

**Windsor, North Carolina
November 21, 2016
WORK SESSION**

The Bertie County Board of Commissioners reconvened their regularly scheduled meeting from November 7th for a Work Session inside the Commissioners Room located at 106 Dundee Street, Windsor, NC. The following members were present or absent:

Present: Ronald “Ron” Wesson, District I
Stewart White, District II
Tammy A. Lee, District III
John Trent, District IV
Ernestine (Byrd) Bazemore, District V

Absent: None

Staff Present: County Manager Scott Sauer
Clerk to the Board Sarah S. Tinkham
Assistant County Attorney Jonathan Huddleston
Finance Officer William Roberson
Emergency Services Director Mitch Cooper
Planning Director Traci White
Human Resources & Risk Management Director

No media members were present.

CALL TO ORDER

Chairman Trent called the meeting to order and thanked those present for their attendance.

PLANNING SESSION

Joint Session with Bertie County Board of Education – fiscal update

The following individuals were present on behalf of Bertie County Public Schools:

- Interim Superintendent Julius Walker
- Tarsha Dudley, Chair, Board of Education
- Bobby Oceana, Vice Chair
- Barry McGlone, Board of Education
- Emma Johnson, Board of Education
- JoJo Davis, Board of Education
- Interim Finance Officer Joe Holloway
- Assistant Superintendent, Sandra Hardy

Chairman Trent read the followed prepared statement into the official record:

On August 24th, 2016, the Board of Education’s Chairman and Vice-Chairman reported to the Board of Commissioners of a potential budget shortfall of approximately \$500,000 for the current fiscal year which began July 1st, and reported that the school system’s fund balance had dropped to a level of approximately \$85,000.

On September 14th, the Board of Commissioners met in a work session to discuss the school system’s financial situation and agreed to consider a monthly contribution of \$42,000 in a proposed equity partnership plan including joint ownership and operation of the vehicle maintenance garage and bulk fuel station. The complete list of proposed options can be found in the minutes of this meeting.

On September 26th, the Board of Commissioners met in a joint meeting with the Board of Education to present the plan. ***Most importantly, the Board sought to receive a preliminary report for the fiscal year ended June 30, 2016 to include initial findings or concerns regarding the school system’s current cash position.*** All of the questions, concerns and proposals to address the Board of Education’s budget shortfall are detailed in the minutes of that meeting. The joint meeting concluded with the School Board Chairman suggesting that it will take some time to review these proposals before the Board of Education can respond.

On October 6th, the County Manager and County Attorney reported jointly to the Board of Commissioners regarding the severity of the school system’s financial situation, especially in light of the \$500,000 estimated budget shortfall, the significant decrease in the school system’s fund balance to approximately \$85,000 and the statement by the Interim Superintendent that he had been misled and lied to regarding the financial condition of the school system.

The County Attorney reminded the Board that the County Commissioners have the full authority to review all aspects of the school system's fiscal operations. By unanimous vote, the Board of Commissioners accepted the County Manager's recommendation to request an immediate meeting with the school system's auditors and to contact the NC Department of Public Instruction and the NC Local Government Commission in the State Treasurer's Office for assistance.

On November 17th, Bertie County's management staff met with the independent auditor for the school system, who is in the process of reviewing the Board of Education's financial statements for the fiscal year ended June 30, 2016 and we have learned the following:

- The school system's General Fund had a negative fund balance of \$(536,164) as of June 30, 2016.
- The school system's General Fund had a positive fund balance of \$643,139 as of June 30, 2015.
- In other words, the Board of Education's preliminary audit findings for the most recent fiscal year will reflect a loss experience of approximately \$(1,179,303) from the prior year.

The auditor did not release his work papers or the preliminary fund statements, but the figures observed by County management indicated expenditures which exceeded revenue by more than \$600,000 for the School General Fund.

It was also noted that the Board of Education's "State Public School Fund" has a negative balance of \$(466,065).

It was reported that the current deficit is being "managed" by borrowing funds transferred from the "School Nutrition Fund" and it will have to be paid back.

It is also not known if the Board of Education has approved this transfer of funds, or has knowledge of this action.

County Management staff are concerned that unless significant budget reductions occur, the resulting budget deficit in the current year (FY 2016-2017) will be a figure ranging from \$800,000 to \$1,000,000.

The County Attorney was not able to attend this meeting, but has suggested that the Board of Commissioners keep several things in mind as we consider how to proceed.

First, transparency must exist for all discussions regarding these funds which are public tax dollars.

Secondly, there are serious material weaknesses, finding and violations of the general statutes in the most recent audit completed for FY 2014-2015 for the Board of Education which include:

- School management did not reconcile general ledger accounts and fund balances were materially incorrect at year end; school management misstated numerous prior year account balances; monies were spent that had not been appropriated and budget amendments were not adopted; Title I federal grant funds may be materially misstated if the Budget Balance Reconciliation Report is not properly reconciled to the account records; twenty-nine employees did not have proper federal and state payroll withholdings; the “State Public School Fund” may be materially misstated if the Allotment Balance Reconciliation Report is not properly reconciled to the account records.
- Examining audits from the most recent four years, indicates there is a pattern of significant deficiencies and violations of state law dating to the FY 2011-2012 school audit report, which noted fifteen (15) violations of the NC School Budget and Fiscal Control Act.

Third, the Board of Commissioners must prepare a plan of action to report, correct, and prevent these violations from occurring in the future.

The County Attorney has provided legal references regarding divesting the Board of Education of its financial powers by action at the State level; and the liability for the school finance officer and the sureties on any official bond for sums illegally committed or disbursed in violation of the school budget act. There have also been discussions regarding seeking damages against the audit firm which prepared the financial statements for the fiscal year ended June 30, 2015.

Chairman Trent called for comments from other members of the Board of Commissioners, and also deferred to County Manager Sauer to review the discrepancies found in the Board of Education’s two most recently submitted audits.

Once the County Manager reviewed some of the largest discrepancies, the Chairman stated that there should be collaboration between the Board of Commissioners and Board of Education to solicit the State’s involvement in the matter.

Tarsha Dudley, Chair of the Board of Education, stated that the Finance Officer in question has been removed from her post. She also stated that the State has been contacted to assist in working through these matters as she also expressed concerns in how the matter made it past both State officials and the School Finance Officer in the Board of Education’s audit.

Additionally, Chairman Trent strongly encouraged the Board of Education to work collaboratively with the Board of Commissioners to find a resolution of these matters via a written statement of the cuts, consolidation, and changes that will be made to prevent this sort of shortfall in the future.

County Manager Sauer inquired if the now former Finance Officer was still “on the payroll” at the Board of Education. Chairman Dudley confirmed that the former finance officer is still on the payroll, and that she would discuss the details of that decision in private with the County Manager.

Additionally, Chairman Dudley stated that a plan was currently in play to reorganize the Board of Education’s spending habits until a permanent solution could be found, but that funding would still be needed in the amount of \$500,000 until the State can come in to complete a forensic audit.

Chairman Dudley requested assistance on behalf of the Board of Education if the County would be willing to disperse these funds.

Chairman Trent, on behalf of the Board of Commissioners, quoted the following North Carolina General Statute 115C-429 (d) which states that “nothing in this Article shall be construed to place a duty on the board of commissioners to fund a deficit incurred by a local school administrative unit through failure of the unit to comply with the provisions of this Article or rules and regulations issued pursuant hereto, or to provide moneys lost through misapplication of moneys by a bonded officer, employee, or agent of the local school administrative unit when the amount of the fidelity bond required by the board of education was manifestly insufficient.”

Chairman Trent stated that the Commissioners are in a “Catch 22” regarding this funding, and that even though the Board does want to see the school system recover from this shortfall, they are not entirely sure if dispersing additional tax dollars will correct the spending problem.

Vice Chairman Bazemore clarified that the Board of Commissioners do “hold high” the students of this County, “but we also understand that the Board of Education holds responsibility for this situation.”

Commissioner Wesson stated a personal concern regarding the Board of Education’s disregard of their own auditor’s comments about misappropriation of funds on the management level.

There was then some confusion between both Boards about whether or not the County had received all of the Board of Education’s recent audits.

County Manager Sauer confirmed that the most recent audits received were in July 2016 for FY2014-2015 and sometime just prior to that FY2011-2012 was received.

The Board of Commissioners stated that when audits are received from the Board of Education, they are usually a number of years behind from the current fiscal year.

The Commissioners all concurred that anytime the Board of Education submitted its budget requests for a new fiscal year, the Commissioners operated under “good faith” of the school system when the former Finance Officer told them that those audits were not yet available.

The Board of Education was concerned by these statements, and assured the Commissioners that this would never happen again. They also stated that they were unaware the Commissioners had not been given all latest audits by the previous Finance Officer.

Chairman Dudley stated that she would have a date submitted to the Commissioners for the State audit within the week. This letter would also lay out a plan of action to correct the current issues as well as to prevent them from occurring again in the future. The letter can be expected following the Thanksgiving Holiday.

County Finance Officer, William Roberson, raised that question that “if the County provides a monthly allocation of \$250,000 in local funds, why is the school board spending at a rate of \$290,000 per month rather than cutting expenses to stay within its budget?”

Interim Finance Officer, Joe Holloway, mentioned that there are local vendors as well as electric bills, and other mandatory bills, that are due between now and when the State auditor could come in to assist.

Again, the Board of Commissioners reaffirmed its position about whether or not State statutes permitted the County to step in before the State has provided their review of the situation.

The Board of Education inquired if Assistant County Attorney, Jonathan Huddleston, could provide his expertise regarding any legal repercussions of funding the shortfall.

Assistant County Attorney Huddleston stated that he was not yet able to provide guidance to the Commissioners of what can or cannot be done in the situation, but that he could have an analysis in an upcoming meeting.

Both Boards agreed that it was very important to work together during this entire process.

The Board of Education mentioned that it would submit a letter to the Board of Commissioners about its proposed plan of action by the Commissioner’s meeting on Monday, December 5th.

The Board took a brief recess.

NCACC Legislative Goals update – Vice Chairman Bazemore

The County Manager stated that several Commissioners were signed up to attend the 2017 NCACC Legislative Conference in January.

Vice Chairman Bazemore discussed the various goals that would be on the table for the conference, and asked if the Board had any particular issues that they would like her to address.

Charters of Freedom monument project update – Commissioner Tammy Lee

Commissioner Lee updated the Board about the Charters of Freedom monuments.

A Letter of Intent was submitted to the County for their approval.

The Letter of Intent was read as follows:

Foundation Forward, Inc.
134 South Sterling Street
Morganton, NC 28655



November 21, 2016

Bertie County, North Carolina
Mr. Scott Sauer, County Manager

Re: Bertie County Charters of Freedom

Letter of Intent

Whereby a presentation was made by Foundation Forward, Inc. to the County Commissioners of Bertie County on September 21, 2015, and the Board took the matter under consideration and voted to accept the Bertie County Charters of Freedom gift from Foundation Forward on October 26, 2015.

By this letter, Foundation Forward, Inc. affirms its intent to gift to Bertie County, North Carolina a brick and/or cast stone Charters of Freedom Monument as displayed in The National Archives in Washington, D.C. to the citizens of Bertie County, North Carolina.

This three-part monument will consist of The Declaration of Independence, four pages of The United States Constitution, and The Bill of Rights, to be placed on the grounds of the Historic Courthouse in Windsor, North Carolina. This setting was selected by the county for its central location in the county, high visibility and foot traffic, and easy access by school children and citizens.

All funds for this project will be kept in a bank account in Bertie County, North Carolina under the account named "Foundation Forward, Inc. - Bertie County Charters of Freedom." Foundation Forward will make account information and updated amounts available to the County Manager upon request. Vance and Mary Jo Patterson have made the initial deposit into the account at Southern Bank in the amount of \$1,000 and deposits will be made to cover the costs of constructing a brick and/or cast stone monument that will be a gift to Bertie County, North Carolina.

Once the site is chosen, prints are approved, and building permits granted, the construction will begin when the county decides on the date, but no sooner than six weeks to eight weeks - allowing time for fabrication and other custom materials. *Targeted completion date is dependent upon availability and fabrication of materials.*

Foundation Forward, Inc.

By: _____ Date: _____

Title: _____

~~Bertie County, North Carolina~~

By: _____ Date: 11/21/16

Title: Chairman

Vice Chairman Bazemore made a **MOTION** to accept the Letter of Intent as presented. Commissioner Lee **SECONDED** the motion. The **MOTION PASSED** unanimously.

Retiree Health Insurance – review premiums and policy coverage alternatives with Mr. Steve Worgan, Worksite Resources, Inc. for January 1, 2017

County Manager Sauer reviewed a brief hand out that was included in their Work Session folders. He noted that all of the retiree health insurance policies were funded on separate policies as the State Health Plan did not accept retirees on their plan.

The Board also briefly discussed next steps regarding retirement for current employees. There was a consensus that the Board needed to primarily focus on this topic in the new year.

Human Resources and Risk Management Director, Carolyn Fornes, also joined in on the following discussions.

Steve Worgan of Worksites Resources briefly reviewed the current premiums and policy coverage alternatives being offered by Blue Cross and Blue Shield, and possibly COBRA provisions, for retirees.

Mr. Worgan also noted the significant price increase in most of the retiree plans due to the Affordable Care Act.

The new plan year begins January 1, 2017.

Blue Advantage, Silver 3500, future 365 retirees utilize COBRA provisions for 18 months

Commissioner Lee made a **MOTION** to go with the Blue Advantage, Silver 3500 plan for retirees as of January 1, 2017, as well as for future retirees to utilize 18 months of COBRA coverage before enrolling in the Silver 3500 plan with ample explanation to the employee beforehand saving approximately \$1,000 per month in local dollars per retiree for 18 months. Following the “COBRA period” the retiree will be converted to a regular individual plan during the pre-65 coverage period. Vice Chairman Bazemore **SECONDED** the motion. The **MOTION PASSED** unanimously.

Qualified School Construction Bond—Sinking Fund

County Manager Sauer provided an update on the trending for interest rates, and reminded the Board of its earlier directive to instruct its financial advisors (Davenport and Kensington) to “lock in” the interest rate for the long term sinking fund, once the rate went above 2.0 percent.

Chairman Trent reminded the Board that the cap is 3.10 percent and that the County will be penalized if the cap is exceeded.

It was the consensus of the Board to instruct the financial advisors to prepare to lock-in once the rate is above 2.0 percent.

Travel Policy

County Manager Sauer directed the Board’s attention to the copy of the County’s revised Travel Policy which was adopted in October 2015, indicating that this item was on the work session agenda for September 14th, but time prevented this item from being presented.

Specifically, Mr. Sauer reminded the Board that the travel policy covers employees and county commissioners.

County Manager Sauer also reminded the Board that the County’s auditor, Jeff Best, has been focused on reviewing travel expenses and charges incurred using the County’s credit card.

Mr. Sauer reminded the Board that itemized receipts are required before reimbursement can be processed by the finance office.

He also noted the list of ineligible expenses for travel reimbursement such as alcoholic beverages and hotel room service.

Tall Glass of Water—farm lease

County Manager Sauer reviewed the farm lease with Mr. Mike Bass.

Mr. Bass has indicated his interest in farming the property until it can be developed, and noted that several areas need to be repaired due to the washout from recent heavy rains.

Following much discussion, Commissioner White made a **MOTION** to approve a one year lease for \$75 per acre with the understanding that Mr. Bass would repair the washed-out areas on the farm path, and that the issue of seeking competitive bidding for all county property would be revisited next year. Commissioner Wesson **SECONDED** the motion. The **MOTION PASSED** unanimously

Assistant County Attorney's review of recent legal projects

Mr. Jonathan Huddleston reviewed several proposed ordinances currently under consideration by the governing body in recent months.

The Private Road Maintenance Ordinance has been drafted and returned to the Board with comments from Lloyd Smith regarding various aspects of its enforceability.

Mr. Huddleston indicated that the proposed ordinance restricting dangerous weapons in County buildings had been submitted to the Board for its consideration at the meeting that was held in Aulander. The County Manager said that the ordinance is ready for its first public hearing in January.

Mr. Huddleston said that the ordinance prohibiting smoking on County property within seventy-five feet of a building's entrance and in County vehicles is near completion.

He also reported that there has been significant time invested on the request for proposals for debris removal, and on the ambulance procurement process.

Housing Initiative

Commissioner Wesson inquired about the status of the joint project with the Town of Windsor to establish housing units for local government, school teachers and state employees as discussed at a previous work session.

County Manager Sauer reported that several projects have been delayed and set aside due to the two floods and the recovery process, especially in light of the facilities impacted for County programs such as the EMS Station One, Lawrence Memorial Library and the Cooperative Extension building.

Commemorative Plaques

Vice Chairman Bazemore suggested that with the completion of recent renovations for the Courthouse and the Sheriff's Office and Communications Center, that the County re-dedicate the Courthouse and dedicate the Sheriff's new law enforcement center.

Vice Chairman made a **MOTION** for County staff to prepare these plaques. Commissioner Lee **SECONDED** the motion. The motion passed unanimously.

Hurricane Matthew Update

Finance Officer William Roberson reviewed insurance claims and proposed “proof of loss” statements for facilities impacted by flood damage, and indicated that all of the information to date, is very preliminary.

Republic Services – review of convenience center operations with Josephine Aiken and Rob Purvis

Josephine Aiken and Rob Purvis were present from Republic Services to address citizen concerns that Commissioners have received about the local convenience sites.

Some complaints that have been reported include the inability of being able to drop off certain materials as well as compactors and containers being too full to take more trash, tree limbs during storm clean up, etc.

Site attendants are directed to call the Republic Services main office to report issues with full containers, and dispatchers send in Republic Services drivers to refresh the containers. This is also the case during some weekends to meet the demand especially after the recent flooding events. Convenience sites and their containers are not emptied on a rotational basis.

The Board thanked Republic Services for addressing the pot hole and roadside waste concerns at various sites in a timely manner as well.

Hurricane Matthew Recovery Update:

- a) Review of initial substantial damage estimates based on latest FEMA onsite inspections – Planning Director, Traci White

Planning Director, Traci White, briefly reviewed the spreadsheet created using FEMA’s official software detailing County homes and businesses that have been classified as substantially damaged.

She also reiterated that citizens must be in the flood hazard area on FEMA’s maps in order to be deemed substantially damaged. Citizens who suffer from flash flooding issues outside of the flood hazard areas are not eligible for this distinction per the National Flood Insurance Program regulations.

The Board also asked various questions regarding eligibility and possible next steps for residents including the possibility for temporary housing for those who have condemned homes or homes that were substantially damaged.

Lastly, the Board requested that Chief Code Enforcement Officer, G.T. Pittman, write a statement of what FEMA requires citizens to do if they planned to temporarily stay in their substantially damaged homes in preparation for a possible buy out.

- b) Review of debris removal bids and public assistance application for County facilities and other costs– Emergency Services Director, Mitch Cooper

Emergency Services Director, Mitch Cooper, reported that Republic Services was the only company to bid on the debris removal contract. FEMA allowed Mr. Cooper to re-open the bids to be sure there are no other qualified vendors in and around the County that could receive the contract.

Mr. Cooper stated that he has heard from a couple of additional vendors that may be submitting bids.

Additionally, he discussed the public assistance application for County facilities and other costs involved in the storm cleanup process at County buildings. He discussed the possibility of the County having temporary buildings, or building new with an estimated 25% reimbursement amount from the State.

The Board also inquired how soon funding could be received from FEMA to cover expenses for the former EMS Station 1 building.

ADJOURN

Chairman Trent adjourned the meeting at 2:00 PM.

John Trent, Chairman

Sarah S. Tinkham, Clerk to the Board