



REQUEST FOR BOARD ACTION

ITEM NO. 14

DATE OF MEETING: March 21, 2016

REQUESTED BY: Tammy Proctor, Tourism Director

SHORT TITLE: Approval of a Purchase Order to CA North Carolina Holdings, Inc. for the Graphic Design, Printing and Delivery of 20,000 Pender County Visitors' Guides at a cost of \$9,802.95.

BACKGROUND: The 2016 Pender County Visitors' Guide will be distributed from Pender County to all North Carolina Welcome Centers, and welcome centers in southern Virginia and northern South Carolina. Additionally our partnering organizations, chambers of commerce, motor coach operators, and all in-office inquiries and leads will receive the 2016 Pender County Visitors Guide.

The 2016 Pender County Visitors Guide has been completely redesigned into a booklet form with 44 pages. It features each town in Pender County with sections on our heritage, outdoor adventures, destination weddings, and farms. The booklet lists activities, lodging, and dining by community. It is a full color guide.

Last year's guide, a folded brochure, was 24 pages and cost more than \$15,000 through a different firm and an advertising agency.

Funds are budgeted in 44-407000.

SPECIFIC ACTION REQUESTED: To consider approving a purchase order to CA North Carolina Holdings, Inc. for the graphic design, printing and delivery of 20,000 Pender County Visitors' Guides in the Amount of \$9,802.95.



REQUEST FOR BOARD ACTION

ITEM NO. 15

DATE OF MEETING: March 21, 2016

REQUESTED BY: Katherine C. Brafford, Finance Director

SHORT TITLE: Approval of FY 2015-2016 Budget Ordinance Amendment (BOA) to Appropriate Fund Balance from the General Fund to Transfer Proceeds of the Escrow Funds Borrowed from US Bank for the Purpose of Purchasing Vehicles, to the Fund from which those Vehicle Costs were Charged (Fund 65: Vehicle Replacement Fund).

BACKGROUND: A lease purchase agreement was executed with US Bank on February 20, 2014 to purchase vehicles for various County departments. Part of the transactions for this agreement were recorded in the General Fund and part of them were recorded in the Vehicle Replacement Fund. This resulted in a deficit fund balance in the Vehicle Replacement Fund in FY 2014. Fund 65 has remained in a deficit fund balance situation since FY 2014 and has been cited in the County's Audit Reports for the last two fiscal years (FY 2014 and FY 2015).

This BOA will reconcile the accounts between these two funds and eliminate the deficit balance in Fund 65.

SPECIFIC ACTION REQUESTED: To consider approving a budget ordinance amendment to appropriate fund balance from the General Fund (Fund 10) to transfer to the Vehicle Replacement Fund (Fund 65) to eliminate the deficit fund balance in Fund 65 resulting from the lease purchase proceeds being credited to the General Fund rather than Fund 65.

The foregoing Ordinance, upon motion of Commissioner _____ and second by

Commissioner _____, and having been submitted to a roll call vote and received the

following votes: YES Votes: _____ NO Votes: _____ ABSTAIN: _____

was approved _____ denied _____ on this the 21st day of March 2016

George R. Brown, Jr., Chairman

ATTEST:

Melissa Pedersen, Clerk to the Board

BUDGET ORDINANCE AMENDMENT TITLE: Transfer Escrow Funds from Fund 10 to Fund 65 (Vehicle Replacement)

Introduced by: Randell Woodruff, County Manager

Date: 2016-03-21

Item #: _____

Fund: GF & Veh Replacement

Department: _____

Division: _____



PENDER COUNTY, NORTH CAROLINA

FY 2015-2016
Appropriations

Budget Amendment # 2016-68

Date Approved: _____

REVENUES		EXPENDITURES	
Increase: <input checked="" type="checkbox"/>		Decrease: <input type="checkbox"/>	
Account # and Title	Amount	Account # and Title	Amount (leave off \$ sign)
Fund Balance Appropriated - Gen Fd		Transfer to Vehicle Replacement	
10-399000	\$215,878.92	695-409006	\$215,878.92
Contribution from General Fund		Reserves	
65-397000	\$215,878.92	65-405760	\$215,878.92
Total:	\$431,757.84	Total:	\$431,757.84

Reason and Justification for Request:

To transfer funds borrowed under a lease purchase contract with US Bank for purposes of purchasing vehicles. The proceeds of the lease escrow were coded to the General Fund (10-396000); however the costs of the vehicles purchased with the escrow funds were coded to the Vehicle Replacement Fund (Fund 65) in FY 2014, resulting in a deficit fund balance in that fund. There were a few additional charges coded to Fund 65 in FY 2015 (1,816.28) for title and/or tag fees, bringing the total deficit in that fund to \$215,878.92. There is currently \$283,955.44 of funds remaining in the escrow account in the General Fund. This BOA will transfer enough to zero out Fund 65 and eliminate the deficit balance. This deficit was cited by the auditors in both the FY 2014 and FY 2015 Audit Reports.

Dept Mgr. Approval: _____ Date: _____

Finance Officer Approval: _____ Date: _____

Budget Officer Approval: _____ Date: _____

Board Approval (When Applicable) _____

Item # _____

Date of Minutes _____

Email to Finance

Revision 8.5 (1/13/15)

Print Department - Copy

Pender County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-county funds, and county funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it's in the best interest of the County.

Pender County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 30% of current fiscal year expenditures. However, effective October 2013, the County changed that policy to state that the unassigned fund balance should be equal to or greater than 20% of current fiscal year expenditures. Any portion of the General Fund balance in excess of 20% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the County in a future budget.

12. Defined Benefit Pension Plans

The County participates in three cost-sharing, multiple-employer, defined benefit pension plans that are administered by the State; the Local Governmental Employees' retirement System (LGERS) and the Registers of Deeds' Supplemental Pension Fund (RODSPF) (collectively, the "state-administered defined benefit pension plans"). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the state-administered defined benefit pension plans and additions to/deductions from the state-administered defined benefit pension plans' fiduciary net positions have been determined on the same basis as they are reported by the state-administered defined benefit pension plans. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The County's employer contributions are recognized when due and the County has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the state-administered defined benefit pension plans. Investments are reported at fair value.

NOTE 2: Stewardship, Compliance and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

There were several funds that were still open in the ledger that have been closed out for several years. In addition, there are several projects that should be closed out but are still open on the books. A significant amount of time needs to be spent cleaning up the ledger to close out funds that do not exist anymore, and to close out projects.

2. Deficit Fund Balance or Net Position of Individual Funds

The County reported deficit fund balances in the following accounts:

Fire Service District	\$	118,526
Rescue District	\$	665,754
Vehicle Replacement Fund	\$	215,879
Section 8 Housing	\$	19,134

These deficit balances were primarily a result of timing differences between collecting the revenue and spending the money. The County will monitor these more closely in the future.

3. Revenue Bond Covenants

As discussed in the Revenue Bond note under the Long-Term Liability section, the County failed to meet covenants related to the Revenue Bond. Noncompliance is related to not meeting the debt coverage ratio. Transfers were made from the General Fund and Capital Reserve Fund to cover debt payments and expenditures, but the County is not properly charging for the services of the Water Treatment Plant, so they are not showing sufficient operating revenues. The Board is currently reviewing the covenants to make sure that they remedy any violations of the covenants.

Pender County has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-county funds, and county funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it's in the best interest of the County.

Pender County has also adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the County in such a manner that available fund balance is at least equal to or greater than 30% of current fiscal year expenditures. However, effective October 2013, the County changed that policy to state that the unassigned fund balance should be equal to or greater than 20% of current fiscal year expenditures. Any portion of the General Fund balance in excess of 20% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the County in a future budget.

NOTE 2: Stewardship, Compliance and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions:

1. Noncompliance with North Carolina General Statutes

In response to issues noted in the previous audit, the County hired two retired finance officers to assist them in reconciling their records. Both of these were hired after the year end, which did not give adequate time for them to make necessary changes for the year ended June 30, 2014. With that said, the same issues were noted for the current audit, but they should be remedied during the subsequent year.

The financial records of the County were not reconciled timely. None of the reconciliation were prepared prior to the year end.

The County failed to meet some of the Budget Requirements per NC General Statute 159. A budget was approved, and amendments were brought before the Board for approval. Most of these amendments were never recorded on the County's financial records. In addition, expenses were paid and coded to line items that should not have had expenditures. Therefore, several line items were overspent when proper reclassifications were made. In the general fund, public safety was overspent by \$410,817, economic and physical development by \$184,989, education by \$20,497, and debt service by \$227,211.

There was approval in the minutes of various capital leases and projects throughout the year, but they were also not set up in the financial records. Entries were made while reconciling the accounts, which created budget violations because the necessary amendments were not made.

Reports were not filed timely with the State Treasurer's office, Bond Rating agencies, and grantor agencies, as the audit could not be completed until the books were reconciled.

There were several funds that were still open in the ledger that have been closed out for several years. In addition, there are several projects that should be closed out but are still open on the books. A significant amount of time needs to be spent cleaning up the ledger to close out funds that do not exist anymore, and to close out projects.

2. Deficit Fund Balance or Net Position of Individual Funds

The County reported deficit fund balances in the following accounts:

Fire Service District	\$	164,837
Rescue District	\$	88,447
Vehicle Replacement Fund	\$	214,063

These deficit balances were primarily a result of timing differences between collecting the revenue and spending the money. The County will monitor these more closely in the future.

3. Revenue Bond Covenants

As discussed in the Revenue Bond note under the Long-Term Liability section, the County failed to meet covenants related to the Revenue Bond. Noncompliance related to not meeting the debt coverage ratio and not filing a timely audit report. The Board is currently reviewing the covenants to make sure that they remedy any violations of the covenants.