan: Missy Dixon, Finance Director

Corrective Action Plan: The County is working to develop year-end reporting procedures to ensure the revenue accruals are timely reviewed and adjusted.

Anticipated Completion Date: June 30, 2019

2018-002 Expenditure / Expense Recognition

Contact Person Responsible for the Corrective Action Plan: Missy Dixon, Finance Director

Corrective Action Plan: The County is working to develop year-end reporting procedures to ensure the expenditure / expenses accruals and period recognition entries are timely reviewed and adjusted.

Anticipated Completion Date: June 30, 2019

2018-003 Reporting of the Schedule of Expenditures of Federal and State Awards

Contact Person Responsible for the Corrective Action Plan: Missy Dixon, Finance Director

Corrective Action Plan: The County has implemented controls to help reconcile the federal and state funding as it is collected back to the expenditures and will use this to aid in preparation of the annual schedule of federal and state awards.

Anticipated Completion Date: June 30, 2019

2018-004 Segregation of Duties

Contact Person Responsible for the Corrective Action Plan: Missy Dixon, Finance Director

Corrective Action Plan: The County will continue to evaluate the ideal segregation, given the limited number of resources, and determine where segregation cannot be achieved, what compensating controls can be utilized to achieve proper independence or reviews.

Anticipated Completion Date: June 30, 2019

COUNTY OF WASHINGTON
BOARD OF COMMISSIONERS

COMMISSIONERS:
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JENNIFER C. RIDDICK, VICE-CHAIR
D. COLE PHELPS
WILLIAM "BILL" R. SESTON, JR.
JULIUS WALKER, JR.



ADMINISTRATION STAFF:
CURTIS S. POTTER
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CLERK TO THE BOARD
jjbennett@washcoc.org

POST OFFICE BOX 1007
PLYMOUTH, NORTH CAROLINA 27962
OFFICE (252) 793-5823 FAX (252) 793-1183

MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

2018-005 Rural Operating Assistance Program (ROAP)
Allowable Costs

Contact Person Responsible for the Corrective Action Plan: Missy Dixon, Finance Director

Corrective Action Plan: We will review our cost rate structure to ensure we utilize the ITRE rate setting model in the coming fiscal year.

Anticipated Completion Date: June 30, 2019



NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

SEAL TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

Dale R. Folwell, CPA

STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

GREGORY C. GASKINS
DEPUTY TREASURER

July 30, 2019

The Honorable Tracey A. Johnson, Chairperson
Washington County Board of Commissioners
P O Box 1007
Plymouth, North Carolina 27962



Dear Chairperson Johnson:

The State and Local Government Finance Division in its role as staff to the Local Government Commission has analyzed the audited financial statements of Washington County for the fiscal year ended June 30, 2018. The County has financial and operational problems, the details of which are described in the following paragraphs. The governing board must take corrective action immediately to improve your County's financial position and operations. We request that you respond to this letter, addressing each problem and detailing how the County intends to eliminate its deficiencies.

While the overall position of the Water Fund is currently positive, we see signs of potential weakness in coming years if circumstances do not change. Cash flow from operations was negative (see page 23 of your audited financial statements). This means that your County did not collect enough cash from water sales to cover the cash outflows including debt service necessary to provide the service.

We noted various weaknesses concerning your County's internal controls that were communicated in writing to you by the auditor. We are especially concerned that the auditor reported the following as material weaknesses:

- Adjustments were required to correct the reporting of outstanding accounts receivable for the General Fund, Emergency Medical Services Fund and the Sanitation Fund.
- The County was not reporting the occupancy taxes levied by the County as a revenue and expenditure in the General Fund.
- During the testing of accounts payable, it was discovered that several years of manual audit entries from prior years had not been reversed, duplicating the recognition of previous expenditures or expenses in both the year of the accrual and the following year of disbursements. This affected the following funds: General Fund, Emergency Medical Services, Sanitation, Water Fund, and the NCHFA Single Family Rehabilitation Fund, and the Travel & Tourism Authority.
- The auditor also noted various other adjustments regarding recognition of expenditures and expenses.

The adjustments related to revenue and expense reporting totaled \$1,517,000 and \$1,163,700, respectively.

The auditor also noted as a material weakness that internal controls were not in place to timely prepare, support or reconcile the expenditures reported on the schedule of expenditures of federal and state awards to the County's underlying accounting records.

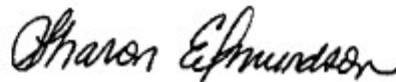
The Honorable Tracey A. Johnson, Chairperson
Washington County Board of Commissioners
July 30, 2019
Page 2

We note that you have developed a corrective action plan to eliminate these weaknesses. We encourage the Board to monitor the County's progress in implementing this plan.

Please respond in writing within the next 45 days to each concern that we have mentioned in this letter. Responses should be on the County's letterhead, signed and submitted by mail or by email to unitletter@nctreasurer.com. If you are planning to issue debt that requires the approval of the Local Government Commission, we must have a complete and thorough response to this letter on file prior to the Commission's consideration of your debt application.

If we can be of any assistance to you, please contact me at (919) 814 4289.

Sincerely,



Sharon G. Edmundson, MPA, CPA
Director, Fiscal Management Section

cc: Jennifer C. Riddick, Vice-Chair
D. Cole Phelps, Commissioner
William "Bill" R. Sexton, Jr., Commissioner
Julius Walker, Jr. Commissioner
Curtis S. Potter, County Manager
Catherine "Missy" Dixon, Finance Officer
Mauldin & Jenkins, Auditor
North Carolina Association of County Commissioners

COUNTY OF WASHINGTON

BOARD OF COMMISSIONERS

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JULIE J. BENNETT, CMC, NCCCC
CLERK TO THE BOARD
jbennett@washconc.org

September 9, 2019

Director Sharon G. Edmundson
Fiscal Management Section
State and Local Government Finance Division
North Carolina Department of State Treasurer
3200 Atlantic Avenue
Raleigh, NC 27604
Tel: 919-814-4300

Dear Director Edmundson:

This letter is in reply to your July 30, 2019 correspondence (attached for your reference) concerning the State and Local Government Finance Division's review of the audited financial statements of Washington County for the fiscal year ended June 30, 2018.

In that letter several concerns were noted about the various weaknesses related to our internal controls and material weaknesses which were communicated to us by the auditor, and a written response was requested from Washington County addressing each of those concerns. This letter is intended as that written response.

For ease of reference, each of the specific concerns you cited within the letter are restated and shown below in bold outlined text, followed by Washington County's response to that specific concern.

While the overall position of the Water Fund is currently positive, we see signs of potential weakness in coming years if circumstances do not change. Cash flow from operations was negative (see page 23 of your audited financial statements). This means that y our County did not collect enough cash from water sales to cover the cash outflows including debt service necessary to provide the service.

The County anticipates that the negative cash flow which occurred in this proprietary fund for FY18 will not continue for FY19 or future years. The Board and staff will carefully monitor the overall cash flow and net position of this fund.

This will include periodically reviewing the financial benchmarks data available through the Environmental Finance Center at UNC Chapel Hill School of Government using its North Carolina Water and Wastewater Rates Dashboard and/or Financial Health Checkup Tool. The Board will take corrective action if required to improve the performance of this fund continues to

decline. Such action may take the form of reducing expenses, or increasing revenues through water rate/pricing structure modifications. The County increased its water rate several years ago to raise revenues at the suggestion of the state, and may consider doing so again if necessary. Staff from the Finance and Utilities Departments were recently sent to attend a full day training workshop co-sponsored by the NC Department of Treasurer – LGC which included instruction on basic financial overview of enterprise/proprietary funds and reading and interpreting audits with respect thereto.

Lastly, the County has engaged an independent CPA experienced in local government accounting to consult with regarding a variety of accounting and financial compliance matters. The County will consult with this individual regarding their analysis of the overall health and trends of this proprietary fund as well as any suggested corrective action measures which will be considered by the Board.

We noted various weaknesses concerning your County's internal controls that were communicated in writing to you by the auditor. We are especially concerned that the auditor reported as following as material weaknesses:

- ***Adjustments were required to correct the reporting of outstanding accounts receivable for the General Fund, Emergency Medical Services Fund and the Sanitation Fund.***

Steps are being taken to ensure that revenues and related balance sheet accounts are properly recorded in accordance with GAAP for FY19 and beyond. In addition to measures already taken by staff to address these specific concerns, the County has engaged an independent CPA experienced in local government accounting to consult with regarding a variety of accounting and financial compliance matters including this and other matters specifically cited in our most recent audited financial statements.

The consultants primary purpose will initially be to review, identify, assist staff in correcting, and train staff as needed to address these specific issues along with any others identified, and to insure that the county is and continues to comply with all applicable legal and accounting requirements with respect to its financial accounting practices and reports.

- ***The County was not reporting the occupancy taxes levied by the County as a revenue and expenditure in the General Fund.***

Steps have already been taken to properly report these occupancy taxes within the General Fund for FY19 and future years as advised by our most recent auditor for FY18. However, this matter will be further reviewed with the CPA consultant referred to above for additional guidance and advice concerning reporting of occupancy taxes for future years due to unresolved questions between Staff and the County's most recent auditor for FY18.

- ***During the testing of accounts payable, it was discovered that several years of manual audit entries from prior years had not been reversed, duplicating the recognition of previous expenditures or***

expenses in both the year of the accrual and the following year of disbursements. This affected the following funds: General Fund, Emergency Medical Services, Sanitation, Water Fund, and the NCHFA Single Family Rehabilitation Fund, and the Travel & Tourism Authority.

- *The auditor also noted various other adjustments regarding recognition of expenditures and expenses.*

The adjustments related to revenue and expense reporting totaled \$1,517,000 and \$1,163,700 respectively.

The County anticipates that these issues have been resolved and will not be repeated or continue for FY19 and beyond.

In addition to steps already taken by staff to address these concerns, as stated above the County has engaged an independent CPA experienced in local government accounting to consult with regarding a variety of accounting and financial compliance matters including those specifically cited in our most recent audited financial statements.

The consultants primary purpose will initially be to review, identify, assist staff in correcting, and train staff as needed to address those specific issues along with any others identified, and to insure that the county is and continues to comply with all applicable legal and accounting requirements with respect to its financial accounting practices and reports.

The auditor also noted as a material weakness that internal controls were not in place to timely prepare, support or reconcile the expenditure reported on the schedule of expenditures of federal and state awards to the County's underlying accounting records.

The County anticipates that the issues identified by its most recent auditor related to reporting and reconciliation of expenditures for its SEFSA report have been identified and largely addressed, but no formal training on such matters was provided to staff as anticipated and promised by the prior auditor.

As stated above, the County has engaged an independent CPA experienced in local government accounting to consult with regarding a variety of accounting and financial compliance matters including this specific issue.

If you have any questions or concerns in regards to this letter or its contents, please do not hesitate to contact us at your convenience. We look forward to continuing to work with the Local Government Commission in good faith to monitor and manage our finances in compliance with all applicable rules and regulations.

Sincerely Yours,



Tracey A. Johnson, Chair

Mr. James Best, CPA addressed the Board. He mentioned that auditor's will not be able to participate in the County's closeout in future years (new law).

Chair Johnson asked Mr. Best if he feels the County has taken care of the segregation of duties. Mr. Best said he did not get into that process. Ms. Dixon said that Finance now has procedures in place to avoid having this being a finding in the future. Commissioner Phelps said staff should talk to the auditor to see why that finding was made. Chair Johnson suggested Finance work with the new auditor to see if they feel the same way about this past finding.

Commissioner Sexton asked if Ms. Dixon feels the pre-audit has been beneficial. Ms. Dixon said absolutely. Commissioner Sexton asked Ms. Dixon if she feels she needs to have this pre-audit done each year. Ms. Dixon said yes she does.

Commissioner Sexton asked what Mr. Best's recommendation is on the software. Mr. Best said the County should buy the software that integrates with Finance.

Mr. Potter said Mr. Best also mentioned the County should have a depreciation program. Ms. Dixon said she thinks there is one in Edmunds but must get it to "talk" to the Tax software.

Commissioner Phelps asks Mr. Best if he thinks that the same findings will appear this year in the audit. Mr. Best said no, the County's audit should be significantly cleaner. Commissioner Phelps asks if the County will need Mr. Best's services in the future or can the County staff handle it. Mr. Potter said he feels that the County will need Mr. Best's services next year and will build it in to the Finance budget. Time spent will be less because the County has already worked with Mr. Best and done a cleanup. Ms. Dixon said she feels like next year her and her staff can handle it, but may want Mr. Best to assist just to make sure they do it right.

¼ CENT RESOLUTION: Commissioner Phelps said he thought this item would have been on tonight's agenda but was not, so he added it.

Commissioner Phelps asked what the deadline is for adoption of the resolution on this matter. Mr. Potter said it can be done at the December meeting. Commissioner Phelps asked what the County is going to do to market this better this time so everyone understands it is a tax on those coming through the County as well as residents. Mr. Potter said Ms. Rouse has been doing some research on trying to figure out the best time (primary vs general election) to put this forward. Mr. Potter said personally he is leaning more towards the general election. Mr. Potter said even though the County can't ' earmark' the funds, we can put forth what those funds may be used for.

Mr. Potter said at the last meeting this item would come back to the Board in November or December. He would have liked to have had it ready for tonight's meeting, but other items precluded that. Mr. Potter feels the County should try to use a strategy that shows by approving this referendum that it will help the County to not have a County-wide tax increase in the near future.

Mr. Potter said he will be bringing a budget amendment for marketing for the referendum and the resolution to the December meeting.

Commissioner Phelps said folks have to realize that they will benefit from it. He said he doesn't know if tying it to the hospital pension fund may make it appealing to a wider audience or maybe just referencing the hospital. Commissioner Phelps said he thinks it might do well to have a special election (but he is not advocating for this).

Mr. Potter wants the Board to tell him if they want this referendum on the primary ballot or general election ballot and what they would like to see as marketing tools.

STRATEGIC PLAN UPDATE: Mr. Potter addressed the Board and discussed his memo below.

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CLERK TO THE BOARD
jrbennett@washconc.org

AGENDA ITEM MEMO

MEETING DATE: November 4th, 2019 MEMO Date: October 31st, 2019
SUBJECT: Strategic Plan Steering Committee (SPSC) Update
DEPARTMENT: Manager's Office
FROM: Curtis S. Potter, County Manager/County Attorney (CM/CA)
ATTACHMENTS:
A- N/A

PURPOSE: To update the Board regarding ongoing activities of the Strategic Plan Steering Committee (SPSC).

BACKGROUND:

- 8/5/19 A new Strategic Plan Steering Committee (SPSC) was formed after a presentation about the recent history of strategic planning efforts in Washington County (refer to BOCC Memo and attached materials from that agenda package) to guide the Board in undertaking a new comprehensive strategic planning process to help facilitate the future progress and development of Washington County.

The County Manager was directed to form the SPSC initially consisting of the County Manager, Clerk to the Board, Finance Officer, Commissioners Jennifer Riddick and Julius Walker, TTA Director Tom Harrison, and two (2) representatives to be appointed from the Washington County Think Tank for Progress (Bunny Sanders and Mavis Hill subsequently appointed). Pete Rodda who has a wealth of local government experience and owns property in Washington County and participated in the last strategic planning process was also subsequently added to the SPSC at his request with Board approval.

- 10/1/19 Initial SPSC meeting held following scheduling conflicts and delays caused by Hurricane Dorian. Initial topics included discussing the available resources, proposed scope and preferred methodologies for a new plan. Some disagreement arose over the scope of the plan. Tom Harrison, Bunny Sanders, and Mavis Hill proposed that the process focus primarily on economic development through tourism development as one of two primary economic development paths (the other being industry development) and proposed that they collaborate as a subcommittee to handle that aspect of the process separately from, or at least as a separate component of, any larger overall strategic plan that would be pursued.

Commissioners Riddick and Walker expressed a strong desire on behalf of the Board to ensure that the final plan be broader and encompass more than just economic development to address many other issues facing the county as a whole.

- 10/7/19 An SPSC update and upcoming agenda/action items for the committee were provided to the Board (refer to BOCC Memo and attached materials from that agenda package). Collectively the SPSC agreed as follows following this meeting:
 - o The members need to carefully review the strategic planning process concept in more detail by looking at the best practices templates/guide publication materials provided by the County Manager to the Board in his previous 8/5/19 Memo;
 - o Regardless of exact scope, the plan itself should be more short term focused as a 3-5 year plan with regular updates provided to and input requested from the Board on a regular basis.
 - o The members should review the last known Mission Statement of Washington County (pasted immediately below) and determine whether any changes to that statement should be proposed to the Board for consideration.

Current Mission Statement:

Washington County and its municipalities will improve its citizens' lives by developing a sustainable community through advancement of education, healthcare, housing, economic development and positive community pride.

- o Each of the members individually needs to brainstorm with outside input from third parties to develop individual proposed Vision Statements to be used as part of a new strategic planning process. These will be shared at next Steering Committee meeting for discussion and selection of a single proposed Vision Statement that will be shared with outside third parties including each of the municipalities for additional input and eventually final approval by the Board of Commissioners.
 - o Tom Harrison, Bunny Sanders, and Mavis Hill would form a sub-committee and proceed with exploring the tourism related aspects of the plan as their primary focus to be brought back to the Steering Committee for further discussion and input.
 - o The next Steering Committee meeting is tentatively scheduled for 10/15/19 at 1PM.
- 10/28/19 SPSC held its 2nd meeting to continue discussing the scope and methodology to use for a new strategic plan. Collectively the SPSC agreed as follows:
 - o The SPSC completed its review of the existing Washington County Mission Statement and recommended that the following revised statement be considered for adoption by the full Board:

Proposed Revised Mission Statement:

Washington County... Improving, promoting, and protecting the health and welfare of our citizens. Our Mission is to provide exceptional public services in a fiscally responsible manner, to meet the diverse needs of our residents, visitors, and business community.

- o The SPSC completed its discussions of a new Vision Statement for Washington County and recommended that the following revised statement be considered for adoption by the full Board:
- o

Proposed Vision Statement:
To become the preferred destination to live, work, and play in northeastern North Carolina.

- o Tom Harrison & Bunny Sanders would step away from regular ongoing participation as part of the broader SPSC and focus more exclusively on tourism development/economic development matters (Bunny Sanders desires to remain an active SPSC participant with regard to any Recreation discussions). Mavis Hill would also join in this effort but would remain an active SPSC member for the time being. It was clarified that while these members could proceed as a sub-committee with tourism development planning, no commitment of funds could be made without further discussions with the Budget Officer and/or Board.
- o The SPSC agreed to seek an Educational representative to participate as an active SPSC member.
- o The SPSC agreed to consider ideas for an outside neutral disinterested facilitator to assist in the upcoming strategic planning process.
- o The County Manager and Pete Rodda would work together on a rough draft of suggested next steps/methodology guidelines to be reviewed by the SPSC at its next meeting.
- o Next SPSC meeting not currently scheduled, but ongoing collaboration will continue to occur via online project management platform BaseCamp and another in person meeting is anticipated before the upcoming December Board meeting.

FINANCIAL IMPACT: No immediate direct financial impact at this time. Note: Indirectly strategic planning is a very labor intensive process for staff, and can require a substantial commitment of resources in time/energy.

RECOMMENDATION(S): Review and

1. Move to approve and adopt the revised Mission Statement and Vision Statement for Washington County as stated above and proposed by the Strategic Planning Steering Committee.

Mr. Potter said that the Strategic Plan Steering Committee reached a consensus on a revamped Mission Statement and Vision Statement for the County. Mr. Potter is bringing them to the Board tonight for adoption.

Commissioner Phelps asked if it was the intention of the Steering Committee to have the “...” in the Mission Statement. Mr. Potter said yes. Commissioner Phelps asked why the Steering Committee is changing the Mission Statement. Mr. Potter said the Steering Committee felt it need updating. Commissioner Phelps asked if Strategic Plan will follow the Mission Statement. Mr. Potter said he felt it needed to cover a broad area.

Commissioner Phelps made a motion to revise the Mission Statement to read “Washington County will improve, promote and protect the health and welfare of our citizens.” Commissioner Riddick seconded, but asked to amend Commissioner Phelps motion to add “It is our mission to provide exceptional public services in a fiscally responsible manner, to meet the diverse needs for our residents, visitors and business community.” Commissioner Phelps agreed with the amendment. Motion passed unanimously.

Commissioner Phelps asked about the Vision Statement. Mr. Potter said this was the best compromise from the group. Discussion ensued. Ms. Sandra Floyd, citizen in the audience, said to add “learn”.

Commissioner Phelps made a motion to revise the Vision Statement to read “Washington County will become the preferred destination to live, learn, work, and play in northeastern North Carolina.” Commissioner Sexton seconded, motion passed unanimously.

Commissioner Walker said the Steering Committee needs a facilitator to keep the group on track. Commissioner Phelps said we should reach out to UNC SOG again. He went on to say that the County reached out to them in the past and Ms. Lydia Altman from the UNC-SOG Kenan Institute offered to come for a cheap price but the Board opted to use an in-house facilitator. Chair Johnson also recommended that Mr. Potter reach out to Patrice Roessler who is with UNC-SOG now.

AQUA’S EVALUATION OF THE COUNTY’S WATER SYSTEM: Mr. Potter addressed the Board and discussed his memo below.

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CLERK TO THE BOARD
jbennett@washconc.org

AGENDA ITEM MEMO

MEETING DATE: November 4th, 2019 **MEMO Date:** November 1st, 2019
SUBJECT: AQUA's Evaluation of County Water System
DEPARTMENT: Public Utilities
FROM: Curtis S. Potter, County Manager/County Attorney (CM/CA)
ATTACHMENTS:
A- 10/18/19 Email from AQUA Corporate Development Director C. Ruffin Poole

PURPOSE: To obtain direction from the Board regarding soliciting a proposal from AQUA to purchase and acquire the county water system including its plant, infrastructure, and equipment as well as the right to all associated easements and authority to set water rates in order to understand how much staff time/resources to dedicate toward assisting AQUA in the preparation of such a proposal.

BACKGROUND: Mr. C. Ruffin Poole, Director of the Aqua North Carolina division of Aqua America presented a power point to the Board at its 10/7/19 board meeting regarding what his company does and what it might be able to offer Washington County. Specifically Mr. Poole expressed interest in preparing a free proposal for the county to outline what it might pay Washington County to purchase and acquire its water system which would then be operated by Aqua. Following several questions by the Board, it was decided that this matter would be tabled and brought back up for further discussion at the 11/4/19 meeting.

The County Manager subsequently communicated to the Board his concerns regarding the possible dedication of valuable staff time and/or departmental resources within the Manager's, Public Utilities and Finance Offices that might be required to assist AQUA in the preparation of the "free" proposal they mentioned. Also expressed was the concern that the Board fully understood that if accepted, the proposal would mean that AQUA would obtain all future rights to the county water system including the ability to establish and increase as needed the water rate for customers subject to any applicable Utility Commission oversight that might apply. The Manager's primary concern is that significant internal resources not be dedicated to assisting AQUA with evaluating a proposal if the Board is not actually at least somewhat prepared to sell and relinquish all control over the water system and its associated rate setting authority.

To better understand the potential dedication of time/resources that may be involved the Manager's Office contacted AQUA about this question and received the attached detailed email from Mr. Poole dated 10/18/19.

On 10/31/19 the County Manager, Finance Officer, Utilities Director, and Management Fellow contacted Mr. Poole via phone conference to discuss his company's interests and possible steps forward if Washington County did decide to request such a proposal.

Staff also confirmed in this call that AQUA is interested primarily only in the county water system, and not in the municipal systems at this time, nor is it interested in trying to facilitate a merger of those systems, although if they were already merged it would potentially be interested in the merged system as a single acquisition.

ANALYSIS:

Management and AQUA both mutually agree that unless the Board is actually willing to consider selling and relinquishing all control over the county water system including the authority to set, maintain, and potentially increase rates, neither entity would be well served by pursuing any further work toward a proposal as previously presented by AQUA.

Management believes that the county water system is the youngest and healthiest within the county, and is therefore likely to be the preferred most potentially profitable system with the least risk of extensive repairs being required for an investor such as AQUA to target for acquisition.

However, Management believes that if such a sale would actually be considered in good faith, despite the potentially considerable dedication of internal staff/time resources needed to assist AQUA in its evaluation/proposal preparation, that process could likely be tailored to benefit the county even in the absence of a sale actually taking place. This benefit would most likely be in the form of enabling staff to consult with AQUA experts regarding how to best structure and prepare a Capital Improvement Plan for the water system which Washington County does not currently have, and has identified a need to obtain in the near future. There could also be other ancillary benefits for staff in working closely with water system experts reviewing a high level planning/evaluation of the county water system, but the CIP is the primary benefit currently identified at this time, and AQUA has openly discussed this as a possibility with staff.

FINANCIAL IMPACT: No direct financial cost. Indirect cost associated with dedication of staff/time in the Manager/Finance/Utilities Departments is difficult to measure and could range between nominal to substantial. Based on the email received such costs are estimated to be moderate.

RECOMMENDATION(S): Discuss and determine whether the collective Board would consider selling the county water system together with all plant, infrastructure, and equipment as well as the associated rights to set, maintain, and potentially increase the water rates, and if so, direct staff to work with AQUA to begin preparing a proposal for further consideration.

Curtis Potter

From: Poole, Charles Ruffin <CRPoole@aquaamerica.com>
Sent: Friday, October 18, 2019 12:06 PM
To: Curtis Potter
Subject: Data Request

Mr. Potter:

I wanted to follow-up to a phone call from Angela Adams. Specifically, she asked about the level of involvement county officials or personnel in regards to providing information to Aqua in order for us to provide a high level evaluation.

Whatever types of data are available may be helpful for our analysis. We can review and copy any reports which might not be available electronically.

There are three pieces of critical information to determine a system evaluation: Operating cost, Capital cost, and Revenues.

Operating cost: We will carefully review current operating costs. This information is contained in the CAFR or budget documents. We can access these documents from the County website. After reviewing the financial information, we would like to schedule a date for an in-person review of the assets.

Capital Cost: We will want to understand the condition of the existing assets, mapping (GIS), and capital improvement plans (CIP), preliminary engineering reports, and major factors in regards to developing a five and ten year capital improvement plan. Capital must be prudent and long lasting. Aqua is an exceptional capital planner and manager. We will put our economic scale and bulk purchasing power to work to develop a sustainable CIP. There will always be reactive maintenance, but on going planned replacements is critical to sustain utilities long term.

Revenues: We will want to fully understand the current rates customers are charged or any expected increases.

Once we have developed a “desk top” understanding of the utility, we will want to discuss our findings and approach. With sufficient data, we will develop a proposal that looks into the future to address utility system needs in a most efficient manner.

In order for us to provide a thorough evaluation, the old study The Wooten Company conducted for the County which you referenced in the board meeting would be a good starting point outside of the public documents. While it might be dated, most likely, the report will have some essential information needed for us to start an evaluation.

While some of the following information requested below might be contained in the study conducted by The Wooten Company, we would specifically request:

- Number of FTE's for the water system
- Number of employees paid from the Water Fund for administrative support and allocation payment for services
 - Billing Clerk, back end support, etc..
- Number of wells in service
 - Type of treatment at each well
- Size of water distribution piping, type and miles
- Meter types, sizes and age for the system
 - Are the meters manual read or remote read?
- 12 month billing data for customers would be beneficial
 - Monthly or bi-monthly billing?
 - We are **not** requesting any personal data only usage and meter sizes for established accounts
- 5 or 10 year capital improvement plan or study
- Number of hydrants

- Storage (Types and Age)
 - Ground
 - Elevated
 - Hydropneumatic

If you have any questions, please feel free to contact me. I will be glad to discuss with you in more detail.



C. Ruffin Poole
 Director, Business Development
 Aqua North Carolina
 202 MacKenan Drive
 Cary, NC 27511
 O: 919.653.6967 M:919.625.2526
[Introduction to Aqua - Our Core Values](#)



Chair Johnson stated that the Board realizes there are many issues dealing with water production. Although Washington County is breaking even at this time, the future holds the replacement of an ever aging infrastructure and compliance of EPA regulations. The Board hopes that AQUA has some answers for this and long term supply availability.

Commissioner Phelps thanked Ms. Sandra Floyd, citizen from Roper, for the info she sent the Commissioners and the questions she had about the County's water system.

Commissioner Phelps made a motion to have AQUA perform a study on Washington County's water system. Commissioner Riddick seconded. Commissioner Sexton asked had AQUA's information been brought to the Towns. Commissioner Sexton said the Board needs to be prepared to decide if we are willing to turn the County's system over to AQUA depending on what their study shows. Discussion ensued. Ms. Floyd, citizen from Roper, said what motivated her to write was based on her water in Roper--it is terrible. **Motion passed 4 ayes (Commissioners Johnson, Phelps, Riddick and Walker) and 1 nay (Commissioner Sexton).**

FINANCE OFFICER'S REPORT, BUDGET AMENDMENTS/TRANSFERS: Ms. Dixon went over the budget transfers and budget amendments and her report that was in the Commissioners' package.

Washington County
BUDGET TRANSFER

To: Board of Commissioners

BT #: 2020 - 034

From: Curtis Potter, County Manager
Missy Dixon, Finance Officer

Date: October 10, 2019

RE: Facilities/SS Admin

Please authorize the finance officer to make the following budgetary adjustments:

Account Code	Description	Old	+ or (-)	New
10-4265-332	Facilities-Utilities-Water	32,000.00	(550.00)	31,450.00
10-4265-603	Facilities-Contracted Services-Elevator	9,639.00	550.00	10,189.00
Facilities				
10-5310-315	SS Admin-Training	20,000.00	(1,536.00)	18,464.00
10-5310-550	SS Admin-Capital Outlay-Equipment	78,500.00	(2,464.00)	76,036.00
10-5310-600	SS Admin-Contracted Services	48,152.00	4,000.00	52,152.00
SS Admin				
Balanced:		188,291.00	-	188,291.00

Justification:

To transfer monies within Facility Services to cover the costs for Elevator Inspections which was not budgeted. To transfer monies within SS Admin to cover a needed increase in the Contract with Vanguard to bring in experienced Contracted Supervisors for the Children's Services Unit and the Child Support Unit for Washington County. By using contracted services, we get experienced staff with a reduced cost to employee benefits while allowing the agency to recruit for the positions to gain qualified experienced staff. If this contract is successful, more funds may be moved to continue the contracted services. (All lines are reimbursable at the same rate)

Approval Date: 10/10/19

Budget Officer's Initials: [Signature]

Initials: [Signature]

Batch #: 2020-034

Date: 10/10/19

Washington County
BUDGET TRANSFER

To: Board of Commissioners

BT #: 2020 - 035

From: Curtis Potter, County Manager
Missy Dixon, Finance Officer

Date: October 29, 2019

RE: Facility Services

Please authorize the finance officer to make the following budgetary adjustments:

Account Code	Description	Old	+ or (-)	New
10-4265-010	Facility Services - Salaries & Wages - Regular	166,178.00	(7,500.00)	158,678.00
10-4265-215	Facility Services - Maintenance & Repair - Buildings	32,175.00	7,500.00	39,675.00
Facility Services				
Balanced:		198,353.00	-	198,353.00

Justification:

To transfer monies within Facility Services to cover costs of Building Repair & Maintenance. Due to being a position short for the past several months, there is lapsed salary available to use. There have been several large unanticipated repair projects that have had to be taken care of in the beginning of this fiscal year such as: 2 new HVAC Units for the Beaufort County Community College Center, roof repair at the County Manager's Office, and various other large ticket items. This has greatly dwindled the budget set aside for this line item. There are additional monies needed for the remainder of the fiscal year. We anticipate that there may need to be an additional transfer but will watch this line carefully to make that determination at a later time.

Approval Date: _____

Budget Officer's Initials: _____

Initials:

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Batch #:

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Date:

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Washington County
BUDGET AMENDMENT

To: Board of Commissioners

BA #: 2020 - 036

From: Curtis Potter, County Manager
Missy Dixon, Finance Officer

Date: November 4, 2019

RE: Sheriff/Emergency Management/Senior Center/Cooperative Extension

Please authorize the finance officer to make the following budgetary adjustments:

Account Code	Description	Old	+ or (-)	New
10-3540-020	Gun Permits Discretionary-County Portion	(960.00)	(280.00)	(1,240.00)
10-4310-611	Gun Permits Discretionary-County Portion	14,140.00	280.00	14,420.00
10-3540-030	Gun Permits-State Portion	(1,105.00)	(345.00)	(1,450.00)
10-4310-612	Gun Permits-State Portion	1,440.00	345.00	1,785.00
10-3540-040	Finger Printing	(700.00)	(100.00)	(800.00)
10-4310-613	Finger Printing	2,221.00	100.00	2,321.00
Sheriff				
10-3480-080	EM Donations-Emergency Reponse Banquet	-	(2,923.00)	(2,923.00)
10-4330-400	EM Donations-Emergency Reponse Banquet	6,203.00	2,923.00	9,126.00
10-3480-024	Sunenergy Grant-Elevator Repair	-	(14,825.00)	(14,825.00)
10-4330-704	Sunenergy Grant-Elevator Repair	-	14,825.00	14,825.00
Emergency Management				
10-3509-010	Senior Center Trips	(5,524.00)	(115.00)	(5,639.00)
10-5150-380	Senior Center Trips	8,142.00	115.00	8,257.00
Senior Center				
10-3500-270	SHIIP-Senior Health Insurance Inf	(2,099.00)	(1,496.00)	(3,595.00)
10-6050-999	SHIIP-Senior Health Insurance Inf	2,099.00	1,496.00	3,595.00
Cooperative Extension				
Balanced:		23,857.00	-	23,857.00

Justification:

To budget for additional monies received for Gun Permitting, Fingerprinting, Emergency Reponse Banquet Donations, and Senior Center Trip Collections. To budget additional monies received for the Senior Health Insurance Information Grant - monies received were greater than originally budgeted. To put into budget anticipated monies that will be received from Sunenergy for repair of the elevator - they have been in contact with Ann Keyes and have offered to make a donation for the full cost of the repair - the check should be received sometime next week.

Approval Date: _____

Bd. Clerk's Init: _____

Initials:	
Batch #:	
Date:	

Commissioner Phelps made a motion to approve the abovementioned Budget Amendments and Transfers as presented. Commissioner Riddick seconded, motion passed unanimously.

OTHER ITEMS BY CHAIRMAN, COMMISSIONERS, COUNTY MANAGER/ATTORNEY, CLERK OR FINANCE OFFICER:

Mr. Potter said work on Courthouse elevator starts tomorrow.

Ms. Dixon thanked the Board for letting Mr. Best work with the Finance Office on the pre-audit.

Commissioner Phelps asked how long the repair of the elevator will take. It is inconveniencing a lot of people. Mr. Potter said he cannot give an estimate of how long it will take.

Mr. Potter talked to the Board and said that he would like the Board's approval to close the County offices on Friday, December 6, 2019 from 12:30 pm – 3:30 pm for the County Employee's Christmas Luncheon and he would like to give the employees the remainder of that day off. (The luncheon will be from 1:00 pm – 3:00 pm.)

Commissioner Phelps asked if Mr. Potter coordinated this with the Clerk of Courts office. Mr. Potter said yes we have as much as possible and are aware that not all the County offices are able to close.

Commissioner Sexton made a motion to let the County Offices close from 12:00 PM – 2:00 PM on December 6, 2019 for the Employee's Christmas Luncheon. Commissioner Phelps seconded. Motion carried with 3 ayes (Commissioners Phelps, Sexton and Walker) and 2 nays (Commissioners Johnson and Riddick).

Commissioner Sexton made a motion to go into Closed Session pursuant to NCGS §143-318.11(a)(3) (attorney-client privilege) and § 143.318.11(a)(6) personnel. Commissioner Phelps seconded, motion carried unanimously.

At 9:00 PM, back in Open Session with no further business to discuss, **Commissioner Phelps made a motion to adjourn. Commissioner Walker seconded, motion carried unanimously.**

Chair

Julie J. Bennett, CMC, NCMCC
Clerk to the Board