

April 8, 2019

The Washington County Board of Commissioners met in a recessed session on Monday, April 8, 2019 at 6:00 PM in the Commissioners' Room, 116 Adams Street, Plymouth. 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 Phelps made a motion to move Item 2, Washington County Audit to Item 4A. Commissioner Riddick seconded, motion passed unanimously.

INSTALLMENT FINANCING FOR SHERIFF'S VEHICLES: Mr. Potter spoke to the Board. He told the Commissioners if they wondered why the Sheriff's Vehicles are back on the agenda for tonight, it is because one of the vehicles he had identified and was going to purchase was not available when he went to confirm availability after the resolution was approved last week. The substitute vehicle (Durango) will be about \$2,219. Mr. Potter said there is a revised resolution before them tonight with the additional cost of the Durango and change of the lending institution for your consideration and further discussion of this item tonight.

Commissioner Walker asked if the new vehicle originally quoted was a 2018. Mr. Potter stated that the vehicle was a 2019 and it was sold.

Resolution Approving Financing Terms

WHEREAS: The County of Washington (the "County") has previously determined to undertake a project for the purchase of one (1) Dodge Durango SSV for the Sheriff's Office, and Two (2) Dodge Ram 1500 SSVs for the Sheriff's Office together with upfit equipment provided through Pro Electronics (the "Project"), and the Finance Officer has now presented a proposal for the financing of such Project.

BE IT THEREFORE RESOLVED, as follows:

1. The County hereby determines to finance the Project through Local Government Federal Credit Union Financial Partners, LLC ("LGFCU Financial Partners, LLC"), in accordance with the proposal dated February 13, 2019. The amount financed shall not exceed \$91,055.40, the annual interest rate (in the absence of default or change in tax status) shall not exceed 3.15%, and the financing term shall not exceed five (5) years from closing.

2. All financing contracts and all related documents for the closing of the financing (the "Financing Documents") shall be consistent with the foregoing terms. All officers and employees of the County are hereby authorized and directed to execute and deliver the Financing Documents, and to take all such further action as the County Manager authorizes and approves, consistent with the terms of the local government budget and fiscal control act and as also reviewed and approved by the Finance Officer to carry out the financing of the Project as provided by the proposal consistent with this resolution. The Financing Documents shall include a Financing Agreement and Security Agreement and a Project Fund Agreement as LGFCU may require.

3. The Finance Officer is hereby authorized and directed to hold executed copies of the Financing Documents until the conditions for the delivery of the Financing Documents have been completed to the satisfaction of the County Manager. The Financing Documents shall be in such final forms as the County Manager shall approve, with the Finance Officer's release of any Financing Document as approved by the County Manager for delivery constituting conclusive evidence also of such Finance officer's review and approval of the Document's final form.

4. The County shall not take or omit to take any action the taking or omission of which shall cause its interest payments on this financing to be includable in the gross income for federal income tax purposes of the registered owners of the interest payment obligations. The County hereby designates its obligations to make principal and interest payments under the Financing Documents as "qualified tax-exempt obligations" for the purpose of Internal Revenue Code Section 265(6)(3).

5. The County intends that the adoption of this resolution will be a declaration of the County's official intent to reimburse expenditures for the project that is to be financed from the proceeds of the Local Government Federal Credit Union Financial Partners, LLC financing described above. The County intends that funds that have been advanced, or that may be advanced, from the County's general fund, or any other County fund related to the project, for project costs may be reimbursed from the financing proceeds.

6. All prior actions of County officers in furtherance of the purposes of this resolution are hereby ratified, approved and confirmed. All other resolutions (or parts thereof) in conflict with this resolution are hereby repealed, to the extent of the conflict. This resolution shall take effect immediately.

Adopted by the Washington County Board of County Commissioners this the ____ day of _____, 2019.

Attest:

Tracey A. Johnson, Chair

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

Commissioner Phelps made a motion to move forward with the installment financing for the Sheriff's Office vehicles with the increased dollar amount of \$2,219. Commissioner Riddick seconded, motion passed unanimously.

WASHINGTON COUNTY AND TYRRELL COUNTY EMS CONTRACT: Mr. Curtis Potter, CM/CA spoke to the Board on this item. Below is the previous resolution and MOU.

Resolution Approving Financing Terms

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Adopted by the Washington County Board of County Commissioners this the ____ day of _____, 2019.

Tracey A. Johnson, Chair


Attest:

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

NOW THEREFORE, THE BOARD OF COMMISSIONERS OF WASHINGTON COUNTY HEREBY RESOLVES AS FOLLOWS:

1. That the attached "2017 EMS Services Agreement" between Washington & Tyrrell Counties is hereby approved; and
2. That the Interim County Attorney is hereby authorized and directed to execute said instrument in duplicate originals on behalf of the Board of Commissioners; and
3. That the Clerk to the Board is hereby authorized and directed to return one original signed copy thereof to the Clerk to the Board of the other party.

ADOPTED this the 26th day of June, 20 17


Julius Walker, Jr., Chair
Washington County Board of Commissioners

ATTEST:


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



**2017 EMS SERVICES AGREEMENT
BETWEEN WASHINGTON & TYRRELL COUNTIES**

THIS 2017 EMS SERVICES AGREEMENT (sometimes hereinafter referred to as the "**agreement**") shall be effective July 1st, 2017, and is hereby made and entered into by and between the:

COUNTY OF WASHINGTON, a body politic of the State of North Carolina, (sometimes hereinafter referred to as "**Washington**"), and the

COUNTY OF TYRRELL, a body politic of the State of North Carolina, (sometimes hereinafter referred to as "**Tyrrell**):

WITNESSETH:

The following recitals are incorporated as an integral part of this agreement.

WHEREAS, NCGS § 160A-461 provides: *Any unit of local government in this State and any one or more other units of local government in this State or any other state (to the extent permitted by the laws of the other state) may enter into contracts or agreements with each other in order to execute any undertaking. The contracts and agreements shall be of reasonable duration, as determined by the participating units, and shall be ratified by resolution of the governing board of each unit spread upon its minutes.*

NOW THEREFORE, pursuant to NCGS § 160A-461, and in consideration of the terms, conditions, and mutual covenants expressed herein, the parties agree as follows:

1. DEFINITIONS:

- a. "**Emergency Medical Services**" or "**EMS**" are defined by NCGS § 131E-155 as: "services rendered by emergency medical services personnel in responding to improve the health and wellness of the community and to address the individual's need for emergency medical care within the scope of practice as defined by the North Carolina Medical Board in accordance with N.C.G.S. Section 143-514 in order to prevent loss of life or further aggravation of physiological or psychological illness or injury."
- b. "**Non-Emergency Medical Transportation Services**" or "**NEMT services**" means: services rendered by emergency medical services personnel in providing non-emergency ambulance transportation of patients.
- c. "**TCEMS**" shall mean the EMS services or NEMT services provided pursuant to this agreement by Washington County to citizens within Tyrrell County.

2. **TERM, AUTOMATIC RENEWAL, & TERMINATION:**

- a. **Initial Term:** This agreement shall be deemed effective July 1st, 2017 and shall continue for a period of two (2) years ending June 30th, 2019.
- b. **Automatic Renewal:** Upon the expiration of the initial term hereof, this agreement shall be deemed to automatically renew for successive and additional periods of one (1) year each, unless notice of non-renewal is provided by either party not less than one hundred twenty (120) days prior to the expiration of the then current term.
- c. **Termination:** In the event of a breach of this agreement, the non-breaching party shall give the other party written notice of the breach, and demand its correction. If the breaching party does not correct the condition causing the breach within fourteen (14) days of receipt of such notice, or commence corrective actions in good faith in instances when a correction cannot be reasonably completed within fourteen (14) days, the non-breaching party may terminate this agreement by providing written notice thereof to the breaching party, provided the effective date of termination shall not be sooner than ninety (90) days after the initial notice of breach was delivered to the breaching party.

3. **CONSIDERATION:**

- a. **Flat Fee Payment:** In exchange for the services to be provided to Tyrrell hereunder, Tyrrell shall pay Washington an annual flat fee of SIX HUNDRED TWENTY FIVE THOUSAND DOLLARS (\$625,000) per year in twelve equal monthly installments due on or before the 15th day of each month.
- b. **Vehicle Use/Maintenance/& Capital Reserve:** In addition to any other consideration described herein, Tyrrell also agrees to make an additional TWENTY FIVE THOUSAND DOLLARS (\$25,000) per year available to Washington for unforeseeable emergency maintenance needs related to non-routine maintenance of vehicles used for TCEMS as described in more detail hereinbelow.
- c. **Retention of All Profits and/or Cost Settlement/Reimbursements:** In addition to any other compensation described herein, Tyrrell agrees that Washington shall be entitled to collect and retain for its sole and exclusive benefit, any and all payments charged for TCEMS services provided by Washington hereunder, and additionally any and all amounts received by Washington or Tyrrell for NCACC EMS Medicaid Cost Settlements or any other cost reimbursement or settlements arising from TCEMS services provided by Washington hereunder.

- d. Return of Working Capital: The 2016 EMS Services Agreement between the parties provided for a final reconciliation following the end of each fiscal year, and for the restoration of certain working capital funds upon its expiration. Following the final reconciliation and determination of any working capital amounts owed to Tyrrell under the 2016 EMS Services Agreement, in lieu of making a one-time return payment thereof to Tyrrell for any such amount, Tyrrell shall instead withhold one-half of any such amount from its total flat fee payments made to Washington for the TCEMS services provided hereunder during the first year's term hereof, and shall withhold the remaining one-half from its total flat fee payments made to Washington for the TCEMS services provided hereunder during the second year's term hereof.

It is the intent of this paragraph for the parties to conduct the reconciliation process under the 2016 EMS Services Agreement and to return any and all unearned funds thereunder to Tyrrell County as part of transitioning to the flat fee structure under this agreement, but to do so in a modified two year payment to offset the undue burden Washington may face in having to make a one-time payment to refund such funds, and to reduce the number of overall financial transactions required by the parties to administer any such refund payments.

In the event of an early termination of this agreement for any reason, the entire remaining balance of any such amount owed to Tyrrell for the return of working capital funds shall be promptly refunded by Washington.

4. WASHINGTON'S DUTIES & RESPONSIBILITIES:

- a. TCEMS Services: The parties intend for Washington to cover Tyrrell County and provide EMS services to its citizens therein primarily using separate ambulances provided by Tyrrell for such purpose in exchange for the consideration stated herein.
- i. 24/7 Coverage: Washington shall provide Tyrrell with 24 hour EMS coverage, meaning the provision of full time emergency medical personnel on duty for all first and second emergency calls, and coverage of additional calls as possible.
 - ii. Paramedic Level EMS Service: Washington shall maintain TCEMS services at a paramedic level in order to be entitled to payment for TCEMS services in the amounts specified herein. If Washington decreases the level of TCEMS services provided hereunder, it shall first give one hundred twenty (120) days prior written notice to Tyrrell, and the parties shall work together in good faith to agree upon an equitable reduction in the amount of compensation to be paid hereunder for the reduced level of services. If no agreement can be reached, Tyrrell may unilaterally terminate this agreement by providing ninety (90) days prior written notice thereof to Washington, and any and all amounts payable under this agreement shall be prorated as of the date of such termination.

- iii. Second Call Coverage: Understanding Tyrrell's concern and need to ensure second call coverage, Washington will station an ambulance at or in close proximity to the Creswell Medical Center. This unit shall provide second call coverage by relocating into Columbia when Tyrrell's primary unit leaves Tyrrell County, unless operational needs dictate otherwise, which shall be determined in the sole discretion of the EMS Director. The parties acknowledge they may both rely upon and share this ambulance for purposes of providing second call coverage to each of them at the same time.
- b. NEMT Services: Washington shall no longer operate a separate NEMT component/department for Tyrrell County operations. The parties intend however, for Washington whenever reasonably available during its normal hours of operation, to provide NEMT services to Tyrrell County citizens upon request. However the parties also acknowledge that unlike Washington, Tyrrell has no ambulance ordinance currently in place, and its citizens have an unlimited selection of available NEMT providers to choose from in addition to Washington's NEMT services. Therefore in cases of conflicting schedules, Washington shall be entitled to prioritize and provide NEMT services to its own citizens first (to the extent they are seeking point to point transport within Washington County, which can only be legally provided by Washington EMS) before serving citizens in Tyrrell for NEMT.
- c. Reservation of Operational Control: Notwithstanding anything herein to the contrary, Washington reserves the exclusive right at all times relevant hereunder, to operate its EMS system in any good faith manner it may deem reasonably necessary to maximize overall system efficiencies and conserve system resources consistent with the direction of its Medical Director and in conformity with any applicable laws.

5. TYRRELL'S DUTIES & RESPONSIBILITIES:

- a. Station: Tyrrell shall provide an EMS station where TCEMS vehicles and staff will be housed for operations, and shall pay for any and all related utilities associated therewith.
- b. Ambulances: Tyrrell shall provide Washington at least one serviceable primary ambulance, and one serviceable backup ambulance at all times hereunder which Washington shall stock and keep reasonably maintained with the necessary equipment and supplies to be used primarily in Tyrrell County for the provision of TCEMS services therein at all times throughout the duration of this agreement. The parties acknowledge that at the start of this Agreement, Tyrrell's provision of EMS4 as a primary, and of both T5 and T6 as alternate backups shall satisfy this requirement.
 - i. Optional Ambulance Funding: In lieu of providing a physical ambulance Tyrrell may provide additional funds to Washington beyond the consideration described herein, for the purpose of Washington using such additional funds to purchase an ambulance on Tyrrell's behalf.

- ii. Transferable Titles: The parties agree that title to the ambulances provided by Tyrrell, or purchased on Tyrrell's behalf may be transferred into Washington's name during this agreement to help facilitate and reduce the associated costs of registration, insurance, EMS system compliance, etc.
 - 1. Unless otherwise agreed in writing between the parties, immediately upon the expiration or termination of this agreement for any reason, Washington will transfer the titles back to Tyrrell for any and all such ambulances provided by or purchased on behalf of Tyrrell, and not otherwise purchased by Washington with Washington's own funds.
- iii. Maintenance: Washington shall ensure that such ambulances are adequately maintained (and if possessing title thereto, registered and insured), provided however, the parties agree that during the term of this agreement, unless otherwise expressly agreed in writing, Tyrrell shall remain solely responsible for any and all costs associated with replacing or making any non-routine or major catastrophic maintenance repairs necessary to such ambulances beyond normal wear and tear and routine maintenance expenses (the costs for which shall be annually budgeted for by Washington together with the rest of its fleet in a reasonable amount). With Tyrrell's prior approval, Washington may request the use of those Vehicle Capital Reserve funds described within Section 3(b) hereinabove to use in making non-routine or major catastrophic repairs to an ambulance on Tyrrell's behalf.
- iv. Insurance Proceeds: Any insurance proceeds received by either party for any damage sustained to any such ambulances shall be applied exclusively toward the maintenance of such damaged ambulance.
- v. Marketing: Washington shall ensure any ambulance or emergency vehicle stationed in Tyrrell County displays the word "Tyrrell" in some fashion.
- vi. Emergency Use: The parties agree that all ambulances may be utilized at any time by Washington for emergency service if deemed necessary within Washington's sole discretion.

6. ACCOUNTING:

- a. Separate Fund & Departmental Accounting: Washington shall not be required to maintain any separate departments or funds within its financial chart of accounts or budgets related to the provision of TCEMS hereunder, it being the intent of the parties to simplify the administrative burden upon Washington historically associated therewith by utilizing a flat fee compensation model for this agreement.


- b. Access to funds: Washington shall continue to be authorized to access and use any Tyrrell funds it may have possession and control over at the start of the term of this agreement, to offset any amounts lawfully owed to Washington under this or any previous agreement for providing EMS or NEMT services to Tyrrell County.
- c. Financial Information: Washington shall provide full access to Tyrrell to all TCEMS documents related to this agreement, including but not limited to financial information related to revenue recovery from TCEMS patients, provided however, any information protected by HIPPA shall be handled in accordance with applicable laws.

7. OTHER TERMS & CONDITIONS:

- a. Governing Law: This agreement shall be governed in accordance with the laws of the State of North Carolina
- b. Entire Agreement: This instrument contains the entire agreement between the parties, and no statement, oral or written, made by either party or agent of either party that is not contained in this written agreement shall be valid or binding.
- c. Modification: This agreement may not be modified or amended except by subsequent written modification approved and authorized by the governing bodies of each party and signed by authorized representatives of both parties.
- d. Severability: If any provisions herein are held for any reason to be unconstitutional, unenforceable, invalid, or illegal in any respect, such decisions shall not affect or impair any of the remaining provisions of this agreement, and the parties hereby declare this agreement would have been approved and executed had such unconstitutional, unenforceable, invalid or illegal provision been excluded from this agreement.
- e. Enforcement/Waiver: This agreement shall be enforceable by each party by all remedies available at law or in equity. Failure or delay to exercise any right, remedy or privilege hereunder shall not operate as a waiver of such right, remedy or privilege nor prevent subsequent enforcement.
- f. Duplicate Originals: This agreement shall be executed by the parties in duplicate originals, each of which, when executed shall constitute the same agreement.

IN WITNESS WHEREOF, the parties have caused this agreement to be duly executed following the approval of their respective Boards of County Commissioners, effective as of the date specified herein.

COUNTY OF WASHINGTON


Julius Walker, Chairman
Board of Commissioners


Attest: Julie J. Bennett, CMC
Clerk to the Board

SEAL



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


Catherine Dixon
Washington County Finance Officer

COUNTY OF TYRRELL


Leroy Spivey, Chairman
Board of Commissioners


Attest: Penny Owens, NCCCC
Clerk to the Board

SEAL

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


Karen Gerhart
Tyrrell County Finance Officer

Mr. Potter said he is asking the Board to approve a Resolution (not yet drafted) that would modify the current EMS agreement (shown above) by authorizing the Manager and Finance Officer to extend the term of the contract in subsequent years at a rate that can be negotiated by staff in light of budget performance, but always at or above the rate in the current existing agreement. In other words the County would not be able to lower the current rate, but

could approve renewal terms at the same or higher rates without having to seek Board approval for each one of them. The Board obviously will still have control over the contract through its termination provision and your ability to direct staff to terminate it in the future if that were your desire, but this would hopefully cut down on some of the time and resources involved in having to constantly bring this contract back up to the Board for discussion and action, and would help streamline the renewal terms for future years.

Mr. Potter noted however, after further discussion and analysis, he thinks Washington County needs to ask Tyrrell County to pick up some of the additional overtime personnel expenses related to Washington County eliminating the fluctuating workweek this fiscal year but he has not had sufficient time to fully analyze this expenses, or to discuss this with them or to produce any related documentation. This proposal would help assure Tyrrell County of a path toward securing continuing EMS coverage for the upcoming fiscal year, which will prevent them from otherwise having to scramble over the coming weeks to try to evaluate alternatives until Washington County otherwise can provide that assurance. It would also permit staff with more flexibility to more quickly negotiate and lock in a final and potentially higher rate and grant extension. Mr. Potter said he will be working on further analysis and hopefully a relatively simple resolution for this request and will forward it to you as soon as he can in final draft format.

Commissioner Phelps said that he and Mr. Potter talked before the meeting. The cost is not permitted to decrease during this provision. Mr. Potter said he would like to have some direction from the Board on the contract. Commissioner Sexton said he agrees with Commissioner Phelps, it needs to come back to the Board for final approval and for the Board to be aware of what is going on. Mr. Potter said the only issue that presents itself is the amount of time it takes to run analyses during every budget session. This would mean that this contract would need to be brought back to the Board of Commissioners at the May meeting and not giving Tyrrell County enough time to review. Commissioner Phelps said to add “that the Board agrees” to the document. Commissioner Phelps asked about moving the renewal date to January. Mr. Potter said he likes to keep all the contracts ending on the fiscal year--it makes it easier for auditing purposes. Mr. Potter said that if Board approval is what they want added, it is already in there. Commissioner Phelps would like it brought back to the Board. Mr. Potter said then the amendment is a moot point. Washington County will negotiate the rate with Tyrrell County and bring it back to the Board.

Commissioner Riddick made a motion to leave the MOU between Washington County and Tyrrell County for EMS Services as is. Commissioner Phelps seconded, motion passed unanimously.

OTHER ITEMS BY CHAIRPERSON, COMMISSIONERS, COUNTY MANAGER/
ATTORNEY OR CLERK:

Commissioner Phelps distributed a flyer for an Easter extravaganza taking place at Somerset Plantation on April 20.

Commissioner Phelps also distributed information on Cycle NC Spring Ride. They are looking for volunteers. There was also information regarding the Dock of Bay event at the 4-H Center in Tyrrell County in May. They would really like to have elected officials attend.

Commissioner Phelps stated that he and the Board Clerk talked about how votes are counted. It was discussed to possibly have a roll call vote so that the Clerk can clearly hear the votes and record them accurately. This topic will be added to a future agenda for discussion. Mr. Potter said he can bring some various ways of voting along with the pros and cons of each.

WASHINGTON COUNTY AUDIT: Mr. Joel Black and James Bence from Mauldin & Jenkins distributed a new updated final version of the audit.

**MAULDIN
& JENKINS**



Presentation of 2018 Audit Results

Washington County, North Carolina

April 8, 2019



Agenda

- Engagement Team
- Results of the 2018 Audit
- Financial Ratios
- Comments, Recommendations, and Other Issues
- Questions & Comments



Engagement Team

■ Mauldin & Jenkins, LLC; General Information

- Founded in 1918.
- Large regional firm serving the Southeastern United States.
- Offices located in Atlanta, GA, Macon, GA, Albany, GA, Savannah, GA, Bradenton, FL, Chattanooga, TN, Birmingham, AL, and Columbia, SC employing approximately 260 personnel.
- In addition to our governmental practice, we have large banking, healthcare, not-for-profit, benefit plan and tax practices.

■ Mauldin & Jenkins, LLC; Governmental Sector

- Largest specific industry niche served by the Firm representing 25% of Firm practice.
- Serve more governmental entities throughout the Southeast than many other certified public accounting firm requiring over 85,000 hours of service on an annual basis.
- Approximately 100 professional staff persons with current governmental experience.
- Current auditor for over 400 total governments in the Southeast, including approximately:
 - 45 counties;
 - 100 cities;
 - 50 school systems;
 - 40 state entities; and,
 - 140 special purpose entities (stand-alone business type entities, libraries, etc.).

■ Engagement team leaders for Washington County

- Joel Black, Engagement Partner
- James Bence, Audit Services Partner
- Tim Lyons, Quality Review Partner



Results of 2018 Audit

- **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America (GAAS) and Government Auditing Standards (GAS)**
 - We considered the internal control structure for the purpose of expressing our opinion on the County's basic financial statements and not providing assurance on the internal control structure.
 - Our audit was performed in accordance with GAAS and GAS.
 - Our objective is to provide reasonable—not absolute—assurance that the basic financial statements are free of material misstatement.
 - We did not audit the financial statements of the Washington County ABC Board. We reviewed and relied on the report of other auditors for amounts included in the County's statements related to the ABC Board.
 - The basic financial statements are the responsibility of the County's management.

- **Report on 2018 Basic Financial Statements**
 - Unmodified ("clean") opinion on basic financial statements.
 - Presented fairly in accordance with accounting principles generally accepted in the United States of America.
 - Our responsibility does not extend beyond financial information contained in our report.



Results of 2018 Audit (continued)

■ Significant Accounting Policies

- The significant accounting policies used by the County are described in Note 1 to the basic financial statements.
- The policies used by the County are in accordance with generally accepted accounting principles and similar government organizations.
- In considering the qualitative aspects of its policies, the County is not involved in any controversial or emerging issues for which guidance is not available.

■ Management Judgment/Accounting Estimates

- The County uses various estimates as part of its financial reporting process – including valuation of accounts receivable, depreciation of capital assets, pension and OPEB assumptions.
- Management's estimates used in preparation of financial statements were deemed reasonable in relation to the financial statements taken as a whole. We considered this information and the qualitative aspects of management's calculations in evaluating the County's significant accounting estimates.



Results of 2018 Audit (continued)

■ Financial Statement Disclosures

- The footnote disclosures to the financial statements are also an integral part of the financial statements and the process used by management to accumulate the information included in the disclosures was the same process used in accumulating the statements. The overall neutrality, consistency, and clarity of the disclosures was considered as part our audit.

■ Relationship with Management

- We received full cooperation from the County's management and staff.
- There were no disagreements with management on accounting issues or financial reporting matters.

■ Audit Adjustments

- There were several posted adjustments which were necessary during the audit process. Those entries have been provided to management and have all been recorded on the County's general ledger by management and they have agreed with all adjustments. There were no passed or unrecorded adjustments.

■ Management Representation

- We requested, and received, written representations from management relating to the accuracy of information included in the financial statements and the completeness and accuracy of various information requested by us.

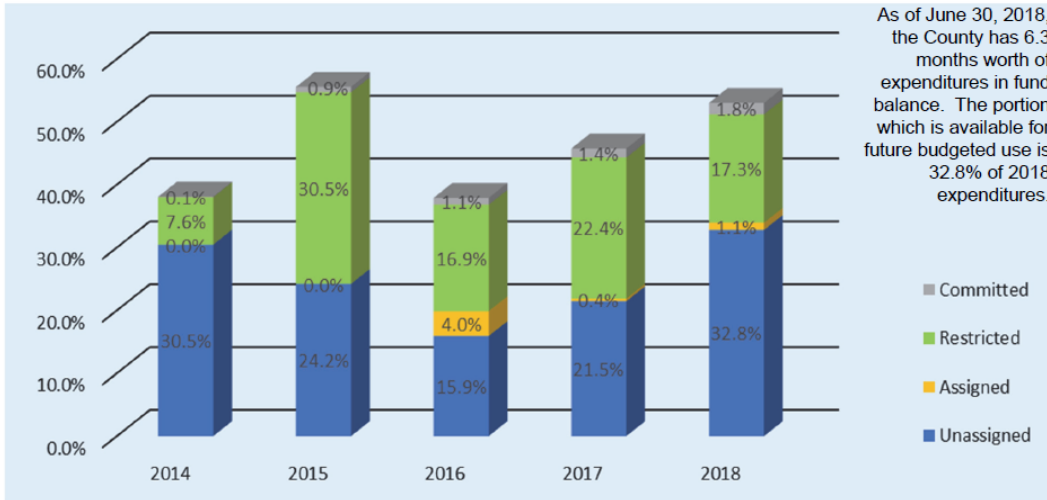


Results of 2018 Audit (continued)

- **Consultation with Other Accountants**
 - To the best of our knowledge, management has not consulted with, or obtained opinions from, other independent accountants during the year, nor did we face any issues requiring outside consultation.
- **Significant Issues Discussed with Management**
 - There were no significant issues discussed with management related to business conditions, plans, or strategies that may have affected the risk of material misstatement of the financial statements.
- **Information in Documents Containing Audited Financial Statements**
 - Our responsibility for other information in documents containing the County's comprehensive annual financial report and our report thereon does not extend beyond the information identified in our report. If the County intends to publish or otherwise reproduce the financial statements and make reference to our firm, we must be provided with printers' proof for our review and approval before printing. The County must also provide us with a copy of the final reproduced material for our approval before it is distributed.
- **Auditor Independence**
 - In accordance with AICPA professional standards, M&J is independent with regard to the County and its financial reporting process.
 - There were no fees paid to M&J for management advisory services during fiscal year 2018 that might affect our independence as auditors.

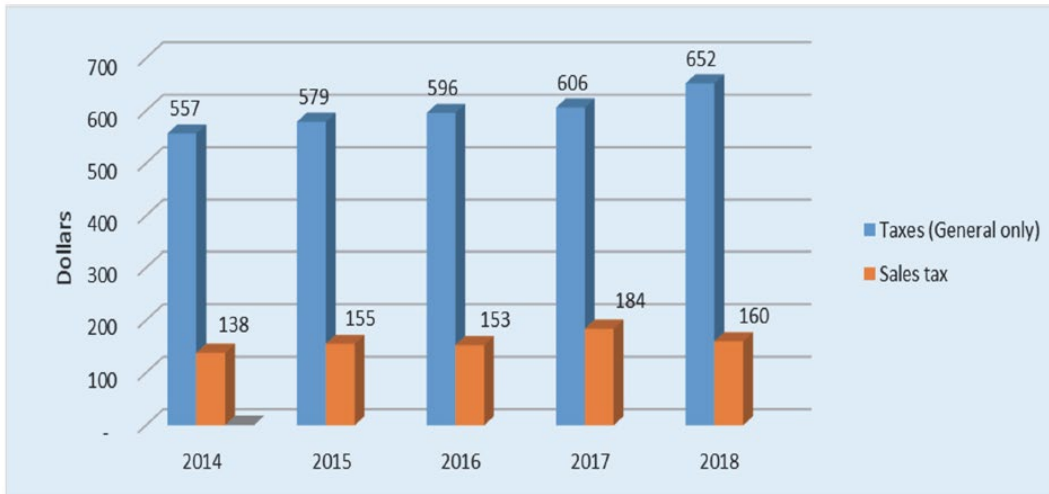


General Fund Balance Ratio to Expenditures



Source: The County's Comprehensive Annual Financial Reports

Trend Analysis of Property and Sales Tax Revenue per capita



Source: The County's Comprehensive Annual Financial Reports

**General Fund Budget to Actual Results –
Fiscal Year 2018**



	Original	Amendments	Final	Actual	Variance	
Revenues	\$ 13,963,090	\$ 1,095,129	\$ 15,058,219	\$ 13,872,512	\$ (1,185,707)	-7.9%
Expenditures	13,288,147	1,011,865	14,300,012	12,219,972	2,080,040	14.5%
Net Transfers	(696,886)	(100,654)	(797,540)	(1,048,167)	(250,627)	-31.4%
Net Change	\$ (21,943)	\$ (17,390)	\$ (39,333)	\$ 604,919	\$ 644,252	

□ General Fund revenues were 7.9% lower than the amended budgeted amount. The actual revenues for state and federal grants were lower than anticipated.

□ Expenditures for many functional areas were less than budget – this aggregated to be \$2.1 million (14.5%) less than the approved operating budget. Several departments came in under budget, however the primary driver was the anticipated property acquisition for hazard mitigation which did not occur prior to June 30, 2018.

□ Budgeted use of fund balance was not needed to the extent anticipated, as actual revenues and other financing sources exceeded expenditures.

□ General Fund significant transfers were \$306,215 to the Emergency Medical Services Fund; \$275,627 to the Sanitation Fund; and \$466,325 to non-major governmental funds.



Enterprise Results

	Sanitation Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,178,720	\$ 1,356,883
Payments to suppliers	(1,175,881)	(1,452,674)
Payments to employees	(93,517)	(401,679)
Net cash used in operating activities	(90,678)	(497,470)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Restricted intergovernmental receipts	18,939	61,945
Transfers in	532,685	-
Net cash provided by (used in) noncapital financing activities	551,624	61,945
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases and acquisition of capital assets	-	(12,300)
Principal payments on long-term debt	-	(221,001)
Interest paid	-	(161,798)
Net cash used in capital and related financing activities	-	(395,099)
NET POSITION		
Net investment in capital assets	369,034	2,318,972
Unrestricted	(817,935)	(77,974)
Total net position	\$ (448,901)	\$ 2,240,998

- Sanitation Fund still relies on transfers in from the General Fund and Water Fund.
- The Water Fund reported a loss of (\$184,000) compared to the net income of \$57,000 in the prior year.
- The Sanitation Fund reported a net income of \$556,000 compared to the net loss of (\$166,000) in the prior year.
- Both funds report a negative unrestricted net position, while the Water Fund reports a overall positive net position.



Changes in Single Audit Engagements

Change in reporting of direct benefit payments – removed from Schedule of Expenditures of Federal and State Awards (SEFSA)

- ❖ Previously reported Federal Exp of \$20.8 million and State Exp of \$10.4 million
- ❖ Type A program threshold was \$2.8 million
- ❖ Average 1 major program, Medicaid tested every year

- ❖ Now reporting Federal Exp of \$2.2 million and State Exp of \$880,000
- ❖ Testing for 3 federal and 3 state programs in 2018 – SEFSA

Additional changes in Medicaid:

- Now eligibility testing is required to be performed as agreed upon procedures engagement;
- Separate from financial/compliance audits for the County;
- Procedures determined by the Office of State Auditor;
- Issued report for the County on October 31, 2018 – no inconsistency reported.



Material Weaknesses on Financial Reporting

Revenue Recognition

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

- ❖ Year-end accrual adjustments were not reported for the General Fund, Emergency Medical Services Fund, and Sanitation Fund and adjustments of \$692,000, \$539,000, and \$1305,000, respectively, were required to adjust the revenues and accrued receivables of these funds and the related allowances.
- ❖ Occupancy taxes levied by the County were not being reported as revenues and related expenditures of the County. As the entity authorized to levy the tax, the tax should be reported on the County and an adjustment was made in the amount of \$156,000. These revenues were recorded directly to the component unit, Travel and Tourism Authority.

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. 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.



Material Weaknesses on Financial Reporting (Continued)

Expenditure / Expense Recognition

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

- ❖ Accounts payable general ledger balances were not being reconciled to the subsidiary ledgers and adjustments to the general ledger's opening balances were required to remove prior year expenditures which were previously disbursed but not removed from payable balances. 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), the NCHFA Single Family Rehabilitation Loan Fund (\$12,800), and Travel & Tourism Authority (\$11,800).
- ❖ Accrued wages for the County employees were not being reported as of June 30, 2018. The entry affected the General Fund, the Emergency Medical Services Fund, the Sanitation Fund, the Water Fund, the Airport Fund, and the Travel & Tourism Authority. Total adjustments to the current year accruals were approximately \$350,000, with adjustments to the opening balances of approximately \$340,000.
- ❖ Adjustment to Water Fund of \$6,500 and \$13,500 to record the current year compensated absences liability and current year accrued interest associated with long-term financing.
- ❖ Adjustment to Sanitation of \$52,000 to adjust the estimated closure & postclosure liabilities.
- ❖ Adjustment to the General Fund of \$105,000 to adjust recognition period of certain legal costs.
- ❖ An adjustment to write-off interfund payable balances of \$275,000 which the Sanitation Fund owed to the General Fund which were deemed uncollectable.

Total misstatements related to expenditure or expense recognition and reporting of the related balance sheet accounts were approximately \$1,163,700 for the year ended June 30, 2018, with approximately \$700,700 affecting prior year balances. We recommend the County carefully review all expenditure/expenses to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.



Material Weaknesses on Financial Reporting (Continued)

Schedule of Expenditures of Federal and State Expenditures

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 subsequent to the audit. 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. 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. 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.



Significant Deficiency on Financial Reporting

Segregation of Duties

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

- ❖ 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.

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. 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.



Significant Deficiency over State Compliance

Rate Determination Controls

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



Management Recommendations

Manual Journal Entry Referencing

During our review of manual journal entries, we noted the County did not have a numbering system for the tracking of the manual journal entries. We recommend the County to give each journal entry its own unique journal entry number, and the numbers be used sequentially.

Cybersecurity

The Information Technology environment is characterized by rapid change. Thus, any risk assessment and control activities, as they relate to IT, need to be monitored and reviewed on a regular basis. During our review we noted that Washington County is utilizing an IT framework in evaluating its cybersecurity risk management. However, we recommend that the framework currently being used by management add a monitoring component as new IT risks can emerge, controls and other mitigations can lose effectiveness, and new procedures can be deployed to address changing risk. A regular review or monitoring component to an IT framework is a key part of an effective internal control framework and risk management process. We recommend the County implement a monitoring component to address new and unique risks of a cybersecurity attack against the County.

Hospital Authority Pension Plan

The County has elected not to pre-fund the Hospital Authority Pension Plan Trust since the 2015 fiscal year. Since 2015, the Plan has averaged benefit payments of approximately \$232,000 each year, with actuarial projections of as high as \$290,000 in the fiscal year ending June 30, 2021. As of June 30, 2018, the available net position of the Plan's fiduciary funds was \$574,980. Based on the average benefit payment on the plan and the available funds, the County will assume the funding of the Plan during the fiscal year ending June 30, 2021. We recommend the County ensure the funding of these payments are timely evaluated and planned.



Management Recommendations (Continued)

Internal Control Policies and Procedures

During our review of internal control questionnaires and documentation of the working of the County's policies and procedures, we noted the following areas which improvements can be made to the procedures:

- The County does not have a formal deposit policy that limits the County's allowable deposits and addresses the specific types of risk to which the County is exposed. We recommend the County formalize a deposit policy to address the allowability of certain deposits and risk of certain investments.
- Utility bills are not pre-numbered and the sequence is not accounted for. We recommend the County utilize pre-numbered bills and account for any gaps in the sequence to eliminate exposure to fraud risk and to help account for the unpaid bills.
- A periodic analysis is not prepared for estimating the allowance for uncollectible accounts and bad debt expense. We recommend the County implement a process to review the allowance for uncollectible accounts and bad debt expense for proper recording in accordance with generally accepted accounting principles (GAAP).
- An independent review of significant judgments and estimates in the financial records is not performed at the end of every accounting period. We recommend the County perform an independent review of significant judgments and estimates at the end of each accounting period to ensure they are reasonable with historical patterns and usage in accordance with GAAP.
- Accounting policies and procedures do not specify accounting treatment for the calculation of deferrals or amortization of income. We recommend the County implement procedures at the end of each accounting period to review calculations of deferrals or amortization to ensure that amounts are properly recorded in accordance with GAAP.



■ New GASB Pronouncements- Implemented This Year

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45 and addressed accounting and financial reporting for OPEB that is provided to the employees of the state and local governmental employers. This statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB are also addressed.
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to identify (in the context of the current governmental financial reporting environment) the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles.



■ New GASB Pronouncements for Future Years

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, requires the accrual of an estimate for any legally enforceable future liability associated with the retirement of a capital asset (i.e. decommissioning a sewer treatment plant) and to report the expenses over the life of the associated capital asset. Applicable for June 30, 2019.
- GASB Statement No. 84, *Fiduciary Activities*, This statement establishes criteria for identifying fiduciary activities with a focus on: 1) whether a government is controlling the assets of the fiduciary activity; and, 2) the beneficiaries with whom a fiduciary relationship exists. Applicable for June 30, 2020.
- GASB Statement No. 87, *Leases* was issued in June 2017 and is effective for the first reporting period beginning after December 15, 2019. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Applicable for June 30, 2021.

Comments, Recommendations,
and Other Issues (Continued)



■ New GASB Pronouncements for Future Years

- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, under Statement 88, debt for disclosure purposes is defined as a liability that arises from a contractual obligation to pay cash (or other assets) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Applicable for June 30, 2019.
- Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, this standard eliminates the requirement/ability to capitalize construction period interest costs as part of the cost of a capital asset in enterprise funds. This standard should be applied prospectively with no restatement. This standard can be early implemented as part of fiscal year 2019, but is applicable for June 30, 2021.
- Statement No. 90, *Equity Interests* an amendment of GASB Statements No. 14 and No. 61, is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Applicable for June 30, 2020.

Comments, Recommendations, and Other Issues (Continued)



- Other Matters Currently Being Considered by GASB
 - **Re-Examination of the Financial Reporting Model.** GASB has added this project to its technical agenda to make improvements to the existing financial reporting model (established via GASB 34). Improvements are meant to enhance the effectiveness of the model in providing information for decision-making and assessing a government's accountability.
 - **Conceptual Framework is a constant matter being looked at by GASB.** Current measurement focus statements (for governmental funds) to change to near-term financial resources measurement. May dictate a period (such as 60 days) for revenue and expenditure recognition. May expense things such as supplies and prepaid assets at acquisition.
 - **Revenue and Expense Recognition** is another long-term project where the GASB is working to develop a comprehensive application model for recognition of revenues and expenses from non-exchange, exchange, and exchange-like transactions.
 - **Conduit Debt.** The GASB is looking at improving the definition of conduit debt and determining whether a liability should be reported for these transactions.

- Other Changes
 - There continues to be changes to auditing standards relative to the conduct and reporting of Single Audits. This year's financial and compliance audit recognized the implementation of the new Uniform Grant Guidance (UG) which included significant changes to cost principles and other requirements for auditees receiving Federal funds. These changes are driven based on the grant award date as awarded by the Federal agency. As such, auditors and auditees will follow requirements from both the "old" and "new" guidance for a few years to come.

Free Quarterly Continuing Education for Governmental Clients



■ Since March of 2009:

- Mauldin & Jenkins provides free quarterly continuing education for all of our governmental clients. Topics are tailored to be of interest to governmental entities. In an effort to accommodate our entire governmental client base, we offer the sessions several times per quarter at a variety of client provided locations resulting in greater networking and knowledge sharing among our governmental clients. We normally see approximately 100 people per quarter.
- Examples of subjects addressed in the past few quarters include:

Revenue Accounting Requirements	GASB Updates
Internal Controls – Revenues & Receipts	Internal Controls – Expenses, Disbursements & Payroll
Collateralization of Deposits	SPLOST Accounting, Reporting & Compliance
Capital Asset Accounting	Grant Accounting, Processes and Controls
Policies & Procedures Manuals	Segregation of Duties
GASB No. 51 – Intangible Assets	Single Audits for Auditees
GASB No. 54 – Governmental Fund Balance	Best Budgeting Practices, Policies and Processes
Internal Revenue Compliance (Payroll)	CAFR Preparation
GASB No. 60 – Service Concession Arrangements	GASB No. 61, the Financial Reporting Entity
GASB No. 63 & 65 – Deferred Inflows and Outflows	GASB No 67 & 68, Accounting/Reporting Pension Plans



Questions & Comments



June 30, 2018 Audit Presentation

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Commissioner Phelps asked has this been submitted to the LGC. Ms. Dixon said she doesn't want to sign it yet until she gets the journal entries for the trial balances and they match. Mr. Black said when Ms. Dixon gives them the OK or makes changes this week, it will be modified and signed by Mauldin & Jenkins and Ms. Dixon and Mr. Potter.

Ms. Dixon said she received some additional information Friday and sent Mauldin & Jenkins some questions and she is waiting on answers from the auditors.

Mr. Black wanted the Board to know that they had a third auditor help review the County's audit package.

Commissioner Sexton asked what grant do they keep referencing. Mr. Potter said the grant for the water and sewer for the Commerce Building.

Commissioner Phelps said Mauldin & Jenkins said the County had a clean audit but how can that be since there are so many findings. Commissioner Phelps said Mr. Black shouldn't have used that term. It makes things confusing.

Referencing Findings: Material Weaknesses on Financial Reporting (pg. 12)

Commissioner Phelps asked who is responsible for posting those figures. Mr. Black said the County staff. However, Ms. Dixon said that our previous auditor used to do it for the County. Mr. Potter said pressure has been put on auditors to not get into the County's posting of

figures. Commissioner Phelps asked when the auditors became aware that the County wasn't posting those figures. Ms. Dixon said she knew it. Mr. Potter said it's not in the scope of what auditors do---to post the figures at the end of the year. Mr. Potter said Washington County is not alone in this matter. He has talked with other counties to see if we could join together to hire a CPA to help our counties. Commissioner Phelps asked if Mauldin & Jenkins trained any of the Washington County staff. They said they could in the minutes from last year's meeting when they were trying to get the contract. Ms. Dixon said she doesn't feel that her staff has had adequate training. Commissioner Phelps said to note it in the minutes that Mauldin & Jenkins will provide training for the Finance Department on posting these figures.

Commissioner Phelps said he just wants to clarify that our previous auditors had been posting those figures for the County, out of their generosity. Mr. Black said the previous auditors should not have been doing that.

Ms. Dixon said the new Finance Deputy has been trained and is handling the posting of those figures.

Commissioner Phelps noted that 2021 will be the last year the County has funds to pay for the hospital pension. Mr. Potter said that the Board did approve an amount for the hospital pension for this year.

Commissioner Phelps asked if the County has a policy on bank deposits. Ms. Dixon said the County has a system in place.

Commissioner Phelps asked why the County water bills aren't numbered. Ms. Dixon said the County doesn't generate those bills, but she will check into it.

Commissioner Phelps asked about #3 and #5.....a repeat finding and a bank account not reconciling respectively. These are from the report last time. Ms. Dixon said that this was a finding from 2017. Commissioner Phelps asked how it can be a repeat finding. Mr. Potter also noted that we have findings this year. Mr. Potter said the County didn't have a draft audit last year until the first part of May.

Commissioner Phelps said we are 159 days behind in receiving our audit. Commissioner Phelps reminded Mr. Black that he said---look in the minutes from 2018...when asked if he would allow a penalty clause if the audit was late and he said that the County's audit would not be late.

Commissioner Phelps said he asked Mauldin & Jenkins when they were here vying for the contract if the County's audit would be ready before October 31 and most definitely by December 31.

Commissioner Phelps said he has been in contact with other counties that used Mauldin & Jenkins in NC, and all of their audits are late too.

Commissioner Phelps said the County received an invoice for an "overage" amount of ~\$30,000 from Mauldin & Jenkins. He is frustrated and feels that their work is unacceptable.

Chair Johnson said Mauldin & Jenkins mentioned that they worked on six (6) audits for us, rather than just one. Mr. Black said they had to audit Medicaid which added more work.

Commissioner Sexton asked what page was the fund balance on. Mr. Black said Page 16 has the fund balance on it: \$6,476,000.

Chair Johnson said we hope to now move forward.

At 7:40 PM, with no further business to discuss, **Commissioner Sexton made a motion to adjourn the meeting. Commissioner Phelps seconded, motion carried unanimously.**

Tracey A. Johnson
Chair

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