

The Beaufort County Finance Committee met on Tuesday, March 16, 2021 at 3:00 PM, in Commissioners boardroom located at 136 W. 2<sup>nd</sup> Street in Washington, NC with the following present:

**Committee Members:**

Chairman Frankie Waters  
Commissioner Jerry Langley  
Commissioner John Rebholz

**Staff Present:**

Brain Alligood, County Manager  
Anita Radcliffe, Chief Financial Officer  
Katie Mosher, Clerk to the Board

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Chairman Frankie Waters called the meeting to order. He said item #2 is the conflict of interest disclosure. He asked if anyone had a conflict.

No one spoke.

Chairman Waters said the next is approve the agenda.

**Motion:** Commissioner Langley motioned to approve the agenda. Commissioner Rebholz seconded. The vote was unanimous.

Chairman Waters said the minutes from December 17<sup>th</sup>, any corrections to the minutes.

Commissioner Rebholz said just the change from Commissioner Brinn to me.

Ms. Mosher said she would make the change.

**Motion:** Commissioner Langley motioned to approve the minutes with the change. Commissioner Rebholz seconded. The vote was unanimous.

Chairman Waters said under old business I see there's none. He said under new business, Ms. Radcliffe, external auditors and financial statements.

Ms. Anita Radcliffe said I am going to hand out to you a detailed Unit 8 budget. She said the actual for the general fund. She said we'll start with that one. She said I don't intend to go over every line item, but I will hit what I consider the highlights and if you see anything that stands out to you or if you have a question please stop me. She said it is July 1<sup>st</sup>, it's our new fiscal year today so it starts a busy season for us with the audit for last year and of course getting the budget in for the new year and all the purchasing that will be done because now everyone has funding. She said so we're kind of working between 2 years right now but we're going to be talking about what is now last year, fiscal year 19/20. She said that's what I have before you and what I'd like to say and what I would like you to understand is these numbers will change. She said the reason

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is because in governmental accounting, for the general fund anyway, not for the enterprise funds, for the general funds, we're on modified, accrual basis accounting. She said what that means is that we pretty much run on a cash basis all year and that's how we recognize the revenue and expenditures but at year end we do go through a modified accrual and what that means is some of the revenues that we received for the next 90 days, July, August and September, if we know that they are definite and that we will receive those then we are allowed to count those back in a prior year. She said a really good example of that is our sales tax. She said they run 3 months behind, we all know that, so we really don't get a full year's fiscal year sales tax until September 15<sup>th</sup> so for July 15<sup>th</sup> we will be accruing back the April sales tax. She said in August we will be accruing back the May and in September we will be accruing back the June. She said there are some other revenues that work like that as well. She said on the expense side it's kind of the same thing. She said if people have ordered materials and the services are delivered before the end of the fiscal year that's really nice and clean, it's all in the prior year but what you have to do is when there's a timing issue with people receiving their goods and services and when the invoice is dated, that's when we have to make a determination on whether that expense should go on prior year or current year. She said so, just for your benefit Commissioner Rebholz, something you're going to see probably in August or September, is going to be a budget amendment to bring forward some purchase orders from the prior year into the current year. She said there's some controversy about that every year when I do that and I think it's really a lack of understanding of why I have to do that so I just wanted to explain that a little bit to the Finance Committee so everybody understands. She said so in a perfect world, it's just like your personal checking account. She said if you write a check on the last day of the month, it's not going to clear until next month so there's a timing issue. She said that happens with us between the 2 fiscal years and so for example, we started a pension audit in May, and I went to you in May and asked for a budget amendment because we were chosen by the LGC to have that audit. She said I needed a budget amendment to appropriate \$4950 for them to start that audit. She said that audit is not complete. She said they probably won't complete it until July or August, and I will get the bill in July or August, so we have an issue here. She said I've got to pay an expense on the next year but the funds were appropriated in the prior year but I had to have you appropriate the money in the prior year or I couldn't engage them and issue a the PO so that's when I have to come to you in August or September and say look, this invoice, this work is charged to the new year, I need to bring these unspent funds from last year forward to the new year to pay that expenditure. She said and it doesn't happen a lot. She said what we try to do to mitigate that is we have a spending cut-off in mid-April. She said we tell everybody unless it's an emergency or a capital project like the jail construction, we really want you to make all of your purchases before April 15<sup>th</sup> and that way we can get all the invoices in, we can issue all the checks and everything gets cleared out before June 30<sup>th</sup> but it's just not possible for everything to work that way. She said I just wanted to explain that a little bit.

Mr. Brian Alligood said just to hit on that one more time, what you're going to hear Commissioner Richardson say is that it's double dipping and we don't know what we're doing and we don't know how to do books and it's all corrupt. He said what he doesn't understand is that a purchase order is a legally binding obligation by the County that says once we issue this purchase order we are obligated by law to pay for it and all we're doing is, at the end of the year the money that is not spent rolls to fund balance and if there's an obligation we just pull it back. He said it's not new money, it's not additional money. He said he doesn't understand, he thinks it's additional money. He said he thinks you're adding to, that you're not doing what you're

supposed to do and adding extra money to the budget. He said you're not. He said you're just simply closing it out in the last year and you're bringing it forward.

Ms. Radcliffe said another thing we do is if we know we're going to have projects that are going to take multiple years you will see me do a capital project funds for those and those are multi-year funds. She said so that actual appropriation survives the life of the project, so it doesn't end on June 30<sup>th</sup>. She said for example, the jail project. She said it is in a capital project fund so you will not see me come and ask for any purchase order to be carried forward.

Commissioner Rebholz said because it doesn't get closed out.

Ms. Radcliffe said that's exactly right.

Chairman Waters said it's the same thing with the voting machines and revaluation.

Commissioner Rebholz said but those are reserving funds.

Ms. Radcliffe said those are special revenues we chart as multi-year funds as well. She said so back to the general fund. She said we have the report here. She said the first thing I wanted to point out to you on page 1 is our collections for the 2020 ad valorem taxes. She said that's the last, that's the big number at the bottom, \$33,101,109 was our appropriation for that, it's what we expected to collect. She said you see we actually collected \$33,493,000 so we're about \$392,000 surplus on the 2020 tax levy. She said now if you will go up and look at the prior year levy, we never collect 100% in year one but we always collecting. She said we can collect for 10 years and enforce those collections. She said so you will see just above that, for the 2019 levy, we estimated 300,000 and collected 279,000 so we're a little short on most of those and the reason for that, I believe is we didn't do the forced collections towards the end after the Covid virus came along. She said on the next page you will see the 2<sup>nd</sup> and 3<sup>rd</sup> number there, the \$540,000 budget number and the \$2.348 million number. He said those are our vehicle tax collections for the year and they're actually split between 2 years. She said it's just the way that works, it's not on a fiscal year. She said I believe it's April to March so that's why you show some as 2019 and some as 2020. She said the Association sent out information that said statewide those collections are down about 9%. She said we're actually going to; we've got one more month of collections to post here so we're actually going to be about \$50,000 surplus there compared to our budget number. She said now it's hard to know what percentage would've been off. She said I do think they would've been off, but we've had some growth. She said its kind of like the sales tax number. She said we'll get to that in a minute. She said I sent that out to you, and it looks like we're going to be about 3% above what we budgeted but we were probably trending to be about 8% or 9% had Covid not happened. She said I think the same thing would've happened here with the vehicle taxes. She said but as far as the budget actual goes, we're going to be fine. She said we're going to come in with about a \$50,000 surplus.

Chairman Waters said what was the number for the State being down, was it 8%.

Ms. Radcliffe said 9% for April.

Chairman Waters said just for the month of April.

Ms. Radcliffe said yes, just for the month of April. She said on page 3 I'd like to draw your attention to the last number you see, the budget number of \$70,000. She said that's what we normally collect in interest. She said this is the interest collections for the tax levy, the prior year levy. She said you can see we only collected \$29,000 so again, this is because of those no force collections that we elected to do. She said it doesn't mean we will not collect it, I fully expect that we will, we just didn't collect it this spring. She said we will collect it in future years once we go back to forced collections.

Commissioner Rebholz said are we prohibited from adding interest too.

Ms. Radcliffe said we can add it but we are just not enforcing the collections and because we are on a cash basis right now you're seeing what we actually collected. She said I believe we can bill it to the account.

Commissioner Rebholz said so interest can jump if we start collecting.

Ms. Radcliffe said yes, and we will collect that eventually. She said on page 4 that's where we have our sales tax group, that second grouping. She said let me back up to the total ad valorem taxes. She said that very first total you see there you can see that overall total, interest, levy, everything we projected to collect \$36.7 million and we collected \$36.860 million so we were, if you look at the percentage we got that within 3/10<sup>th</sup> of 1%. She said we just keep getting lucky with that. She said I don't know how we've been able to do it. She said sales tax is next. She said I'm going to pass out the spreadsheet I e-mailed to everyone earlier. She said we just received the information on the April sales tax. She said if you will go to fiscal year 19/20, which is in the middle of the page, you can see where we have the distribution month, the collection month and the sales month, if you'll go all the way over to the 10<sup>th</sup> column there you will see our distribution month which is when we will get the money in July. She said we'll get it July 15<sup>th</sup>. She said that's for the April sales month. She said you can see we collected a total of \$776,230. She said if you go straight up from that and compare that to the 18/19, that was \$867,118. She said so we were actually down 10.5% when you compare month to month for the 2 years. She said that is less than the statewide average. She said the state was down 13% for April. She said so looking at how that affects our year to date numbers, if you will look just below that I've got a little chart listed, July through June, the fiscal year actuals that we received already, what my estimate is now based on the last 2 months collections and then what we were recommending in next years budget. She said you can see the estimate now, if I used a 10.5% decrease for May and June, which is why I did that there because we obviously don't have that and don't know what that is, and sales tax should come in at \$9.813 million. She said we've budgeted \$9.4 million so we're looking at a surplus of about \$326,000 or 3.44%. She said that's if the May and June numbers hold, based on being down 10.5% in April.

Chairman Waters said it should be better.

Ms. Radcliffe said I hope so. She said then this just all gets back to, I know you're probably thinking how do we have a surplus with Covid. She said it just gets back to we budgeted very conservatively. She said I think we budgeted a 2% increase in sales tax over next year. She said we were trending at 8% or 9% increase before Covid happened. She said we were really knocking it out of the park for the first 3 quarters before Covid hit. She said that helped us make up for the April, May and June distributions, what they're going to be.

Chairman Waters said nationwide sales were up 18% for the month of May. He said that was nationwide.

Commissioner Rebholz said was that all of last year or April. He said I think that was April.

Chairman Waters said I think it was through that month.

Ms. Radcliffe said I guess the concern is a second wave. She said that would be one of the things that would impact those numbers.

Mr. Alligood said one of the things we think the numbers tell us is that our big box stores, Lowe's Wal-Mart, the grocery stores supply the majority of our sales tax because the small number of Mom and Pops that shut down, while Wal-Mart stayed open, Lowe's stayed open and they just boomed.

Commissioner Rebholz said I was talking to Jay McClain; he does the books for one of the grocery stores in Chocowinity. He said their profits doubled last year.

Commissioner Waters said that just goes to show you how many people were eating out and the same thing is reflected with the ABC report.

Ms. Radcliffe said I can remember Chris Newkirk saying that when it first started, this would've been in early April or late March, that the grocery store sold, what they sold in 3 days was equal to what they usually sold in 30 days. She said they sold 10 times the amount of food.

Mr. Alligood said it just goes to show you a lot of people eat out so there's a big transition when people have to eat at home.

Commissioner Waters said the same thing is true for drinking.

Mr. Alligood said right.

Ms. Radcliffe said moving on to page 5, I did focus heavily on the taxes, the sales tax and ad valorem taxes because they do make up about 75% of our revenue so they're the big numbers so if we get those right and we miss some of the other ones we're going to talk about next usually we're okay. She said the thing I wanted to point out to you on page 5 is the first number you see going down that has a number in the year-to-date actual column, the EMS Medicaid cost reimbursement report. She said we actually appropriated or budgeted zero because we really didn't know what to anticipate there but we received \$420,000 for the 2 months. She said we were able to file for the EMS Medicaid report. She said that's new revenue to the County and next year we budgeted, I believe, \$210,000 in revenue for that.

Commissioner Waters said on the EMS stuff that we get from the State, when that money comes in I'm going to ask a question.

Ms. Radcliffe said allocated to the agencies.

Commissioner Waters said yes.

Ms. Radcliffe said yes we will, they get a percentage of that.

Mr. Allgood said yes because we're billing for them, there's a portion of that that is theirs. He said our billing group has the ability to do that so we look at their percentage of Medicaid and Medicare calls and we're giving them that amount because that is the appropriate thing to do.

Commissioner Waters said that came up recently at the EMS Association meeting and my response was just what you said.

Ms. Radcliffe said this \$420,000, it would've been for the 2 years before we brought the agencies into our billing system.

Commissioner Waters said so it was a 2-year billing.

Ms. Radcliffe said it's 15/16 and 16/17.

Commissioner Waters said so it's about \$200,000 per year

Ms. Radcliffe said yes.

Commissioner Waters said back when we were looking at the study I think they said at that time it was about \$50.00 per call but it may be more than that, the actual number.

Ms. Radcliffe said the next several pages we go through here you're going to see a lot of restricted revenues for State and DSS. She said I'm happy to try and answer any questions about those. She said you will see some variances in those revenues and basically those revenues don't come in unless we spend it on the expenditure side so if you see a shortage on the revenue for restricted revenue for DSS or Health that means they didn't spend the money on the expenditure side so there's no need to really get concerned about that. She said we have really competent and really good people at the Health Department and DSS that I work really closely with. She said they look at these numbers every day and they understand them inside and out. She said so that gets us over to page 11. She said it gets us past restricted revenues there. She said I wanted to talk to you about the interest earnings. She said you can see in the collected year-to-date, \$393,775. She said we budgeted \$400,000. She said we got June's interest to post so we will exceed that \$400,000. She said I'm not sure by how much, probably not a lot because interest has really tanked.

Commissioner Waters said what is the ballpark return.

Ms. Radcliffe said we were at 65 points, but I'd have to look it up for you and let you know because we haven't gotten June yet.

Commissioner Waters said less than 1%.

Ms. Radcliffe said a lot less. She said I would say less than 1/2% now.

Commissioner Waters said but you're not having to pay all the fees like you were doing with the previous bank.

Ms. Radcliffe said that's right. She said we'll go to page 13 and talk a little bit about appropriated fund balance. She said you can see we started with an original appropriation of \$136,000. She said we've had quite a few amendments throughout the year to appropriate fund balance. She said it's mainly for safekeeping and we also did \$250,000 for the courthouse repairs that is going to be paid back from this year's \$575,000 allocation. She said you'll also see that on your agenda. She said we'll be asking you to approve those projects and asking you for the transfer but it won't be for the full \$575,000. She said it will be for the \$575,000 minus the \$250,000. She said on the expense side I'll just let you know that I've gone through this with a fine toothed comb. She said I did some transfers I'm allowed to do from the line items. She said we did transfer a few items, not many, just a couple between departments that Mr. Alligood approved. She said the Sheriff's Office was able to cover their budget between the 3 divisions, so that was good. She said the one department that we are going to do a budget amendment for in July is EMS. She said that is because during a 6-week period or so, during the start of the Covid event we stood up, was it 2 additional.

Mr. Alligood said we stood up 2 additional but it wasn't for the entire 2 months.

Ms. Radcliffe said for EMS units at a cost of about \$70,000 so we are using grant funds to pay for this. She said we won't be asking you to do a fund balance appropriation. She said there are grants to cover that.

Mr. Alligood said it's going to look funny because when we bring that money in it's going to offset our anticipated fund balance appropriations. He said we had to take that now so it's really going to look weird.

Ms. Radcliffe said we'll talk about it when we get to the Covid funding part. She said I really didn't have anything else on the expense side. She said maybe take a few minutes to look through it. She said we did budget \$250,000 in contingency and we only used \$4950 of that so that \$210,000 will also roll back into fund balance.

Commissioner Waters said you've not seen anything dramatic on the expense side of it.

Ms. Radcliffe said everything is coming in under. She said we typically, in the last 4 years since I've been here, I think we've come in at 98%. She said a couple of percent is, you know, pretty close on the expenditure side and that just gets back to trying to anticipate all the costs that are going to be incurred by the departments to fund their operations during the year. She said this year nobody was able to travel so we're going to add back quite a bit of money for travel expenses. She said we might have to use some of that next year because some people will have to double up for their certificates and everything to get their continuing ed. She said I will probably have to double up to get my continuing ed.

Mr. Alligood said one of the other things is when we budget we budget full salaries. He said we budget a full year at full salary. He said we don't say we know there's going to be some play in there so we're only going to budget 98% salary. He said we just don't do that because it's not appropriate to do that. He said we budget 100% which makes sense.

Commissioner Waters said correct me if I'm wrong, I don't think the department heads were involved in the budget process to the degree they are now so they probably feel more accountable now with their budget.

Ms. Radcliffe said not only were they not involved in the budget process, they didn't have access to Munis so they could not log in and see their expenditures and track their expenditures. She said I remember when I came Ms. Smith was maintaining a spreadsheet to track her expenditures and I can't imagine the time, with all the invoices that go through the Water Department and the Maintenance Department, she would, at the time she didn't have any admin support. She said she would actually, the engineer for the County was keying in her expenditures in a spreadsheet so she could track them and know what her budget amount was. She said so now that we've got everybody access and trained in Munis I think that's another way they can see and feel accountable. She said they look at it, we expect them to look at it, we expect them to know what's going on with their finances because that is their responsibility.

Mr. Alligood said before I came it was really a top down approach and that was here's your budget.

Ms. Radcliffe said we want them looking at it in case we make a mistake.

Commissioner Rebholz said is the Sheriff looking at this.

Ms. Radcliffe said Chief Deputy Rose does.

Commissioner Rebholz said because he's \$500,000 under.

Ms. Radcliffe said he won't be that much under. She said by the time we post back some expenses like medical, we have medical bills from April that we probably haven't received yet. She said they run about 3 months behind. She said you know how it is when you go to the doctor and it might be 2 or 3 months before you get a bill, especially when it's a hospital bill.

Mr. Alligood said especially when it's from the State of North Carolina.

Commissioner Rebholz said the reason I was asking was whether there's been an adjustment already.

Ms. Radcliffe said he won't end up with that much. She said I was going to go over Water and Solid Waste briefly.

Commissioner Rebholz said do you have what you call a fruitcake month.

Ms. Radcliffe said yes, we do. She said that just started today so anything we post will go into month 13, starting today and I'll start running a separate report.

Commissioner Rebholz said when do you expect that to be done.



Ms. Radcliffe said probably September 30<sup>th</sup>. She said we don't get our final sales tax until September 15<sup>th</sup>.

Commissioner Rebholz said so we'll close out the year in September.

Ms. Radcliffe said we got an extension on our audit. She said remember I told you it's extended from October 31<sup>st</sup> to January 1<sup>st</sup>. She said I don't intend on needing that but the auditors know because they have to do additional testing for the Covid funding grant funds so normally we would present to the Board in December. She said it may be as late as February this year. She said so for I wanted to show you where we were at with the delinquent fees on water accounts since we can't charge those. She said water sales are through the roof. She said if you will look at the second schedule, I had them pull the March, April, May and June penalties, interest and disconnection fees. She said this is actually lost revenue. She said I believe I told the Board back in April I thought it would be about \$150,000. She said it's going to be about \$136,000 that we've lost in revenue that we'll never be able to recoup and this is due to that executive order 124, where we can't charge the 4% interest and penalties and we can't charge the \$50.00 disconnect fee. She said if you compare that to the same time period for last year, 2019, you can see it was about \$88,000. She said the difference between the 2 would be the compounding of the fees for 3 or 4 month period. She said that's why it's more.

Commissioner Langley said when does that order end.

Ms. Radcliffe said it's sometime around July 31<sup>st</sup>. She said it's extended another 60 days through July 31<sup>st</sup>.

Commissioner Waters said so we're looking at the actual difference between the \$88,000 and the \$135,000.

Ms. Radcliffe said actually no, the lost revenue is the \$135,825.

Commissioner Rebholz said I think they got the \$88,000 last year in those fees.

Ms. Radcliffe said I just did a comparison to see how the fees compared to last year during the same time period but as far as what we're actually going to lose in revenue for last fiscal year it's the \$135,825.

Commissioner Waters said are you going to be able, in the books, to be able to write that off or are you going to hold it in there for some time period.

Ms. Radcliffe said it won't be a write off. She said if you look at the revenue, the budget actual that I just passed out to you, if you look at, for example, you see that mid-way service fee, that \$177,223. She said that's what we budgeted and we collected \$103,150 so essentially we just won't collect the \$74,073 for that particular fee. She said it's not really a write off, you just don't collect the full amount.

Commissioner Langley said my next question may be for the committee but is there already a plan for all these folks who are delinquent.

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Ms. Radcliffe said the plan was sent out by the Governor. She said we have to give them at least a 6-month payment plan to repay it back. She said that's just on their water usage, the fees are gone. She said we can't charge them, and we can't collect them but on the actual water usage, we have to work out a 6-month payment plan on that.

Commissioner Rebholz said so this \$100,000, or the \$1 million in water sales.

Ms. Radcliffe said let's talk about water sales. She said you see we budgeted \$6.9 million. She said our estimate for the year is \$7.25 million. She said that just has to do with, those sales, the way we bill and collect 30 or 40 days behind and then we bill and they get 30 days to pay so we're at least 2 months behind in billing so we've got 3 more months of collections here to post.

Commissioner Rebholz said so that will all get done by the end of September.

Ms. Radcliffe said right so anything we lost for those disconnection or delinquent fees, that \$135,000 loss is more than made up in the water sales piece. She said it's hard to know why that is. She said I think a lot of it is people are at home, the kids are at home, they're using more water. She said we have very few commercial customers.

Commissioner Rebholz said pool sales are through the roof.

Ms. Radcliffe said also, remember our AMI project. She said a lot of that is also attributable to the AMI. She said so that was water, any questions on water.

Commissioner Water said one of the things we had talked about when we went with the smart meters was that hopefully the cost of our water would come down on the expense side.

Mr. Alligood said not the actual cost of water because we buy it from the City.

Ms. Radcliffe said you're talking about the quantity.

Commissioner Waters said yes, the quantity because we felt like.

Ms. Rose said water purchased was \$800,000 so it's down to \$703,000. She said it's on page 2.

Commissioner Waters said it's almost \$100,000.

Ms. Rose said there is still a few months to go.

Ms. Radcliffe said there's May and June. She said I haven't really looked at the expenditure side, as far as annual goes, but I can get with Ms. Smith about that.

Commissioner Rebholz said if your sales are up, your purchases are going to be up so you're going to be over budget but that will be off-set by increased sales.

Commissioner Waters said but we're also going to charge, we've got the meters now to keep up with it so there should be less wasted that's not being billed.

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Ms. Radcliffe said she does a report that shows the unbilled water so she compares what runs through the system to what we billed so we can look at that report. She said we should see that report in the next month or 2. She said we will know if that number is down.

Ms. Rose said we have to give it to the auditors to and I think the report that to the state.

Ms. Radcliffe said ok, next is solid waste. She said the biggest revenue is, of course, the \$155.00 annual fee which is about middle way down. She said we budgeted \$3.535 million. She said we are going to come in right at \$3.5 million so we are slightly under collected there by 1% and I've got to get with Mr. Parker on that. She said I think there's some releases that he's done where we've billed some businesses and they come in and tell us they've gotten a dumpster and he will do a release. She said but we're pretty close on that. She said just above that we should collect every bit of those taxes, those other taxes and licenses. She said we get that quarterly and we've collected 3 quarters and we've got one more distribution to go so we've collected 75% and we will be fine there. She said then on the expenditure side, when we looked at that during budget time. She said let me back up, I just got some good news last week, a week after the Water Committee met, we received notification that we are going to get paid for overages from Florence, that \$110,000 is obligated. She said we did get the check and that money is in the bank now. She said on the expenditure side, they're looking in line with the budget numbers. She said I think we anticipated about 98%. She said again, a couple percentages below so it was a good year for us. She said we didn't have to do a transfer from the general fund. She said we did have a hurricane, Dorian. She said we did not end up doing any pick-ups for debris with Dorian. She said there was very small overages at the convenience sites. She said that seems to be when we get into a bind, when we have a significant hurricane and there's a lot of debris that gets take to the convenience sites, which of course drives our tonnage up, which drives our costs up. She said so we didn't really see that this year so we will be well under budget on the expenditure side.

Mr. Alligood said on that side, if you do move to a curbside pick up then that would push us more into the roadside pick up instead of a debris pick up, which would be FEMA.

Commissioner Waters said so we're going to be close.

Ms. Radcliffe said we're going to be close. She said I think we'll add some funds back. She said I'm not sure exactly how much, but I think there will be a little going back to fund balance from solid waste.

Commissioner Rebholz said does Solid Waste have any reserve.

Ms. Radcliffe said very small amount.

Commissioner Rebholz said but there is an account for reserves.

Ms. Radcliffe said there is not an account for reserves. She said any unspent funding of excess, reserves or expenditures goes into fund balance. She said it's like the general fund. She said there's a very small fund balance there because it's a new fund. She said it was just established about 3 years ago and just from Hurricane Florence that we had, we had Matthew before that and then Dorian, it was a small impact but we have not been able to add any fund balance back at the

end of the years. She said in fact we had to make a large transfer, I think it was last year, of \$160,000 from the general fund to support the Solid Waste fund.

Commissioner Waters said this would be the first year that we've added back to the general fund.

Mr. Alligood said was there ever discussion about paying that back to the general fund.

Ms. Radcliffe said it was a straight transfer. She said when we've done the budget, we set the fee based on a balanced budget, like we're not going to add back any fund balance. She said it wasn't until this year we did a little bit of a bump to try and create some room for fund balance.

Commissioner Waters said instead of transferring the money to fund balance, you've not done that yet.

Ms. Radcliffe said yes sir I have for Solid waste.

Mr. Alligood said Ms. Smith has some repairs planned for next fiscal year.

Commissioner Waters said are you going to present this tomorrow to the Solid Waste Committee.

Ms. Radcliffe said I can.

Commissioner Waters said it might be helpful.

Ms. Radcliffe said I can also try to look at the numbers and a little closer now that we're at the end of the fiscal year and see what that might be, the fund balance.

Commissioner Waters said are you ready to go to Covid-19 funding.

Ms. Radcliffe said we have another thing there. She said another schedule. She said I asked Mr. Alligood to help with this because he's worked a lot with this also. She said I wanted to put together a schedule, we have quite a bit of relief funding coming down from the federal government through the State and you can see here we've already received \$2 million in relief funding for the Coronavirus. She said some of that is for the Health Department and EMS. She said you can see the smaller amounts, the first 3, were for the Health Department and EMS. She said then that large one, we originally told the Board at one of the budget meetings that we would receive \$1,014,000 but if you remember there was \$3 million total that the federal government sent to the State of North Carolina.

Mr. Alligood said it was more like \$300 million. She said the State allocated \$300 million in 2 pots but it was \$3 billion that was given to the State of North Carolina.

Ms. Radcliffe said so the state allocated 2 pots of money. She said \$150 million originally was distributed to us, that where we came up with the \$1,014,000 but we just got notification last week.

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Mr. Alligood said the bill that does that is H.B. 1023, you probably saw it in the Associations notification the other day. He said H.B. 1023 amends the original bill and has been ratified by the house and the senate and it has been sent to the Governor for signature. He said that happened last Thursday. He said so what it does is it takes that additional \$150 million they were sitting in reserve for potential revenue replacement, they were waiting on the feds to make a change to say you can use it for revenue replacement because they were getting ready to leave town and the feds didn't do anything. He said everybody has figured out a way now, the State included, to essentially use it for revenue replacement because you're allowed to use it for reimbursing hours. He said they amended it so now it's \$300 million. He said with that amendment there is a requirement that we sub-allocate 25% of that money to the municipalities. He said we were there to begin with. He said we had to go back and amend the contract that you will get in July so you will see it during the July meeting with the layout. He said in fact, the lady that originally did it from the State sent it out to the counties and then they did it per counties, we took that same formula for municipalities and said we're going to pull \$250,000 out because we have the Health Department and do the rest of it on a per capita basis. He said when I took that spreadsheet and changed that number, that 300 number instead of \$150 million, the amount allocated to the municipalities came out to \$451,000. He said the minimum is \$481,000 so they're actually getting more money than we would've given them to start with due to the way the state gave us money so instead I went back and just took the minimum 25% and divided it per capita of the municipalities.

Commissioner Waters said so it's 25% of the \$1.9 million.

Mr. Alligood said 25% of the total funding to every county that gained so 25% of the \$300 million state wide has to go to municipalities.

Commissioner Wates said in our case it's about \$500,000.

Ms. Radcliffe said \$481,000.

Commissioner Rebholz said \$481,926 goes to municipalities.

Ms. Radcliffe said I actually have a spreadsheet on that I could've shown you all.

Mr. Alligood said it will be in your agenda book.

Ms. Radcliffe said so essentially we started out allocating \$215,000 to the municipalities and when the 25% mandate came out it put it up to the \$481,000 with the higher distribution.

Mr. Alligood said the issue there is going to be whether they have eligible expenditures. He said the bill also says anything they don't use reverts back to the County to use. He said we do have salaries and benefits we can put it towards.

Commissioner Rebholz said because we actually share with them based on their actual expenses right.

Mr. Alligood said we pretty much have a reimbursement agreement that they have to spend it, show us and we have to say yes or no because ultimately the County is on the hook. He said

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there was some, on the conference call yesterday Norma Houston laid back into NC Pro Office because NC Pro Office said the counties are responsible for this and she typed in there and said well according said bill such and such it said counties and municipalities are responsible but they have said counties are ultimately responsible. He said if anything gets clawed back it's the counties responsibility.

Ms. Radcliffe said next in your agenda you will see there's really 3 items in your agenda associated with this funding. She said you're going to see a budget amendment where we're going to pull in and show as revenue the \$1.926 million and what we'll do is we will offset any fund balance we've appropriated this year so far. She said so all that safekeeping money, we've appropriated, will also offset fund balance because we're actually going to be adding to fund balance instead of taking out. She said so you will see that, that's the first one. She said the second piece is to establish a special revenue fund and transfer that \$481,000. She said it's going to say fund balance appropriated because we show that \$1.9 million all going to fund balance. She said then we're going to pull \$481,000 out of fund balance and set up a special revenue fund for allocations to the municipalities.

Commissioner Rebholz said so just keep it in reserve then.

Ms. Radcliffe said that's right. She said then the third item would be a budget amendment for EMS for the \$70,000 to appropriate funds to cover putting the additional EMS units in place. She said you will see that in your next packet.

Commissioner Rebholz said so the \$1.999 million went to the fund balance and then we'll appropriate out of the fund balance to the other departments and the municipalities.

Ms. Radcliffe said yes.

Commissioner Waters said item #3 is the pension audit.

Ms. Radcliffe said Ms. Rose is the lead on our pension audit.

Ms. Rose said we received notice that we had been chosen for a pension audit. She said our auditors reached out to us and requested information that we did provide to start the audit. She said we had to give them a listing of all our employees, all of our terminated employees, all of our part-time employees and what they'll do is chose 10% to pull as a sample. She said so that will be roughly 38 to 40 employees. She said we will have to provide them with information from their personnel file, their hire date, any personnel action forms, we'll have to provide them with their income that we paid during the year period. She said Ms. Webb will have to sit in, we will have to log in to the Orbit system. She said the Orbit system is the pension plan system for the employees and the employer with the State of North Carolina and that's where we report our funds to every pay period, or every month and she will log in there for the employees that got pulled and they will verify their name, their date of birth, their gender and maybe their income that they received during the year. She said it's going to be hard for them to do all of that remotely because they have to sit and watch her do it and look at everything in the system, so I don't know if they'll have to come on site. She said most likely they'll come on site to do that but also we had to send them a list of all the 1099's that we did last year, that we sent out last

year and for each one of them, the vendors that we send a 1099, we had to send them a listing of the payments. She said so we're waiting now for the list of employees.

Commissioner Waters said if I remember correctly, are they doing 50% of the counties.

Ms. Radcliffe said 10% were chosen.

Commissioner Rebholz said so over a 10-year period everybody gets one.

Ms. Rose said it includes local governments and then the teachers.

Ms. Radcliffe said I can't figure out why they're looking at our 1099 unless they're looking to see some of our contract labor should be actual employees where we should be doing time contribution.

Ms. Rose said I think we had 148 1099's last year and that was a lot of work because Ms. White had to pull each one of them and provide them with a history that they wanted.

Commissioner Rebholz said the feds have been after that for some time but not usually with municipalities. He said it's mostly been private.

Commissioner Waters said those can be very time consuming. He said you're not going to get back a report for each one.

Ms. Radcliffe said there's a due date on the report and I think it's December 31<sup>st</sup>.

Commissioner Waters said you mean for them reporting back to us.

Ms. Radcliffe said no, when they report it to the State. She said you will get a report, the Board will.

Ms. Rose said this is a compliance process. She said but we pulled all the information that I spoke about and they have it so we're just waiting now for them to say they're coming on a certain date and we need "this" information. She said some of the information we're talking about they do it as part of the audit process too.

Ms. Radcliffe said they're just making sure that what we're withholding from payroll, both the employer and the employee contribution is being submitted, the correct amount is being submitted and it's being submitted on time. She said we have the birth dates right, because you know when you calculate somebody's retirement payment it's based on their age and the contributions they've made during their career so they're just checking all that is correct. She said I don't expect any problems.

Commissioner Waters said next is fiscal year 19/20 audit update.

Ms. Radcliffe said we're just getting rolling on this. She said I had a lot to share. She said we have received the 4 or 5 page listing of all the items they're requesting from us. She said it's called a PBC list, a "provided by client" list. She said Ms. Rose has met with our staff, she did

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that while I was on vacation, and divvied up the list according to their duties so Ms. Webb will pull up the payroll reports, Ms. Hopkins will pull most of the tax reports and then of course we're short a staff member. She said I did have a resignation, our staff accountant has left and gone to work elsewhere. She said she did do a lot of audit work so that will just be additional work that we will just be spreading out to others. She said Ms. Rose and I will do a lot of it because it was high level things, preparing debt schedules and fixed assets. She said so Ms. Rose and I will probably do a majority of it.

Commissioner Waters said are they asking for anything new this time that they didn't ask for before.

Ms. Rose said not really and it's not as much as they asked for last year. She said they wanted more last year because they were new.

Ms. Radcliffe said so what we've noticed with this audit, this is the second year, it seemed like with our previous auditor they would do the normal sampling and testing but they would kind of focus on one specific area and do a deeper dive. She said they did that with Tax one year, they did it with Water one year. She said we've not really noticed that with this firm. She said they're pretty thorough in all areas. She said I've been please, I've been pleased with both of them.

Ms. Rose said they will be on sight the 20<sup>th</sup> and 21<sup>st</sup> of July. She said they set up a portal, the accounting firm, and I went ahead and set up the County and then I set up the users so if Ms. Hopkins has to put tax information in the portal she can go in and log into the portal and put in the tax information and they will have it. She said that will limit some of their time of being on sight.

Ms. Radcliffe said we're trying to everything, as much as we can, remotely so we're setting a lot of secured shared files to do scanning and sharing that way.

Ms. Rose said it's more time consuming because we have to scan the information but a lot of it is always scanned so it's just taking the time to move it over.

Commissioner Rebholz said you said this is, we've got until when to complete it.

Ms. Radcliffe said January 31<sup>st</sup> and they will be on site July 20<sup>th</sup> and 21<sup>st</sup>. She said that's the preliminary. She said they'll come back in, we've not set a date yet but probably August or September for a week but whether we do that on-line, sharing information or whether they come, typically pre-coded, they would come for 2 or 3 days in June or July, come back for a week in August or September.

Ms. Rose said they do Hyde County so they go to Hyde County for part of the week and then come here and they also pick up Washington County so he told me last year he was going to try and do all 3 together.

Commissioner Waters said item B is travel expense and reimbursements.

Ms. Radcliffe said so you have your travel there. She said the only thing on the travel, there's not been much travel going on, is the trip to Washington D.C. and then a few other miscellaneous.



Ms. Rose said if you have any questions, I have the information. She said as Ms. Radcliffe said, a lot of the travel has been cut back.

Commissioner Waters said Commissioner Evans and I both attended the Golden Leaf Foundation.

Ms. Rose said yes, I have that down.

Commissioner Waters said then I serve on the Ag Steering Committee.

**Motion:** Commissioner Langley motioned to approve the travel report. Commissioner Rebolz seconded. The vote was unanimous.

Commissioner Waters said reporting responsibilities known under special investigations. He said DSS Trust account.

Ms. Radcliffe said I just wanted to make you aware that I think everybody knows how prolific fraud is on-line and we did have an attempt on the DSS trust account. She said let me just back up, so one of the things I recognized when I came to the County is that there were not many controls in place to hopefully catch fraudulent activity in the bank accounts. She said there actually were, back in I believe 2014, maybe 2016, there was actually some fraud on the County bank account. She said \$6,800 was stolen from the County and as I recall, what happened was somebody in New York figured out a way to come up with a really close check to what the County's was and they forged the names and signatures, took it to a bank and cashed it. She said at the time, with the bank accounts not being reconciled quickly it was not caught for a long period of time. She said when it was caught the County wasn't able to get the money back. She said that was the story I was told when I came so one of the very first projects I wanted to do was to put something called positive pay in place and I think I've spoken to you about this before but this is a tool the banks offer and when I was at the City we did it probably back in the early 2000's. She said we had it for a long time. She said but what positive pay is, when the County writes their checks for the week, and we write checks every week, we send a flat file to the bank and we say ok, we've written these checks, here's the check number, here's the payee and here's the amount and what the bank is required to do is any time we have a check that tries to clear our account they have to do a comparison. She said they have to bring up that file and that check and say is this check on a list they've sent us saying it is legit. She said that's the way you catch fraudulent checks. She said well, back in February we came to the Board and said we need to switch banks for the DSS trust. She said that had not been done yet. She said it had been done on the County's large checking account but the DSS trust account just got overlooked and so I was very adamant with everyone at DSS, and they agreed, that we had to chose a bank that offered positive pay. She said so we had been in the middle of that transition, it takes a good 6 to 8 months to transition from one bank to another. She said what you do is keep that old bank, which happened to be Wells Fargo, you keep that open until you can get up with all the state and federal agencies and all the direct deposits coming in for all the individual clients, because they had to do it individually, get all that switched over to the new bank. She said long story short, we had an incident and the incident was in early June. She said Kelly Smith called me from DSS and said we had somebody forge a check, just like they did from the NY time back in 2014 and the bank said it was one of the best they'd ever seen. She said it was so close to what our checks

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look like, the signatures were close and fortunately for us the ladies at DSS are wonderful. She said they go in there and they check that account every day and they looked at it at 8:05, it's the first thing they do, and they saw a pending check for \$700.00 and they know their stuff and knew it wasn't one of the checks that was supposed to be coming through and so they investigated, realized it was fraudulent. She said they called me at 8:25, I said get on the phone and call Wells Fargo, they might open at 9:00 but go ahead and try, they might be there now and see if we can get it reversed. She said we were able to do that so it didn't cost us any money. She said they were able to reverse it but it was a close call. She said the only reason that we're not out that \$700.00 is because they looked at that account at 8:05 that morning and caught it and were able to get it reversed. She said in the future, again that was on the old Wells Fargo account that didn't have positive pay, that would not happen with the new account because we have positive pay in place.

Commissioner Rebholz said Wells Fargo doesn't have that.

Ms. Radcliffe said they do have it, the County just never put it in place.

Commissioner Rebholz said I thought you were changing banks in order to get it.

Ms. Radcliffe said I was adamant that when we switch banks that they have it because some of your smaller banks don't have it.

Commissioner Rebholz said CresCom doesn't.

Ms. Radcliffe said First National Bank did and that's who we went with.

Commissioner Rebholz said I had somebody write a Bank of America check with CresCom routing number and my account number on it and they paid it and charged it to my account. He said and it was a Bank of America check. He said they refunded the money but I had to change checking accounts and new debit cards. He said it was a big mess.

Ms. Radcliffe said we will be protected in the future. She said we've not closed that Wells Fargo account. She said we are really close but they're looking at it every day. She said the one thing the guy did that drew the banks attention to him a little bit was he used an old check number that had already been paid by us. She said if he had used a bigger number, a future number, we probably would've paid it.

Commissioner Waters said when I was working for Wachovia one day I had a call from one of my customers in Edenton. He said this was probably around the year 2000 and he had 2 checking accounts. He said the main checking account was at a bank in Edenton and we had the line of credit and that was in the old days when they had to write a check, like for \$100,000, from the line of credit to their operating account. He said these people went into the office during the night and stole the checks. He said there were checks from the operating account on top of the desk. He said the ones from Wells Fargo were down in a drawer. He said they went down in the drawer and got those. He said they knew that's where the money was. He said when we found out what was going on they said it was the best they'd ever seen. He said there was a group that came down from the north east, they stole the checks. He said they also did badges, employee badges and they would go to some place like a grocery store or Walmart and they would write a

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check and it would say it's for, like, salary and they would always be less than \$200 and they would go in and buy a lawnmower and get to the cash register. He said they would have to get approval for the check to pay for the lawn mower and then they would come back in and want a refund. He said it took about 4 months to catch them. He said they were traveling all over northeast North Carolina. He said it was probably 10 or 15 counties they were doing this in.

**Motion:** Commissioner Langley motioned to adjourn. Commissioner Rebholz seconded. The vote was unanimous.

Respectfully submitted by:

Kathleen Mosher, CMC, NCCCC  
Clerk to the Board