

December 2, 2024

The Washington County Board of Commissioners met in a Special Called meeting on Monday, December 2, 2024, at 4:30 PM in the Commissioners' Room, 116 Adams Street, Plymouth, NC. Commissioners Ann C. Keyes, Tracey A. Johnson, Carol V. Phelps, John C. Spruill and Julius Walker, Jr. were in attendance. Also, present were County Manager/County Attorney Curtis S. Potter, Assistant County Manager, Jason Squires and County Finance Officer Missy Dixon. Clerk to the Board Julie J. Bennett was unable to attend.

Chair Keyes called the meeting to order.

AUDIT PRESENTATION FOR WASHINGTON COUNTY FY 2024: Mr. Thompson of Thompson, Price, Scott, Adams & Co., P.A. spoke to the Board and gave the following presentation.

Washington County

Presentation Agenda

	<u>PAGE(s)</u>
I. GENERAL COMMENTS	
II. REQUIRED COMMUNICATIONS AU-C 260	1-3
III. AUDIT RESULTS	4-11
IV. QUESTIONS AND COMMENTS	
V. CLOSE	



Thompson, Price, Scott, Adams & Co, P.A.

P.O. Box 398
1626 S Madison Street
Whiteville, NC 28472
Telephone (910) 642-2109
Fax (910) 642-5958

Alan W. Thompson, CPA
R. Bryon Scott, CPA
Gregory S. Adams, CPA

November 22, 2024

To the Board of Commissioners
Washington County
Plymouth, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Washington County for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and OMB Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 17, 2024. Professional standards also required that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Washington County are described in Note 1 to the financial statements. The County adopted GASB Statement 100 "Accounting Changes and Error Corrections" for the year ended June 30, 2024. We noted no transactions entered into by Washington County during the year for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimate(s) or assumptions noted during the audit.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. There are no such disclosures identified.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Members
American Institute of CPAs - N.C. Association of CPAs – AICPA's Private Companies Practice Section

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated November 22, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Auditing Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Washington County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We identified technical errors in Medicaid Compliance testing that are discussed in the audit report as Findings 2024-001, 2024-002, and 2024-003.

The Local Government Commission (LGC) will no longer initiate communications about concerns or findings (formerly considered unit letters). They have created a spreadsheet that has to be completed and submitted with the audit report. If that worksheet identifies what they consider a "Financial Performance Indicators of Concern" (FPICs), we are required to communicate those items to the Board. The County is required to submit a response within 60 days of the Board meeting in which the financial statements are presented. The detailed audit response should be presented to the entire Board, and signed by the entire Board, Finance Officer, and Manager. The items that you will be required to respond to in this letter are the FPICs identified on the Data Input Worksheet concerning the Water and Sewer Capital Assets Condition Ratio and the Tax Revenues being more than 3% under budget.

Other Matters

We applied certain limited procedures to the Schedule of County's Proportionate Share of Net Pension Liability (LGERS), Schedule of County Contributions (LGERS), Schedule of County's Proportionate Share of Net Pension Asset (ROD), Schedule of County Contributions (ROD), Schedule of Changes in Total Pension Liability - Law Enforcement Officer's Special Separation Allowance, and Schedule of Changes in Total OPEB Liability and Related Ratios, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained

during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual non-major fund statement schedules, budgetary schedules, and other schedules, and the schedule of expenditures of federal and State awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Please ensure that management and the Board is aware of the new GASB pronouncements for the upcoming fiscal year. Be especially mindful of GASB No.101: Compensated Absences, as the implementation of this standard may take a significant amount of time and resources to gather the necessary information. If the proper resources are not allotted for the implementation of this standard, this could potentially cause a significant delay in the completion of the upcoming audit.

Restriction on Use

This information is intended solely for the use of the Board of Commissioners and management of Washington County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

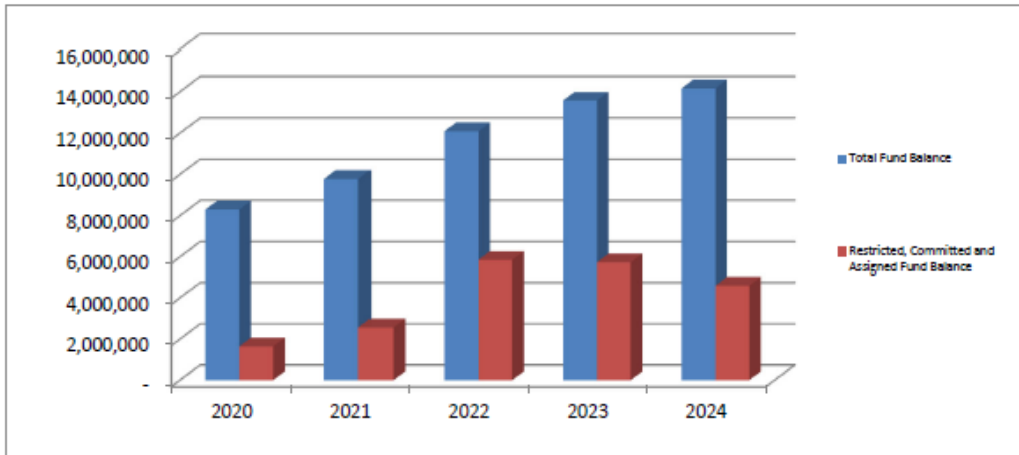
Thompson, Price, Scott, Adams & Co., P.A.

Thompson, Price, Scott, Adams & Co, P.A.

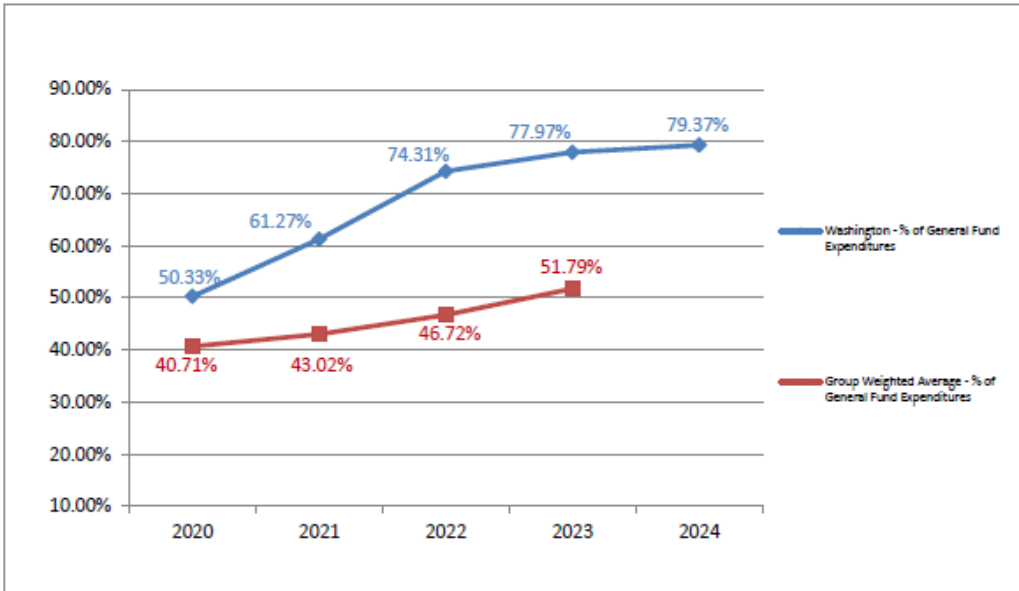
Washington County					
FINANCIAL INFORMATION FOR 5 YEARS					
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total Fund Balance - General Fund	14,163,982	13,571,403	12,093,361	9,781,691	8,293,894
Unavailable Fund Balance - GF (Restricted for State Statute, Inventories, Prepaids)	1,319,185	1,654,298	1,411,742	1,211,964	1,203,854
Restricted, Committed, and Assigned Fund Balance	4,586,825	5,732,742	5,852,581	2,562,617	1,643,420
General Fund Expenditures (including Transfers out)	16,183,989	15,284,440	14,373,938	13,986,925	14,086,611
Fund Balance Available as % of General Fund Expenditures	79.37%	77.97%	74.31%	61.27%	50.33%
Unassigned Fund Balance	9,577,157	7,838,661	6,240,780	7,089,712	5,446,620
Unassigned Fund Balance as % of General Fund Expenditures (including Transfers out)	59.18%	51.29%	43.42%	50.69%	38.67%
Revenues over (under) expenditures before other financing sources					
General Fund	1,357,603	2,086,789	1,064,093	1,963,662	1,189,090
Sanitation Fund	(70,690)	(142,490)	(62,776)	75,685	(70,459)
Water Fund	474,381	272,282	319,741	304,183	275,967
Cash vs. Accumulated Depreciation - Water Fund					
Total Fixed Assets	12,056,472	11,636,920	11,633,634	11,536,859	11,533,637
Accumulated Depreciation	6,258,668	6,004,424	5,825,385	5,519,589	5,285,780
Cash	1,973,740	1,864,428	2,234,662	1,717,240	1,009,398
Cash vs. Accumulated Depreciation - Sanitation Fund					
Total Fixed Assets	636,549	626,875	682,975	695,067	682,975
Accumulated Depreciation	309,003	301,930	351,682	345,334	338,986
Cash	1,060,476	1,378,721	587,909	853,330	1,014,861
Cash vs. Fund Balance (Net Position)					
Cash - General	13,459,243	12,512,336	11,220,827	11,766,145	9,522,502
Cash - Other Governmental	27,697,086	26,122,517	3,681,880	840,050	966,617
Cash - Sanitation Fund	1,060,476	1,378,721	587,909	853,330	1,014,861
Cash - Water Fund	1,973,740	1,864,428	2,234,662	1,717,240	1,009,398
Fund Balance - General	14,163,982	13,571,403	12,093,361	9,781,691	8,293,894
Fund Balance - Other Governmental Funds	13,551,152	22,686,652	3,388,052	3,238,338	2,972,818
Net Position - Sanitation Fund	84,165	54,855	162,345	(388,012)	(498,697)
Net Position - Water Fund	4,112,886	3,638,505	3,366,223	3,046,482	2,742,299
Property Tax Rates	0.840	0.840	0.840	0.845	0.845
Collection Percentages	93.99%	80.15%	95.87%	95.96%	95.71%
Collection Percentages (excluding Motor Vehicle)	93.19%	78.02%	95.36%	95.45%	95.23%
Total Property Valuation	1,033,458,141	1,181,869,926	1,012,857,345	1,002,715,148	1,021,442,963
Total Levy Amount	8,681,049	9,919,997	8,498,170	8,472,943	8,273,688
Breakdown of Debt (Excl Compensated Absences & OPEB)					
Governmental - Installment Purchase (Direct Placement)	19,796,000	19,796,000	43,212	114,458	234,122
Governmental - Lease & Subscription Liabilities	-	3,746	18,601	33,086	-
Business-type - Revenue Bonds	2,641,000	2,905,000	3,164,000	3,357,147	3,573,567
Business-type - Notes Payable (Direct Borrowing)	279,924	307,917	335,909	363,902	391,894
	22,716,924	23,012,663	3,561,722	3,868,593	4,199,583

Washington County						
FINANCIAL INFORMATION FOR 5 YEARS						
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	
Breakdown of General Fund Revenues						
Ad Valorem Taxes	8,412,556	8,339,932	8,510,284	8,550,407	8,313,844	
Other Taxes, License & Permits	3,048,615	2,858,255	2,649,592	2,543,205	2,326,057	
Intergovernmental Revenue	3,910,234	3,539,692	3,669,587	4,137,091	3,445,361	
Sales and Services	243,623	306,041	257,272	165,278	304,367	
Investment Earnings	1,038,891	423,502	29,932	9,118	92,284	
Miscellaneous	122,650	722,668	182,548	69,605	172,772	
Total	16,776,569	16,190,090	15,299,215	15,474,704	14,654,685	
Breakdown of General Fund Expenditures						
General Government	3,425,707	3,172,729	3,155,326	2,854,358	2,952,196	
Public Safety	3,998,828	3,846,882	3,782,146	3,565,761	3,693,340	
Economic and Physical Development	218,202	180,223	198,852	198,466	187,796	
Human Services	5,276,207	4,551,829	4,817,068	4,483,759	4,069,048	
Cultural & Recreational	748,272	577,057	532,105	534,673	523,981	
Education	1,735,000	1,748,298	1,735,000	1,822,407	1,984,881	
Debt Service	16,750	26,283	14,625	51,636	54,353	
Total	15,418,966	14,103,301	14,235,122	13,511,060	13,465,595	

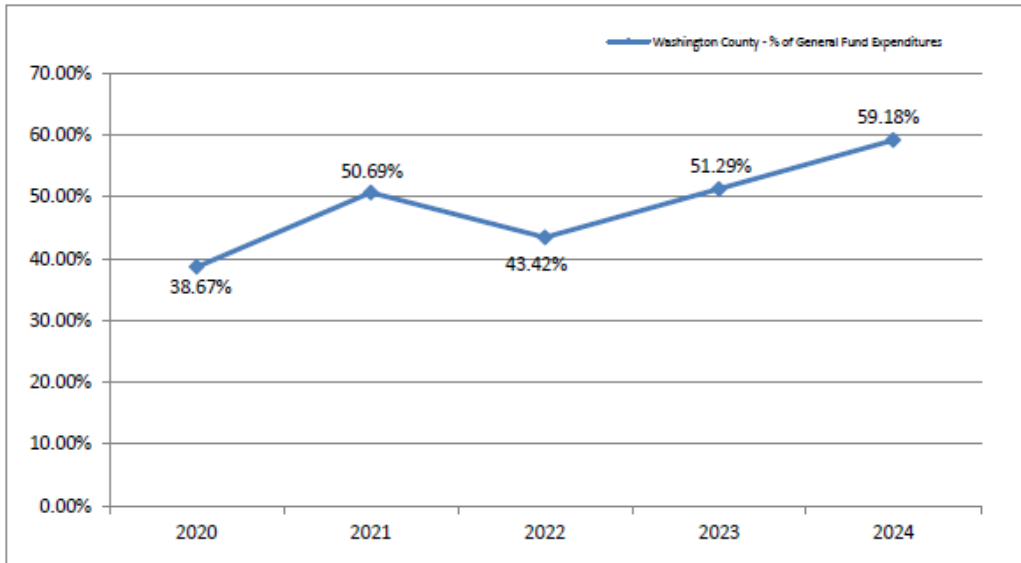
Washington County Analysis of Fund Balance



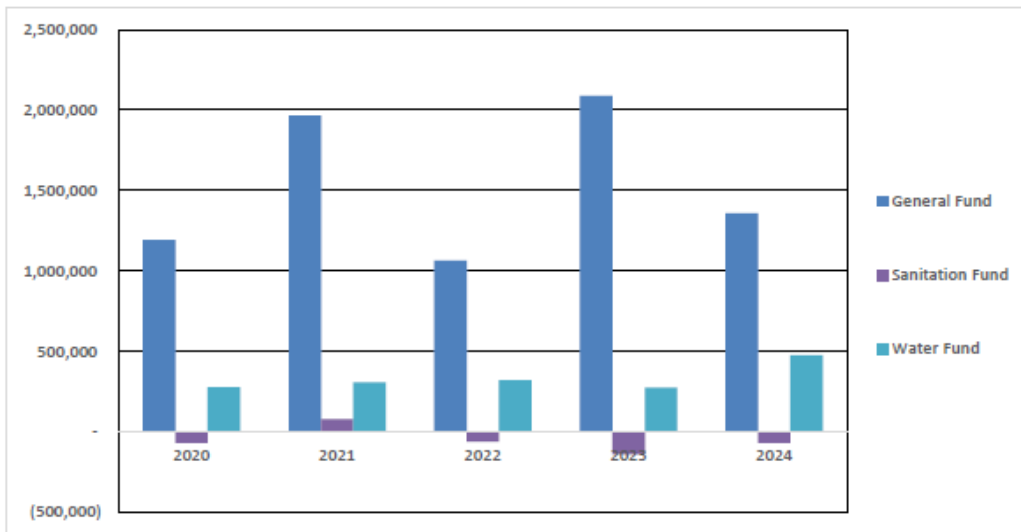
Washington County Analysis of Fund Balance Available (Note - 2024 Group Weighted Average Not Available at Date of Presentation)



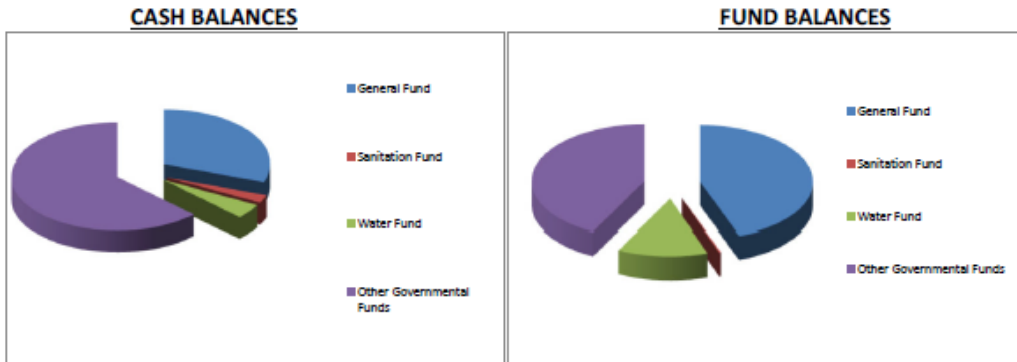
Washington County
Analysis of Unassigned Fund Balance as a % of General Fund Expenditures



Washington County
Analysis of Revenues Over (Under) Expenditures before Transfers



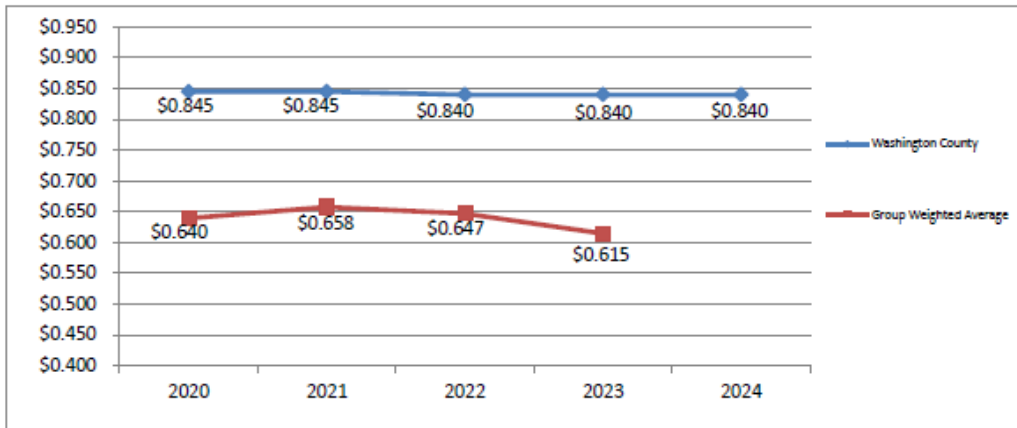
Washington County Analysis of Cash and Fund Balances at June 30, 2024



	2024	
	Cash Balances	Fund Balances
General Fund	\$ 13,459,243	\$ 14,163,982
Other Governmental Funds	27,697,086	13,551,152
Sanitation Fund	1,060,476	84,165
Water Fund	1,973,740	4,112,886
Total	\$ 44,190,545	\$ 31,912,185

Washington County Property Tax Rates

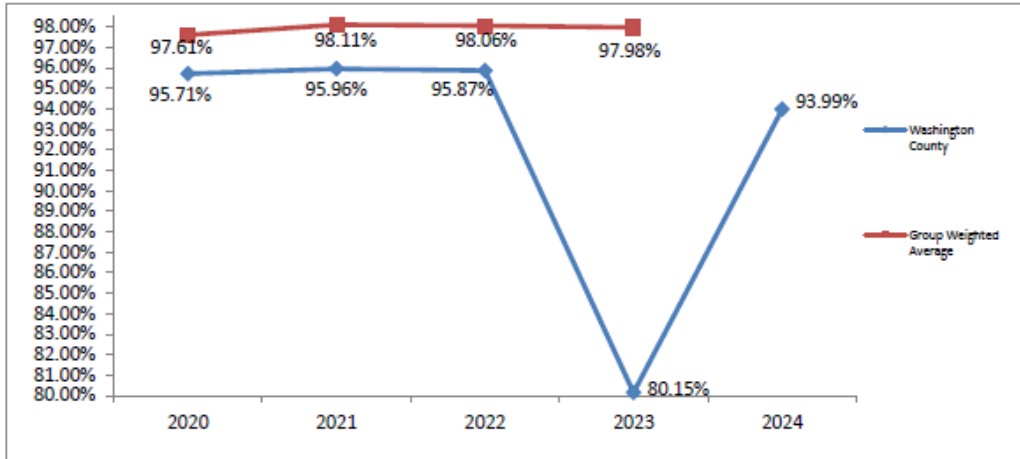
(Note - 2024 Group Weighted Average Not Available at Date of Presentation)



Washington County

Collection Percentages

(Note - 2024 Group Weighted Average Not Available at Date of Presentation)

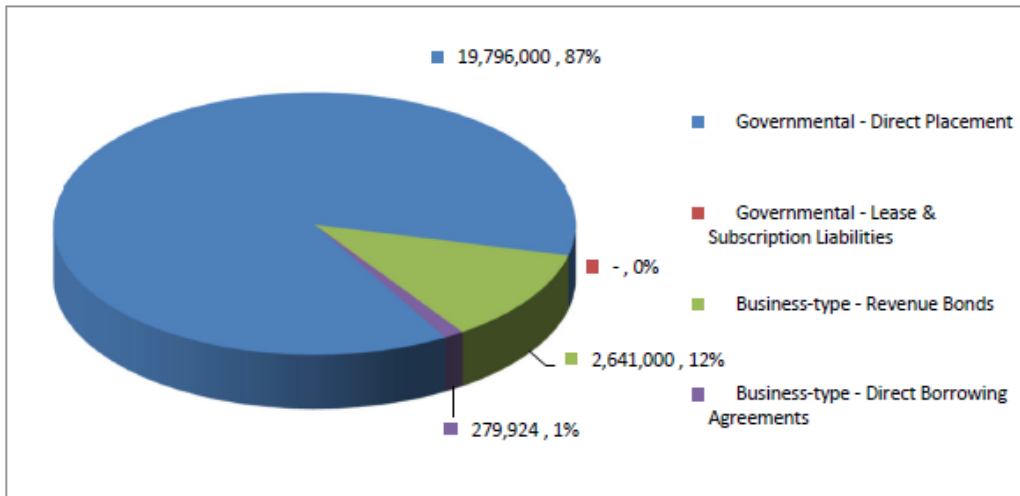


2023 Collection % significantly off as a result of the Solar Farm Discovery that is being paid on a payment plan over several years.

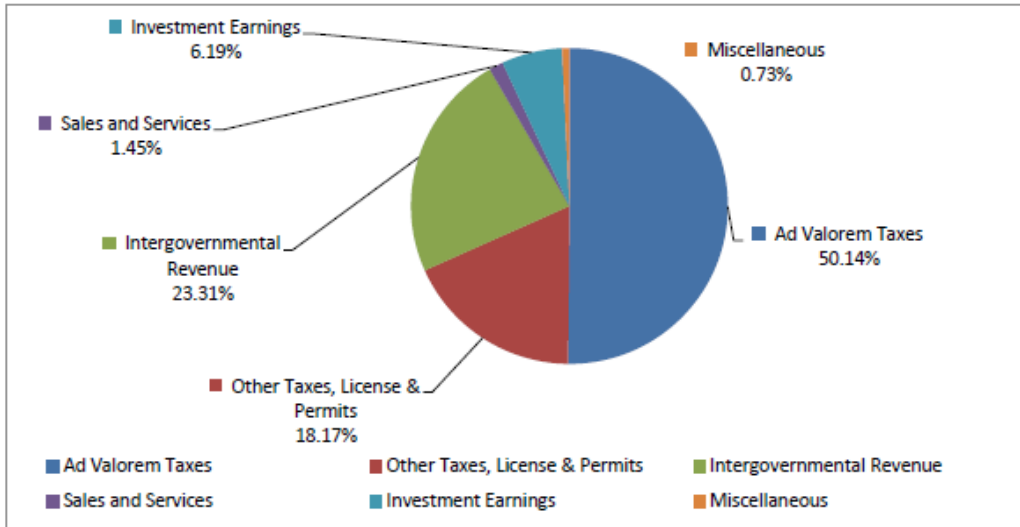
Washington County

Debt Analysis (excluding Compensated Absences, Pension Liability & OPEB Liability)

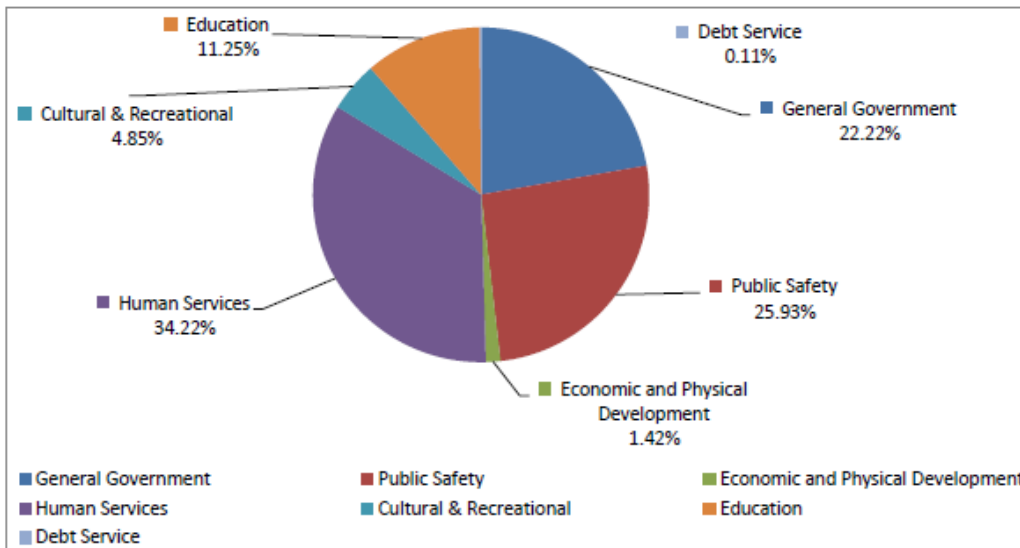
FYE June 30, 2024



Washington County
Break Down of General Fund Revenue
FYE June 30, 2024



Washington County
Break Down of General Fund Expenditures
FYE June 30, 2024



ADDITIONAL REQUIRED COMMUNICATIONS

Changes to the Audit Process

The Local Government Commission (LGC) will no longer initiate communications about concerns or findings (formerly considered unit letters). They have created a spreadsheet that has to be completed and submitted with the audit report. If that worksheet identifies what they consider a "Financial Performance Indicators of Concern" (FPICs), we are required to communicate those items to the Board.

You are required to submit a response within 60 days of the Board meeting in which the financial statements are presented. The detailed audit response should be presented to the entire Board, and signed by the entire Board, Finance Officer, and Manager.

The following are the items that have to be addressed by responding directly to the LGC with a corrective action plan.

Cash Flow Indicators:		2022	2023	2024	Minimum Threshold	Unit Results
8	Water and Sewer Capital Assets Condition Ratio	0.50	0.48	0.46	Remaining useful life of asset greater than or equal to 0.50	0.46

This capital assets condition ratio formula calculates the remaining useful life. A remaining useful asset value less than 0.50 may signal the need to replace the assets in the near future.

		2024	Target	
10	The budgeted ad valorem tax (including motor vehicles) for the General fund had more than 3% uncollected for the fiscal year audited. Decreases are shown by a negative percentage.	-4.73%	Less than 3%	-4.73%

This indicator shows that the local government did not collect 3% (or more) of its budgeted ad valorem taxes. This could be an indicator of negative economic events, inaccurate budgeting, and/or issues with the collection process. Uncollected revenues at the 3% level represent several pennies of the tax rate.

Mr. Thompson confirmed an unmodified, or what they call a clean audit. He mentioned that the general fund balance has trended upward since 2020. Mr. Thompson made mention of two observations for the Board to be aware of, the depreciation vs fixed assets ratio and that there was over a 3% difference in ad valorem tax collected vs budgeted. He advised that he is obligated to report on these observations and would not otherwise.

Commissioner Johnson asked for clarification on whether these items were considered findings or observations. Mr. Thompson answered these were only observations he was obligated to report.

Chair Keyes thanked Mr. Thompson for his presentation and thanked staff for their efforts in keeping Washington County financially viable.

Mr. Potter noted that the fixed assets mentioned above were in the Water Dept. He also advised the Board that the general fund balance can be misleading and urged the Board to focus on the unassigned general fund balance.

At 5:00 PM, with no further business to discuss, **Commissioner Phelps made a motion to adjourn the meeting. Commissioner Walker seconded; motion carried unanimously.**

Jason Squires, ACM
Deputy Clerk to the Board

Ann C. Keyes
Chair