

**TENTATIVE AGENDA & MEETING NOTICE
BOARD OF COUNTY COMMISSIONERS**

**TUESDAY, JUNE 19, 2018
5:30 P.M.**

**WATAUGA COUNTY ADMINISTRATION BUILDING
COMMISSIONERS' BOARD ROOM**

TIME	#	TOPIC	PRESENTER	PAGE
5:30	1	CALL REGULAR MEETING TO ORDER		
	2	APPROVAL OF MINUTES: June 5, 2018, Regular Meeting June 5, 2018, Closed Session		1
	3	APPROVAL OF THE JUNE 19, 2018, AGENDA		11
5:35	4	SOCIAL SERVICES MATTERS	MR. TOM HUGHES	
		A. Social Worker Out-of-State Travel Request		13
		B. Proposed NC Department of Health and Human Services (DHHS)/County Memorandum of Understanding (MOU) Pursuant to G. S. 108A-74		15
5:40	5	PROPOSED ACCEPTANCE OF CLEAN WATER MANAGEMENT TRUST FUND (CWMTF) GRANT FOR WETLANDS CONSTRUCTION ON BROOKSHIRE ROAD	MR. JOE FURMAN	37
5:45	6	TAX MATTERS	MR. LARRY WARREN	
		A. Monthly Collections Report		73
		B. Refunds & Releases		75
5:50	7	MISCELLANEOUS ADMINISTRATIVE MATTERS	MR. DERON GEOUQUE	
		A. Audit Contract		83
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7:00	10	CLOSED SESSION Attorney/Client Matters – G. S. 143-318.11(a)(3) Personnel Matters – G. S. 143-318.11(a)(6)		128
7:15	11	ADJOURN		

AGENDA ITEM 2:

APPROVAL OF MINUTES:

June 5, 2018, Regular Meeting

June 5, 2018, Closed Session

DRAFT**MINUTES****WATAUGA COUNTY BOARD OF COMMISSIONERS
TUESDAY, JUNE 5, 2018**

The Watauga County Board of Commissioners held a regular meeting, as scheduled, on Tuesday, June 5, 2018, at 8:30 A.M. in the Commissioners' Board Room of the Watauga County Administration Building, Boone, North Carolina.

PRESENT: John Welch, Chairman
 Billy Kennedy, Vice-Chairman
 Jimmy Hodges, Commissioner
 Larry Turnbow, Commissioner
 Perry Yates, Commissioner
 Andrea Capua, County Attorney
 Deron Geouque, County Manager
 Anita J. Fogle, Clerk to the Board

Chairman Welch called the meeting to order at 8:33 A.M.

Commissioner Yates opened with a prayer and Vice-Chairman Kennedy led the Pledge of Allegiance.

APPROVAL OF MINUTES

Chairman Welch called for additions and/or corrections to the May 15, 2018, regular meeting and closed session minutes.

Vice-Chairman Kennedy, seconded by Commissioner Yates, moved to approve the May 15, 2018, regular meeting minutes as presented.

VOTE: Aye-5
 Nay-0

Vice-Chairman Kennedy, seconded by Commissioner Yates, moved to approve the May 15, 2018, closed session minutes as presented.

VOTE: Aye-5
 Nay-0

APPROVAL OF AGENDA

Chairman Welch called for additions and/or corrections to the June 5, 2018, agenda.

County Manager Geouque requested to add consideration of a lease with Appalachian State University for use of the Human Services Parking Lot on home game days.

Commissioner Hodges, seconded by Commissioner Yates, moved to approve the June 5, 2018, agenda as amended.

VOTE: Aye-5
Nay-0

SHERIFF’S OFFICE OUT OF STATE TRAVEL REQUESTS

County Manager Geouque presented two out-of-state travel requests; one for Deputy Rebecca Russell to attend the US Marshall’s Service state and local sex offender training in Orlando, FL, and the second for Lieutenant Brandon Greer to attend Taser Instructor re-certification training in Bristol, Virginia. All training costs for Deputy Russell are reimbursable with the exception of the \$135 rental car fee. Lieutenant Greer’s cost for the training was a \$225 registration fee. Adequate funds are available to cover these requests.

Vice-Chairman Kennedy, seconded by Commissioner Turnbow, moved to approve the out-of-state travel for both Deputy Russell and Lieutenant Greer and any associated costs in attending the training.

VOTE: Aye-5
Nay-0

PROPOSED PROCLAMATION FOR ELDER ABUSE AWARENESS DAY

Ms. Stevie John, High Country Council of Governments Ombudsman, Ms. Angie Boitnotte, Project on Aging Director, and Ms. Betsy Richards, Social Worker Supervisor III, presented a proposed proclamation declaring June 15, 2018, as “World Elder Abuse Awareness Day” in Watauga County. Ms. John share information on the elder abuse issue and Ms. Boitnotte read the proclamation.

Commissioner Yates, seconded by Vice-Chairman Kennedy, moved to adopt the proclamation as presented.

VOTE: Aye-5
Nay-0

REQUEST TO ACCEPT 2018 COMMUNITY WASTE REDUCTION AND RECYCLING GRANT

Ms. Pamela Thomas, Recycling Coordinator, requested the acceptance of the grant, applied for in January 2018, from the North Carolina Department of Environmental Quality in the amount of \$10,000 with the \$2,000 match to be paid with funds to be allocated in 2018-2019 Watauga County School System budget. If accepted, grant funds will assist in the purchase of two closed top roll-off containers to collect recycling materials at County Schools. One will be placed at

Green Valley and the other at Blowing Rock, if space allows. Ms. Thomas stated that containers are currently located at five schools.

Commissioner Yates, seconded by Commissioner Turnbow, moved to accept the grant from the North Carolina Department of Environmental Quality in the amount of \$10,000 with the \$2,000 match to be paid by the Watauga County School System.

VOTE: Aye-5
Nay-0

PROPOSED TOWER AGREEMENT WITH WATAUGA COUNTY AMATEUR RADIO CLUB, INC.

Mr. Jeff Virginia, Emergency Services Director, requested approval of a proposed lease with the Watauga Amateur Radio Club, Inc. for the use of a small tower at the Rich Mountain site. The club is named as an agency in the North Carolina Emergency Plan and provides all communications for the American Red Cross when deployed in Watauga. Therefore, the club is a significant asset to Emergency Management during times of disaster.

Commissioner Turnbow, seconded by Vice-Chairman Kennedy, moved to approve the lease with Watauga Amateur Radio Club, Inc. contingent upon County Attorney review.

VOTE: Aye-5
Nay-0

FINANCE MATTERS

A. Budget Amendments

Ms. Margaret Pierce, Finance Director, reviewed the following budget amendments:

Account #	Description	Debit	Credit
103839-384000	Donation		\$1,740
104199-457001	Capital Outlay – Land	\$1,740	
The amendment recognized a donation of .173 acres of land near Sterling Creek Park as approved by Board action on May 15, 2018.			
293270-312009	Occupancy Tax Revenues		\$250,000
294140-469900	Watauga County District U TDA	\$247,500	
294140-449900	Administrative Collection Fee	\$2,500	
The amendment recognized additional projected occupancy tax revenues above the original budgeted amount.			
103980-398121	Transfer from Capital Projects Fund		\$20,000
104920-463000	EDC	\$20,000	
213991-399101	Fund Balance Appropriation		\$20,000
219800-498010	Transfer to General Fund	\$20,000	

The amendment allocated an additional \$20,000 to the Economic Development Commission (EDC) budget for a video project per request of the EDC Board and as approved by the Board of Commissioners on May 15, 2018.

103910-391003	Sale of Fixed Asset	\$15,475,000	
103910-391000	Loan from ASU on Property Transfer	\$2,819,000	
104199-457000	Property Purchase from ASU	\$25,000	
104199-469149	Loan to ASU on Property Transfer		\$18,319,000

The amendment revised a prior budget amendment based on recommendations of the Local Government Commission (LGC) and School of Government (SOG) Specialist.

233991-399101	Fund Balance Appropriation		\$5,000
234310-423800	Undercover Drug Purchases	\$5,000	

The amendment recognized additional funds for use in law enforcement cases as buy money for investigations as requested by the Sheriff. The funds are from the State Substance Abuse Tax Fund.

103200-326600	ABC Bottle Tax		\$500
105890-469848	Mediation and Restorative Justice	\$500	

The amendment recognized additional projected ABC bottle tax revenues above the original budgeted amount.

104330-469905	Boone Fire District Sales Tax Distribution	\$43,500	
103200-32300	Sales Tax Revenues		\$43,500

The amendment recognized additional projected sales tax distribution above the original budgeted amount.

243102-312100	Boone Rural Current Year Tax Revenue		\$12,000
283102-312101	Foscoe Current Year Tax Revenue		\$1,400
283102-312105	Stewart Simmons Current Year Tax Revenue		\$15,000
283102-312106	Zionville Current Year Tax Revenue		\$4,000
283102-312108	Shawneehaw Current Tax Revenue		\$1,000
283102-312109	Meat Camp Current Year Tax Revenue		\$7,500
244340-469905	Boone Rural	\$12,000	
284340-469901	Foscoe	\$1,400	
284340-469905	Stewart Simmons	\$15,000	
284340-469906	Zionville	\$4,000	
284340-469908	Shawneehaw	\$1,000	
284340-469909	Meat Camp	\$7,500	

The amendment recognized additional projected property tax revenues above the original budgeted amount.

Commissioner Yates, seconded by Commissioner Turnbow, moved to approve the budget amendments as presented by Ms. Pierce.

VOTE: Aye-5
Nay-0

B. Proposed Resolution Authorizing Watauga County To Engage In Electronic Payments As Defined by G. S. 156-28 or G. S. 115C-441

Ms. Pierce presented a proposed resolution authorizing the use of electronic payments. The County along with many other counties and municipalities in the state are utilizing the process and has for many years. Ms. Pierce stated that the relevant Statute was rewritten last year and the procedures were developed the end of March. Ms. Pierce stated that we have a local policy that already covers all the procedures as recently developed. The Local Government Commission (LGC) requests the formalization of the process by adoption of the proposed resolution to be in compliance with pre-audit requirements.

Commissioner Yates, seconded by Vice-Chairman Kennedy, moved to adopt the resolution as presented to allow the County to formally utilize electronic payment and conform to all statutes and administrative codes.

VOTE: Aye-5
Nay-0

ADOPTION OF THE FISCAL YEAR 2019 BUDGET ORDINANCE

The Fiscal Year 2019 Budget Ordinance is presented for adoption. Below is a list of changes that were requested by the Board and which have been incorporated into the proposed budget:

Budget Change Summary			
General Fund			
	Revenues	Expenditures	
05/02/2018		(815)	Remove 2% from BCC cola
		815	Hunger and Health Coalition
05/03/2018	1,000		EM Grant
		1,000	EM Grant
net change	1,000	1,000	Overall Budget Change (\$0)

The Board may approve the proposed budget ordinance as presented, request changes, or schedule an additional work session. North Carolina General Statutes requires the budget be adopted by June 30.

Each Commissioner shared their thoughts on the proposed budget. Chairman Welch reviewed highlights of the budget and requested that \$100,000, for a School Resource Officer (SRO), be set aside while waiting to see what the State budget allows for SROs. Chairman Welch proposes that, if utilized, the funds be allocated from either the administrative contingency fund or County employee's pay-for-performance raises.

Commissioner Turnbow, seconded by Commissioner Hodges, moved to adopt the FY 2019 Budget Ordinance as amended to include funds to be set aside, in the amount of \$100,000, for a school resource officer with the funds to be allocated from either the administrative contingency fund or County employee's pay-for-performance raises.

VOTE: Aye-5
Nay-0

MISCELLANEOUS ADMINISTRATIVE MATTERS

A. Appointment of Interim Finance Director

County Manager Geouque stated that, due to the resignation of Finance Director Margaret Pierce, an interim Finance Director needed to be appointed. The County Manager recommended appointing himself as interim Finance Director until a replacement was hired.

Commissioner Turnbow, seconded by Vice-Chairman Kennedy, moved to appoint the County Manager as Interim Finance Director.

VOTE: Aye-5
Nay-0

B. Proposed Lease Renewal – NC State Highway Patrol

County Manager Geouque stated that the lease for office space at the Law Enforcement Center for the North Carolina State Highway Patrol (NCSHP) was up for renewal. The requested renewal amount is the same rate as the current amount of \$4,560 annually for a term of one year with two one year extensions. The term of the lease is for a three (3) year period commencing on July 1, 2018, and ending June 30, 2021. County Attorney Capua stated that she had reviewed the agreement.

Commissioner Yates, seconded by Commissioner Turnbow, moved to approve the lease with the North Carolina State Highway Patrol (NCSHP) from July 1, 2018, to June 30, 2021.

VOTE: Aye-5
Nay-0

C. Proposed License Agreement – American Red Cross

County Manager Geouque stated that the American Red Cross had requested a formalization of the lease for office space that they have had with the County for several years. The County Manager presented a License Agreement with a term of two (2) years beginning March 23, 2018, and ending March 31, 2020. March 23, 2018, coincides with when Red Cross relocated to the Health Department along with the Veterans Service and Planning and Inspections Departments.

County Manager Capua stated that a dollar amount should be associated with the agreement to make it enforceable.

Commissioner Turnbow, seconded by Commissioner Yates, moved to approve the license agreement with the American Red Cross with \$1.00 per year due to the County from March 23, 2018, to March 31, 2020.

VOTE: Aye-5
Nay-0

D. Proposed Fiscal Year 2019 AppalCART Contracts

County Manager Geouque presented proposed AppalCART contracts for transportation services for the County, Project on Aging and Social Services for FY 2019. The proposed rates for the Project on Aging, Department of Social Services, and all other county functions are \$1.45 per vehicle mile. The rate has been the same for the last four (4) years.

Vice-Chairman Kennedy, seconded by Commissioner Yates, moved to approve the three AppalCART contracts as presented.

VOTE: Aye-5
Nay-0

E. Proposed Lease with Appalachian State University for Use of Human Services Parking Lot on Home Game Days

County Manager Geouque stated that Appalachian State University (ASU) had expressed interest in formalizing an agreement to use the Human Services parking lot for home football game parking.

Vice-Chairman Kennedy, seconded by Commissioner Turnbow, moved to recuse Chairman Welch from taking action on this matter as he is an employee of ASU Athletics.

VOTE: Aye-5
Nay-0

Proposed terms of the agreement include:

- ASU pays the County \$6,000 to use the Human Service parking lot for home games (six are scheduled in the upcoming season; all on Saturday)
- ASU is responsible for security, portable toilets, and clean-up
- Term is for one-year on trial basis

Chairman Welch confirmed that ASU planned to use the lot for pay per game parking.

Commissioner Turnbow, seconded by Commissioner Yates, moved to approve a lease with Appalachian State University for use of the Watauga County Human Services Parking Lot for one year at a rate of \$6,000 with ASU responsible for security, portable toilets, and clean-up and to direct the County Attorney to work with the ASU attorney to prepare such a lease.

VOTE: Aye-5
Nay-0

F. July Meeting Schedule

County Manager Geouque stated that historically, only one Board meeting has been held in July due to all the work which has been done on the budget as well as the July 4th holiday. Also, historically, at the beginning of a new fiscal year there is not much business which needs to be

conducted. The Manager recommends cancelling the first meeting in July and holding the second meeting as currently scheduled for the third Tuesday which is July 17.

Vice-Chairman Kennedy, seconded by Commissioner Hodges, moved to cancel the July 3, 2018, regular Board meeting.

VOTE: Aye-5
Nay-0

G. Boards and Commissions

County Manager Geouque stated that Ms. Pat Parish and Mr. Tim Hodges terms on the Economic Development Commission (EDC) expire in June. Ms. Parish resigned from the EDC in May. Therefore, her slot will need to be filled. Mr. Hodges has completed one term, is eligible for a second term, and is interested in being reappointed. Terms are three years. The EDC will not meet again until July. This was a first reading and, therefore, no action was taken.

H. Announcements

County Manager Geouque announced the following:

- North Carolinians are invited to express their opinions about which regional and local transportation projects should be top priorities in the State Transportation Improvement Program (STIP). NCDOT's 14 local transportation divisions will host informal meetings to present proposed projects and to receive public comment. The date, location, and time for Division 11 STIP public meeting is as follows: June 11, 4-6 P.M. – North Wilkesboro (Division 11: Alleghany, Ashe, Avery, Caldwell, Surry, Watauga, Wilkes, and Yadkin counties) NCDOT Division 11 Office 802 Statesville Road North Wilkesboro, NC.

In addition to the public meetings, NCDOT is offering other options for citizens to provide input starting Monday, June 4, through the STI website (ncdot.gov/sti). Citizens can complete a short, interactive survey to identify priority projects, or send a message to their local division planning engineer.

- The 111th NCACC Annual Conference will be held August 23-25, 2018, in Catawba County. Visit www.ncacc.org/AnnualConference for full information.

PUBLIC COMMENT

There was no public comment.

CLOSED SESSION

At 9:26 A.M., Vice-Chairman Kennedy, seconded by Commissioner Turnbow, moved to enter Closed Session to discuss Attorney/Client Matters, per G. S. 143-318.11(a)(3).

VOTE: Aye-5
Nay-0

Commissioner Yates, seconded by Commissioner Turnbow, moved to resume the open meeting at 10:11 A.M.

VOTE: Aye-5
Nay-0

ADJOURN

Commissioner Yates, seconded by Commissioner Turnbow, moved to adjourn the meeting at 10:11 A.M.

John Welch, Chairman

ATTEST:
Anita J. Fogle, Clerk to the Board

AGENDA ITEM 3:

APPROVAL OF THE JUNE 19, 2018, AGENDA

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AGENDA ITEM 4:

SOCIAL SERVICES MATTERS

A. Social Worker Out-of-State Travel Request

MANAGER'S COMMENTS:

Due to a court order received on May 5, 2018, a County Social Worker must travel to South Carolina to conduct several home visits. The judge ordered a minimum of three visits, but it is anticipated more may be required. Adequate funds are budgeted in the Social Services budget to cover this expense.

Board approval is required to authorize the court ordered out-of-state travel to South Carolina for the County Social Services Department.



Watauga County
Department of Social Services

SOCIAL SERVICES BOARD
Tom Trexler, Chair
Lynn Patterson, Vice Chair
Sharon Breitenstein
Jimmy Hodges
Dawn Ward

132 POPLAR GROVE CONNECTOR – SUITE C
BOONE, NORTH CAROLINA 28607
Telephone 828-265-8100
TDD 1-800-735-2962
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Tom Hughes
Director

To whom it may concern,

Due to a court order received on 5/31/18, a Social Worker from our unit must travel to South Carolina to conduct several home visits. The judge ordered a minimum of three visits, but we do anticipate more. Our hope is that these visits will be coordinated in a way that they do not require overnight stay. The Department of Social Services will cover the cost of the travel. We are reaching out, to receive approval for these visits.

Thank you,

SWS Chad Slagle,
SWIII Hellem Stamm

AGENDA ITEM 4:

SOCIAL SERVICES MATTERS

B. Proposed NC Department of Health and Human Services (DHHS)/County Memorandum of Understanding (MOU) Pursuant to G. S. 108A-74

MANAGER’S COMMENTS:

Mr. Tom Hughes, Social Services Director, will request the Board approve the MOU with the NC Department of Health and Human Services. The MOU is required per NCGS 108A-74. Counties are required to enter into annual written agreements for all social services programs other than medical assistance. The law requires the agreement to contain certain performance requirements and administrative responsibilities related to the social services program.

Board approval is required to execute the MOU as presented.

**MEMORANDUM OF UNDERSTANDING (FISCAL YEAR 2018-19) BETWEEN
THE NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
AND
WATAUGA COUNTY**

A Written Agreement Pursuant to N.C. Gen. Stat. § 108A-74, an Act of the North Carolina General Assembly

This Memorandum of Understanding (“MOU”) is made by and between the North Carolina Department of Health and Human Services, (hereinafter referred to as the “Department”) and Watauga County a political subdivision of the State of North Carolina (hereinafter referred to as the “County”) to comply with the requirements of law, N.C. Gen. Stat. § 108A-74. The Department and the County may be referred to herein individually as a “Party” and collectively as the “Parties.”

TERMS OF UNDERSTANDING

In consideration of the mutual promises and agreements contained herein, as well as other good and valuable consideration, the sufficiency of which is hereby acknowledged by the Parties, the Parties agree to this MOU, effective July 1, 2018, in compliance with the mandates of law enacted by the North Carolina General Assembly and in recognition of possible amendments by the General Assembly, the Parties further agree to conform to changes made to the law, notwithstanding a contractual term previously agreed upon.

1.0 Parties to the MOU

The only Parties to this MOU are the North Carolina Department of Health and Human Services and Watauga County, a political subdivision of the State of North Carolina.

1.1 Relationships of the Parties

Nothing contained herein shall in any way alter or change the relationship of the parties as defined under the laws of North Carolina. It is expressly understood and agreed that the enforcement of the terms and conditions of this MOU, and all rights of action relating to such enforcement, shall be strictly reserved to the Department and the County. Nothing contained in this document shall give or allow any claim or right of action whatsoever by any other third person. It is the express intention of the Department and County that any such person or entity, other than the Department or the County, receiving services or benefits under this MOU shall be deemed an incidental beneficiary only.

Subcontracting: The County shall be responsible for the performance of all of its subcontractors. The County shall disclose the names of its subcontractors to the Department within thirty (30) days of the execution thereof. The County shall also provide additional information concerning its subcontractors as may be requested by the Department within thirty (30) days of the request. The County additionally agrees not to enter into any confidentiality agreement or provision with a subcontractor or other agent to provide services related to this MOU that would prevent or frustrate the disclosure of information to the Department. Subcontractors shall be defined under this MOU to mean any party the county enters into a contractual relationship with for the complete administration of one or more social services programs covered by this MOU. Temporary employees hired by the County shall not be considered subcontractors under this MOU.

Assignment: No assignment of the County's obligations or the County's right to receive any funding made in any way concerning the matters covered by this MOU hereunder shall be permitted.

2.0 Terms of the MOU

The term of this MOU shall be for a period of one year beginning July 1, 2018 and ending June 30, 2019.

2.1 Default and Modification

Default: In the event the County fails to satisfy the mandated performance requirements as set forth in Attachments I through X or fails to otherwise comply with the terms of this MOU, the Department may withhold State and/or federal funding. Any such withholding shall be in compliance with, and as allowed by, state and/or federal law.

Performance Improvement/Corrective Action: Prior to the Department exercising its authority to withhold State and/or federal funding for a failure to satisfy the mandated performance requirements or failure to comply with the terms of this MOU, the steps set forth in Attachment XI will govern. For this MOU covering Fiscal Year 2018-2019, the Department will not initiate any actions set forth in Attachment XI related to the mandated performance requirements until January 1, 2019. Nothing contained in this MOU or Attachment XI shall supersede or limit the Secretary's authority to take any action otherwise set forth in 108A-74(b) and (c).

Waiver of Default: Waiver by the Department of any default or breach in compliance with the terms of this MOU by the County shall not be deemed a waiver of any subsequent default or breach and shall not be construed to be modification of the terms of this MOU unless stated to be such in writing, signed by an authorized representative of the Department and the County and attached to the MOU.

Force Majeure: Neither Party shall be deemed to be in default of its obligations hereunder if and so long as it is prevented from performing such obligations by any act of war, hostile foreign action, nuclear explosion, riot, strikes, civil insurrection, earthquake, hurricane, tornado, or other catastrophic natural event or act of God.

Modification: The terms and conditions of this MOU may only be modified by written agreement of the Parties, signed by an authorized representative of the Parties.

3.0 MOU Documents

The Recitals and the following attachments are incorporated herein by reference and are part of this MOU:

- (1) The portions hereof preceding the Terms of Understanding, including but not limited to the introductory paragraph and the Recitals, which are contractual as well as explanatory
- (2) The Terms of Understanding
- (3) Attachment I – Mandated Performance Requirements: Child Welfare – Child Protective Services
- (4) Attachment II – Mandated Performance Requirements: Foster Care
- (5) Attachment III – Mandated Performance Requirements: Child Support
- (6) Attachment IV – Mandated Performance Requirements: Energy

- (7) Attachment V – Mandated Performance Requirements: Work First
- (8) Attachment VI – Mandated Performance Requirements: Food and Nutrition Services
- (9) Attachment VII – Mandated Performance Requirements: Adult Protective Services
- (10) Attachment VIII – Mandated Performance Requirements: Special Assistance
- (11) Attachment IX – Mandated Performance Requirements: Child Care Subsidy
- (12) Attachment X – Corrective Action

4.0 Entire MOU

This MOU and any documents incorporated specifically by reference represent the entire agreement between the Parties and supersede all prior oral or written statements or agreements between the Parties.

5.0 Definitions

While "County" is used as an abbreviation above, the following definitions, some of which are contained in N.C. Gen. Stat. § 108A-74(a), also apply to this MOU:

- (1) "County department of social services" also means the consolidated human services agency, whichever applies;
- (2) "County director of social services" also means the human services director, whichever applies; and
- (3) "County board of social services" also means the consolidated human services board, whichever applies.
- (4) "Child welfare services or program" means protective, foster care, and adoption services related to juveniles alleged to be abused, neglected, or dependent as required by Chapter 7B of the General Statutes.
- (5) "Social services programs" or "Social services programs other than medical assistance" means social services and public assistance programs established in Chapter 108A other than the medical assistance program (Part 6 of Article 2 of Chapter 108A). This includes, but is not limited to, child welfare programs, adult protective services, guardianship services for adults, and programs of public assistance established in Chapter 108A. It also includes the child support enforcement program, as established in Article 9 of Chapter 110 of the General Statutes, and the North Carolina Subsidized Child Care Program.

To the extent that any term used herein is defined by a statute or rule applicable to the subject matter of this MOU, the statutory or rule definition shall control. For all remaining terms, which are not defined by statute or rule, those terms shall have their ordinary meaning. Should any further definition be needed, the Parties agree that the meanings shall be those contained in the current version (as of the time the dispute or question arises) of Black's Law Dictionary, and if not defined therein, then of a published unabridged modern American English Language Dictionary published since the year 2000.

6.0 Audit Requirements

The County shall furnish to the State Auditor, upon his/her request, all books, records, and other information that the State Auditor needs to fully account for the use and expenditure of state funds in accordance with N.C.G.S. §147-64.7. Additionally, as the State funding authority, the Department of Health and Human Services shall have access to persons and records as a result of all contracts or grants entered into by State agencies or political subdivisions.

7.0 Record Retention

The County shall retain records at its own expense in accordance with applicable State and Federal laws, rules, and regulations. The County shall facilitate and monitor the compliance of its subcontractors with all applicable requirements of record retention and disposition.

In order to protect documents and public records that may be the subject of Department litigation, the Department shall notify the County of the need to place a litigation hold on those documents. The Department will also notify the County of the release of the litigation hold. If there is no litigation hold in place, the documents may be destroyed, disposed of, or otherwise purged through the biannual Records Retention and Disposition Memorandum from the Department's Controller's Office.

8.0 Liabilities and Legal Obligations

Each party hereto agrees to be responsible for its own liabilities and that of its officers, employees, agents or representatives arising out of this MOU. Nothing contained herein is intended to alter or change the relationship of the parties as defined under the laws of the State of North Carolina.

9.0 Confidentiality

Any medical records, personnel information or other items exempt from the NC Public Records Act or otherwise protected by law from disclosure given to the Department or to the County under this MOU shall be kept confidential and not divulged or made available to any individual or organization except as otherwise provided by law. The Parties shall comply with all applicable confidentiality laws and regulations, including but not limited to the Health Insurance Portability and Accountability Act of 1996 (HIPAA), the administrative simplification rules codified at 45 Parts 160, 162, and 164, alcohol and drug abuse patient records laws codified at 42 U.S.C. §290dd-2 and 42 CFR Part 2, and the Health Information Technology for Economics and Clinical Health Act (HITECH Act) adopted as part of the American Recovery and Reinvestment Act of 2009 (Public Law 111-5).

10.0 Secretary's Authority Undiminished

Certain functions delegated to the County pursuant to this MOU are the duty and responsibility of the Department as the grantee of federal grant funds. The Parties understand and agree that nothing in this MOU shall be construed to diminish, lessen, limit, share, or divide the authority of the Secretary of the Department to perform any of the duties assigned to the Department or its Secretary by the North Carolina General Statutes, the terms and conditions of the federal funds and their applicable laws and regulations or other federal laws and regulations regarding any federal funding which is used by the Department to reimburse the County for any of its duties under this MOU.

11.0 MOU does not Diminish Other Legal Obligations

Notwithstanding anything to the contrary contained herein and to facilitate the mandated performance requirements of N.C. Gen. Stat. § 108A-74, the Parties acknowledge and agree that this MOU is not intended to supersede or limit, and shall not supersede or limit, the County's obligations to comply with all applicable: 1) federal and state laws; 2) federal and state rules; and 3) policies, standards, and directions of the Department, as all such currently exist and may be amended, enacted, or established hereafter.

12.0 Notice

The persons named below shall be the persons to whom notices provided for in this MOU shall be given. Either Party may change the person to whom notice shall be given upon written notice to the other Party. Any notice required under this MOU will only be effective if actually delivered to the parties named below. Delivery by hand, by first class mail, or by email are authorized methods to send notices.

For the Department of Health and Human Services, Division of Social Services

IF DELIVERED BY US POSTAL SERVICE	IF DELIVERED BY ANY OTHER MEANS
Wayne Black, Director,	Wayne Black, Director
Division of Social Services 2401 Mail Service Center Raleigh, NC 27699-2401	Division of Social Services NC DHHS Dorothea Dix Campus, McBryde Building Phone: 919-527-6338 Fax: 919-334-1018 Email wayne.black@dhhs.nc.gov

For the County:

IF DELIVERED BY US POSTAL SERVICE	IF DELIVERED BY ANY OTHER MEANS

13.0 Responsibilities of the Department

The Department hereby agrees that its responsibilities under this MOU are as follows:

- (1) The Department shall develop mandatory performance requirements for each social services program based upon standardized metrics utilizing reliable data. The mandated performance requirements are identified in Attachments I through X.
- (2) The Department shall provide supervision, program monitoring and technical assistance to the counties in the administration of social services programs.
- (3) The Department shall provide leadership and coordination for developing strategies that address system-level barriers to the effective delivery of social services programs, including but not limited to: the Administrative Office of Courts, the LME/MCO, Department of Public Instruction, and the Department of Public Safety.
- (4) The Department shall have the following administrative responsibilities:
 - a. Staff Training and Workforce Development:
 - i. Develop training requirements for county personnel and provide guidance for adequate staffing patterns related to the provision of social services programs. The Department will publish annually, a list of required and recommended trainings for county personnel directly involved in the administration of social services programs covered under this MOU.

- ii. Develop training curricula and provide, timely, adequate access to statewide training opportunities for county personnel related to the provision of social services programs. Training opportunities may include in-person, self-guided, web-based and remotely facilitated programs.
 - iii. The Department will publish a training calendar, at least quarterly, notifying the counties of training opportunities.
 - iv. Provide timely written guidance related to new federal or state statutes or regulations. The Department will provide information in advance of the effective date of new policy to the extent possible, including interpretations and clarifications of existing policy.
 - v. Provide technical assistance and training in areas where quality control, monitoring or data indicates a lack of correct application of law, rule or policy.
- b. Compliance Monitoring:
- i. Evaluate county compliance with applicable federal and state laws, rules and policies.
 - ii. Provide feedback to counties with recommended changes when necessary.
 - iii. Monitor county compliance with federal and state law, rule and policy.
 - iv. Monitor all financial resources related to the provision of social services programs covered by this MOU are utilized by the county in compliance with applicable federal and state laws.
- c. Data Submission:
- i. Maintain and review data submitted by counties pursuant to the mandatory performance requirements.
 - ii. Provide counties with reliable data (related to accuracy and timeliness of programs in accordance with state and federal program guidelines. This includes but is not limited to processing applications and recertification, quality control standards, program statistics and fiscal information.
 - iii. The Department shall be responsible for the maintenance and functionality of its information systems utilized in the statewide administration of social services programs covered by this MOU.
- d. Communication:
- i. Provide counties with clarification or explanation of law, rule or policy governing social services programs when necessary or as requested.
 - ii. Disseminate policy on social services programs and provide counties with timely information on any updates to policy.
 - iii. Provide timely information to counties on any changes to federal law or policy made known to the Department.
 - iv. Provide counties with a timely response to requests for technical assistance or guidance.
 - v. Maintain all policies covering social services programs in a central, accessible location. Policies will be updated, to the extent possible, in advance of the effective date of any new policies or policy changes.
 - vi. Provide counties with an opportunity to submit questions, concerns and feedback related to the administration of social services programs to the Department and provide County a timely response to such communication.
 - vii. Communicate proactively with the County Director of Social Services on matters that affect social services programs covered under this MOU.
 - viii. Communicate directly with the County Manager, Governing Boards, and the County Director of Social Services on matters including but not limited to,

corrective action, and significant changes to law, rule and policy that impact the administration of social services programs covered by this MOU.

- e. Inter-agency Coordination:
 - i. Provide guidance to counties in the event they are unable to reach a resolution on a conflict of interest that arises related to the provision of social services programs covered by this MOU.
 - ii. Provide guidance for county DSS personnel on federal and state Emergency Management, mass shelter, Business Continuity Plan (BCP) and Continuity of Operations Plan (COOP) requirements.
 - iii. Coordinate with and communicate to county DSS agencies available and required training opportunities associated with DSS Mass Shelter, BCP and COOP responsibilities.
 - iv. Assist and support counties as needed in implementation of operational functions of mass shelter operations and as needed during other emergencies as they arise.

(5) The Department shall timely meet all of its responsibilities contained in this MOU. "Timely" shall be defined consistent with timeliness requirements set forth in relevant statute, regulation, policy. Where timeliness is not otherwise defined, "timely" shall mean within a reasonable time under the circumstances.

14.0 Responsibilities of the County

The County hereby agrees that its responsibilities under this MOU are as follows:

- (1) The County shall adhere to the mandated performance requirements for each social services program as identified in Attachments I through X.
- (2) The County shall comply with the following administrative responsibilities
 - a. Staff Requirements and Workforce Development:
 - i. The personnel, including new hires and existing staff, involved in the County's provision of social services programs covered by this MOU shall complete all required and necessary training, which is documented as required by federal and state law and policy.
 - b. Compliance:
 - i. Perform activities related to its social services programs in compliance with all applicable federal and State laws, rules, regulations and policies. Nothing contained herein is intended to, nor has the effect of superseding or replacing state law, rules or policy related to social services programs.
 - ii. Develop and implement internal controls over financial resources related to the County's social services programs to ensure that all financial resources are used in compliance with applicable federal and state laws.
 - iii. Provide and adhere to corrective action plans as required based on monitoring findings and the Single Audit.
 - c. Data Submission:
 - i. Maintain accurate, thorough records of all social services programs covered by this MOU, in particular, records related to the mandated performance requirements that can be accessed for the purpose of data collection, service provision, monitoring or consultation
 - ii. Ensure reliable data entry into state systems utilized for the administration of social services programs covered under this MOU.

- iii. Provide, upon request, data to the state for the purpose of, but not limited to, conducting monitoring, case file reviews, error analysis and quality control.
 - iv. Utilize data to understand the performance of their county and to conduct analysis and implement changes where needed if measures are not being accomplished.
- d. Communication:
- i. Respond and provide related action in a timely manner to all communications received from the Department.
 - ii. Provide timely information on all matters that have a potential negative impact on the social services programs they administer, including but not limited to, litigation risks (not including child welfare cases governed by Chapter 7B or adult services cases governed by Chapter 35A or 108A), network and computer issues, or data breaches.
 - iii. Provide timely information regarding temporary or permanent changes to the Social Services Governing Board. or the County Social Services Director, including retirements, separations, or any leave of absences greater than two calendar weeks.
- e. Inter-agency Cooperation:
- i. Ensure that county social services personnel complete required training and are prepared to engage in Disaster Management, mass shelter, BCP and COOP operations.
 - ii. Ensure that all plans and systems are in place to meet potential disaster (natural, technical, otherwise) response requirements.
 - iii. Engage with DHHS, state Emergency Management and local leadership in associated efforts.
 - iv. Assist or operate mass shelter operations or other required disaster management responsibilities.
- (3) The County shall timely meet all its responsibilities contained in this MOU. "Timely" shall be defined consistent with timeliness requirements set forth in relevant statute, regulation, policy or as otherwise required by the Department. If timeliness is not otherwise defined, "timely" shall mean within a reasonable time under the circumstances.

15.0 Data Security and Reporting

Data Security: The County shall adopt and apply data privacy and security requirements to comply with all applicable federal, state, department and local laws, regulations, and rules. To the extent that the Department and the county have already entered into one or more data privacy agreements covering all or any portion of the work to be performed under this MOU, the Parties hereby adopt and incorporate such agreements by reference into this MOU as if fully set forth herein.

Duty to Report: The County shall report all privacy and security incidents related to the provision of social services programs covered by the MOU to the Department's Contract Administrator and the Privacy and Security Office within twenty-four (24) hours after the privacy and security incident is first discovered, provided that the County shall report a breach involving Social Security Administration data or Internal Revenue Service data within one (1) hour after the incident is first discovered. During the performance of this MOU, the County is to notify the Department contract administrator of any contact by the federal Office for Civil Rights (OCR) received by the County related to the provision of social services programs

covered by the MOU. In case of a privacy and security incident, the County, including any subcontractors or agents it retains, shall fully cooperate with the Department.

16.0 Miscellaneous

Choice of Law: The validity of this MOU and any of its terms or provisions, as well as the rights and duties of the parties to this MOU, are governed by the laws of North Carolina. The Parties, by signing this MOU, agrees and submits, solely for matters concerning this MOU, to the exclusive jurisdiction of the courts of North Carolina and agrees, solely for such purpose, that the exclusive venue for any legal proceedings shall be Wake County, North Carolina. The place of this MOU and all transactions and agreements relating to it, and their situs and forum, shall be Wake County, North Carolina, where all matters, whether sounding in contract or tort, relating to the validity, construction, interpretation, and enforcement shall be determined.

Amendment: This MOU may not be amended orally or by performance. Any amendment must be made in written form and executed by duly authorized representatives of the Department and the County. The Parties agree to obtain any necessary approvals, if any, for any amendment prior to such amendment becoming effective. Also, the Parties agree that legislative changes to state law shall amend this MOU by operation of law to the extent affected thereby.

Effective Date: This MOU shall become effective July 1, 2018 and shall continue in effect until June 30, 2019.

Signature Warranty: Each individual signing below warrants that he or she is duly authorized by the party to sign this MOU and to bind the party to the terms and conditions of this MOU.

Watauga County

BY: _____
Name

BY: _____
Name

TITLE: _____

TITLE: _____

County: _____

County: _____

DATE: _____

DATE: _____

Witness: _____

Witness: _____

North Carolina Department of Health and Human Services

BY: _____
Secretary, Department of Health and Human Services

DATE: _____

**ATTACHMENT I — MANDATED PERFORMANCE REQUIREMENTS:
Child Welfare - CPS Assessments**

	Performance Measure	Authority for the performance measure
1	The County will initiate 95% of all screened-in reports within required time frames	NC General statute 7B.302; 10A NCAC 70A .0105; Chapter VIII: Child Protective Services, Section 1408 - Investigative & Family Assessments
2	For all children who were victims of maltreatment during a twelve month period, no more than 9% received a subsequent finding of maltreatment	CFSR; Safety Outcome 1: Children are, first and foremost, protected from abuse and neglect.

**ATTACHMENT II— MANDATED PERFORMANCE REQUIREMENTS:
Child Welfare - Foster Care**

	Performance Measure	Authority for the performance measure
1	The County will document permanency goals for 95% of foster youth within 60 days of a child entering custody or for whom the county has placement authority.	1201 Child Placement Services - Chapter VIII Case Reviews: B-Required Time Frames for Case Reviews
2	The County will ensure that 95% of all foster youth have face-to-face visits by the social worker each month.	1201, Chapter V., Out of Home Placement Family Services Improvement Act of 2006 (Public Law 109-288) Title IV B

The below system performance measures require county and state level system collaboration and improvements to successfully meet targets.

	System Performance Measure	Authority for the system performance measure
1	The County will provide leadership for ensuring that 41% of children who enter foster care in a 12-month period are discharged to permanency within 12 months of entering foster care. DHHS will work with each county to identify growth targets.	CFSR: Permanency Outcome 1: Children have permanency and stability in their living situations.
2	The County will provide leadership for ensuring that of children who enter foster care in a 12-month period who were discharged within 12 months to reunification, kinship care, guardianship, or adoption, no more than 8.3% re-enter foster care within 12 months of their discharge. DHHS will work with each county to identify growth targets.	CFSR: Safety Outcome 1: Children are, first and foremost protected from abuse and neglect
3	The County will provide leadership for ensuring that of all children who enter foster care in a 12-month period in the county, the rate of placement moves per 1000 days of foster care will not exceed 4.1%. DHHS will work with each county to identify growth targets.	1201 Child Placement Services - Chapter IV Placement Decision Making: C-Maintaining One Single Stable Foster Care Placement CFSR: Permanency Outcome 1: Children have permanency and stability in their living situations.

**ATTACHMENT III— MANDATED PERFORMANCE REQUIREMENTS:
Child Support**

	Performance Measure	Authority for the performance measure
1	The county will achieve its given annual percentage of paternities established for children born out of wedlock.	Section 342. "FEDERAL AND STATE REVIEWS AND AUDITS," of PRWORA, Section 454 of Title IV-D of the Social Security Act; 42 U.S.C. 658a. P.L. 105-200 NCGS 110- 129.1 Chapter B, Topic 09, Section B - Incentives Overview, Section C - Performance Factors and Incentives
2	The county will achieve its given annual percentage of child support cases that are under an order.	Section 342. "FEDERAL AND STATE REVIEWS AND AUDITS," of PRWORA, Section 454 of Title IV-D of the Social Security Act; 42 U.S.C. 658a. P.L. 105-200 NCGS 110- 129.1 Chapter B, Topic 09, Section B - Incentives Overview, Section C - Performance Factors and Incentives
3	The county will achieve its given annual percentage of current child support paid.	Section 342. "FEDERAL AND STATE REVIEWS AND AUDITS," of PRWORA, Section 454 of Title IV-D of the Social Security Act; 42 U.S.C. 658a. P.L. 105-200 NCGS 110- 129.1 Chapter B, Topic 09, Section B - Incentives Overview, Section C - Performance Factors and Incentives
4	The county will achieve its given annual percentage of cases that received a payment towards arrears.	Section 342. "FEDERAL AND STATE REVIEWS AND AUDITS," of PRWORA, Section 454 of Title IV-D of the Social Security Act; 42 U.S.C. 658a. P.L. 105-200 NCGS 110- 129.1 Chapter B, Topic 09, Section B - Incentives Overview, Section C - Performance Factors and Incentives
5	The county will meet its annual goal of total child support collections.	Section 342. "FEDERAL AND STATE REVIEWS AND AUDITS," of PRWORA, Section 454 of Title IV-D of the Social Security Act; 42 U.S.C. 658a. P.L. 105-200 NCGS 110- 129.1 Chapter B, Topic 09, Section B - Incentives Overview, Section C - Performance Factors and Incentives

**ATTACHMENT IV— MANDATED PERFORMANCE REQUIREMENTS:
Energy Programs**

	Performance Measure	Authority for the performance measure
1	The County will process 95% of Crisis Intervention Program (CIP) applications within one (1) business day for applicants with no heat or cooling source.	Energy Program Manual Section 400.03 d Federal Requirement 42 USC8621-8630 NC State Rule 10A N.C.A.C ch. 71V
2	The County will process 95% of Crisis Intervention Program (CIP) applications within two (2) business days of the application date for applicants who have a heat or cooling source.	NC Energy Programs Manual Section 400.03 A.2.d. Federal Requirement 42 USC8621 -8630 NC State Rules 10A N.C.A.C ch. 71V

**ATTACHMENT V— MANDATED PERFORMANCE REQUIREMENTS:
Work First**

	Performance Measure	Authority for the performance measure
1	The County will collect documentation from 50% of all Work-Eligible individuals that demonstrates completion of the required number of hours of federally countable work activities.	Work First Manual Section 001 Manual Section 003 TANF State Plan FFY 2016 - 2019 NC GS 108A-27.2(10) NC GS 108A-27.6(1) NC GS 108A-27.13(a) NC GS 108A-27.14(a) NC GS 108A-27.14(b)
2	The County will collect documentation from 90% of two-parent families with Work Eligible individuals that verifies that they have completed the required number of hours of federally countable work activities.	Work First Manual Section 001 Work First Manual Section 003 TANF State Plan FFY 2016 - 2019 NC GS 108A-27.2(10) NC GS 108A-27.6(1) NC GS 108A-27.13(a) NC GS 108A-27.14(a) NC GS 108A-27.14(b)
3	The County will process 100% Work First applications within 45 days of receipt.	Work First Manual Section 104 TANF State Plan FFY 2016 - 2019 NC GS 108A-31
4	The County will process 100% Work First recertifications no later than the last day of the current recertification period.	Work First Manual Section 104 TANF State Plan FFY 2016 - 2019 NC GS 108A-31

**ATTACHMENT VI— MANDATED PERFORMANCE REQUIREMENTS:
Food and Nutrition Services**

	Performance Measure	Authority for the performance measure
1	The County will process 95% of expedited FNS applications within 4 calendar days from the date of application.	FNS Manual Section 315 FNS_AL_1-2015 Federal Requirement 7 CFR 273.2
2	The County will process 95% of regular FNS applications within 25 days from the date of application.	FNS Manual Section 315 FNS_AL_1-2015 Federal Requirement 7 CFR 273.2
3	The County will ensure that 95% of FNS recertifications are processed on time, each month.	FNS Manual Section 425 Federal requirement 7 CFR 273.2
4	The County will ensure that 100% of Program Integrity claims are established within 180 days of the date of discovery.	FNS Manual Section 800 Federal Requirement 7 CFR 273.18

**ATTACHMENT VII— MANDATED PERFORMANCE REQUIREMENTS:
Adult Protective Services (APS)**

	Performance Measure	Authority for the performance measure
1	The County will complete 95% of APS evaluations involving allegations of abuse or neglect within 30 days of the report.	NCGS § 108A-103 (d) (4)
2	The County will complete 85% of APS evaluations involving allegations of exploitation within 45 days of the report.	NCGS § 108A-103 (d) (4)

**ATTACHMENT VIII— MANDATED PERFORMANCE REQUIREMENTS:
Special Assistance (SA)**

	Performance Measure	Authority for the performance measure
1	The County will process 85% of Special Assistance for the Aged (SAA) applications within 45 calendar days of the application date.	10A NCAC 71P .0604; SA Policy 3110 II. D. 2.
2	The County will process 85% of Special Assistance for the Disabled (SAD) applications within 60 calendar days of the application date.	10A NCAC 71P .0604; SA Policy 3110 II. D. 2.

**ATTACHMENT IX— MANDATED PERFORMANCE REQUIREMENTS:
Child Care Subsidy**

	Performance Measure	Authority for the performance measure
1	The County will process 95% of Child Care Subsidy applications within 30 calendar days of the application date.	North Carolina Subsidized Child Care Assistance policy

ATTACHMENT X— CORRECTIVE ACTION

The following steps for corrective action covering this MOU do not impact or change any Program Improvement Plan or Corrective Action Plan between the Department and a County or County Department of Social Services that is in effect as of July 1, 2018.

Further, the Department will not take any action towards developing a Performance Improvement Plan or Corrective Action Plan related to the performance requirements contained within this MOU for a County or County Department of Social Services until January 1, 2019.

1. Non-Compliance with performance requirements or terms of the MOU

- a. In the event a County Department of Social Services (County DSS)** fails to satisfy a performance requirement for three consecutive months or fails to comply with a term of this MOU, the Department will provide the County DSS with written notification identifying the relevant performance requirement or term and how the County DSS failed to satisfy it.
- b. Upon receipt of notification, the County DSS shall promptly provide the Department with written acknowledgment of receipt.
- c. If the County DSS does not agree that it failed to satisfy the performance requirement or comply with the terms of the MOU, it shall set forth, in writing, the basis for its disagreement. If the County DSS believes its failure to adhere to a mandated performance requirement or term of this MOU is due in whole or in part upon the failure of the Department to meet any of its responsibilities under this MOU or other external factors (i.e., limited court dates, continuances, etc.), the County DSS shall set forth in writing how the failure of the Department or external factors to meet its responsibility to the County DSS significantly contributed to the inability of the County DSS to meet the mandated performance standard or other term of this MOU. This notice shall be received by the Department, along with all supporting documentation, within 10 business days of the County DSS' receipt of the Department's written notification of non-compliance.
- d. If written notice is received in accordance with subsection (c) of this section, the Department will provide the appropriate division director with the all documentation received. Following a review of all documentation, the division director will provide the county with a decision to proceed in developing the performance improvement plan or to rescind the notice of non-compliance.

2. Performance Improvement Plan

- a. The County DSS and Department shall work together to develop a performance improvement plan to address the non-compliance. The Parties will consider and address the County DSS's written disagreement with the identified non-compliance, if any, in the development of the performance improvement plan.
- b. The performance improvement plan shall include, at a minimum:
 - i. The role and responsibility of DHHS in providing support to the County DSS to address the non-compliance.
 - ii. The specific actions the County DSS will take to address the non-compliance and ensure ongoing compliance.

- c. The performance improvement plan shall be signed by the Department and the County DSS Director. A copy of the performance improvement plan will be sent to the chair of the DSS Governing Board.

3. Continued Non-Compliance

- a. In the event a County DSS continues to fail to satisfy a performance requirement or comply with the terms of the MOU for an extended period of time and is not meeting the terms of the performance improvement plan, the County DSS and the Department will enter into a corrective action plan, not to exceed a period of twelve months. An extended period of time is defined as three consecutive months, or five months out of a twelve-month period measured beginning with the first month after which the performance improvement plan is signed.
- b. The corrective action plan shall include, at a minimum:
 - i. A strategy to ensure regular supervisory oversight of the social services program at issue;
 - ii. A detailed strategy to ensure the issue central to the non-compliance is addressed and corrected;
 - iii. A strategy to ensure program and case documentation is both sufficient and completed within time frames prescribed by law, rule or policy; and
 - iv. A plan for the continuous review of the corrective activities by both the County Director of Social Services, the County DSS Governing Board, and the Department.
- c. The corrective action plan will be signed by the Department and the County DSS Director. A copy of the corrective action plan will be sent to the Chair of the DSS Governing Board, the County Manager, and the Chair of the Board of County Commissioners.

4. Failure to Complete Corrective Action Plan/Urgent Circumstances

- a. In the event a County DSS fails to complete the corrective action plan or otherwise fails to comply with the terms of the corrective action plan, the Department may exercise its authority under the law, and this MOU, to withhold federal and/or state funding.
- b. In circumstances of continuous extended non-compliance or other urgent circumstances, the Secretary may also exercise her statutory authority to assume control of service delivery in the County pursuant to N.C.G.S. 108A-74.

** In the event the performance requirement or term of the MOU falls outside of the authority of the County DSS, the notification of non-compliance will be sent to the County, and all subsequent steps contained herein shall be followed by the County.

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AGENDA ITEM 5:

PROPOSED ACCEPTANCE OF CLEAN WATER MANAGEMENT TRUST FUND (CWMTF) GRANT FOR WETLANDS CONSTRUCTION ON BROOKSHIRE ROAD

MANAGER'S COMMENTS:

In December 2017, an application was submitted by the County, as prepared by Blue Ridge Environmental Consultants (BREC), for Clean Water Management Trust Funds (CWMTF) to construct wetlands on the County's property on Brookshire Road.

The County received notice that the grant was awarded in the amount of \$365,000 with all matching funds to come from donation of easements, in-kind services, and BREC (private funds).

Board approval is required to accept the grant from the Clean Water Management Trust Funds in the amount of \$365,000.

**STATE OF NORTH CAROLINA
CLEAN WATER MANAGEMENT TRUST FUND
GRANT CONTRACT
(RESTORATION OF DEGRADED LANDS)**

CWMTF PROJECT NUMBER: 2017-425

GRANTOR: NC Clean Water Management Trust Fund (“Trust Fund” or “CWMTF”), a division of the Department of Natural and Cultural Resources (“DNCR”), acting through its Board of Trustees solely in its official capacity pursuant to Part 41, Article 2, Chapter 143B of the North Carolina General Statutes (“N.C.G.S.”)

CONTRACT ADMINISTRATOR: Stephen Bevington
Clean Water Management Trust Fund
1651 Mail Service Center
Raleigh, NC 27699-1651
Phone: 919.707.9128
Email: steve.bevington@ncdcr.gov

GRANT RECIPIENT: Watauga County, a North Carolina Local Government Unit (“Grant Recipient”)

CONTRACT ADMINISTRATOR: Joe Furman, Planning Director
Watauga County
PO BOX 404
Boone, NC 28607
phone: (828) 264-3082
email: JOE.FURMAN@WATGOV.ORG

FISCAL YEAR END DATE: June 30

GRANT AWARD DATE: September 13, 2017 (the “Award Date”)

CONTRACT EFFECTIVE DATE: _____ (the “Effective Date”)

CONSTRUCTION CONTRACT DATE: September 13, 2018

CONTRACT EXPIRATION DATE: July 31, 2020 (the “Expiration Date”)

REIMBURSEMENT DATE: August 14, 2020

GRANT AMOUNT: up to \$365,000 (the “Grant”)

THIS GRANT CONTRACT (the “Grant Contract”) is made and entered into, as of the Effective Date by and between the Trust Fund and the Grant Recipient, both sometimes hereinafter referred to individually as a “Party” or collectively as the “Parties”.

WITNESSETH:

WHEREAS, the Grant Recipient submitted to the Trust Fund an application requesting financial assistance to engage in a project for restoring degraded lands in order to protect the quality of surface waters.

WHEREAS, the Trust Fund is authorized by N.C.G.S. Chapter 143B, Article 2, Part 41, to among other actions and activities, restore previously degraded lands to reestablish their ability to protect water quality, and acquire conservation easements or other interests in real property for protecting and conserving surface waters and drinking water supplies.

WHEREAS, the Grant Recipient is a qualified applicant as defined in N.C.G.S. §143B-135.238(a).

WHEREAS, at its meeting on the Award Date, the Trust Fund’s Board of Trustees approved a project based on the Grant Recipient’s application, and the Trust Fund is willing to provide financial assistance (the “Grant”) to the Grant Recipient pursuant to the terms and conditions set forth in this Grant Contract.

WHEREAS, the Grant Recipient agrees to conduct the project approved by the Trust Fund’s Board of Trustees for the purposes and according to the scope of work, conditions, and schedule in Exhibit A (the “Project”) and pursuant to the project budget in Exhibit B of this Grant Contract.

WHEREAS, the Parties desire to enter into this Grant Contract and intend to be bound by its terms.

NOW, THEREFORE, for and in consideration of the Grant, the mutual promises each to the other made, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties mutually agree as follows:

1. **Grant Documents.** The documents described below are hereinafter collectively referred to as the “Grant Documents.” In the case of conflict, specific and special terms, conditions and requirements shall have precedence over general terms, conditions and requirements. Upon execution and delivery of this Grant Contract, it and the other Grant Documents and items required hereunder will constitute a valid and binding agreement between the Parties, enforceable in accordance with the terms thereof. The Grant Contract constitutes the entire agreement between the Parties, superseding all prior oral and written statements or Grant Contracts. This Grant Contract shall not be amended orally or by performance but only through a written amendment duly executed by the Parties. Only changes deemed non-material in type at the discretion of the Trust Fund’s Executive Director may be made to the Grant Contract without the consent of the Trust Fund’s Board of Trustees.

The Grant Documents consist of:

- a. Cover page
- b. Grant Contract
- c. Exhibit A – Project Description, Water Quality Benefits, Scope of Work, Special Contract Conditions, and Schedule
- d. Exhibit B – Project Budget
- e. Exhibit C – CWMTF Pre-Disbursement Checklist
- f. Exhibit C.1 – Does not apply to this grant contract
- g. Exhibit C.2 – Does not apply to this grant contract
- h. Exhibit D – CWMTF Progress Report Form and CWMTF Final Report Form Links
- i. Exhibit E – CWMTF Invoice Form Links
- j. Exhibit F – Does not apply to this grant contract
- k. Exhibit G – Additional Definitions
- l. Exhibit H – General Terms and Conditions
- m. Exhibit I – Conservation Easements

2. **Purpose.** The purpose of the Grant is for restoring degraded lands in order to protect the quality of surface waters, more particularly described on Exhibit A (the “Project”). Grant funds may not be used for the purchase of improvements or for the removal of debris on any property, or for any other purpose not set forth herein. Further, Grant funds may not be used for any eminent domain litigation or any action or expenditure related to eminent domain, unless approved by the Trust Fund’s Board of Trustees in writing prior to the action. The Board of Trustees shall review requests to use Grant funds for eminent domain action on a case-by-case basis. The Grant Recipient shall provide such requests in writing.

3. **Trust Fund’s Duties.** Subject to the appropriation, allocation, and availability to CWMTF of Grant funds for the Project, CWMTF hereby agrees to pay the Grant funds to the Grant Recipient in accordance with the payment procedures set forth herein. Neither of the Parties is obligated to perform and the Grant Contract is not a binding agreement on all Parties until all Parties have executed the Grant Contract (inclusive of all exhibits), the Department of Natural and Cultural Resources has notified the Trust Fund that funds for the Grant contemplated hereunder have been encumbered, and the Grant Recipient has received its counterpart original of the Grant Contract, fully executed and with all dates inserted where indicated on the cover page to the Grant Contract.

4. **Grant Recipient’s Duties.** The Grant Recipient shall carry out the Project pursuant to the terms of this Contract.

5. **Contract Period.** The Trust Fund’s commitment to disburse Grant funds under this Grant Contract shall cease on the Reimbursement Date. It is the responsibility of the Grant Recipient to ensure that the Project is completed by the Expiration Date and that all costs to be reimbursed have been submitted to the Trust Fund by the Reimbursement Date. After the Expiration Date, any Grant monies remaining under this Grant Contract will no longer be available to the Grant Recipient except to pay proper invoices for budgeted costs incurred by the Expiration Date and which are submitted to the Trust Fund no later than the Reimbursement Date. **The burden is on the Grant Recipient to request an extension of the Grant Contract if the Grant Recipient anticipates that the Project will not be completed by the Expiration Date.** The request for an extension must be a formal

one made in a writing addressed to the Trust Fund's Executive Director, giving complete details of the reasons why an extension is needed, and proposing a new expiration date for the Grant Contract. This written request must be submitted to and received by the Trust Fund's office at least **60 days** prior to the Expiration Date. Approval of any requested extension is at the sole discretion of the Trust Fund. The approval or denial of the requested extension will be based upon Project performance, among other factors. **The Trust Fund is not obligated to send reminders or other notification of an approaching Expiration Date.**

6. Permanent Protections on Properties of the Project Site.

a. Projects for Which Property Protections are Required. Real property on which CWMTF funds are to be used for construction must be protected permanently by legal instruments conforming to N.C.G.S. Chapter 121, Article 4, and N.C.G.S. Chapter 143B, Article 2, Part 41. The Grant Recipient shall so restrict, or cause to be restricted, uses of and activities on such real property by way of one or more permanent conservation agreements or by other instruments of property interest approved in writing by the Trust Fund. Such instruments of property interest must encumber real property essential to the Project, including necessary easements and rights of way. Real property essential to the Project, including necessary easements and rights of way, hereinafter is collectively referred to as the "Project Site," being the properties given in Schedule of Properties for Legal Protection of Riparian Buffers in Exhibit A.

b. Requirements for Instruments of Property Interest. Property interests acquired for the Project shall provide or conform to the following:

- i. Property interests shall assure undisturbed use and possession of the properties of the Project Site for the purpose of construction and operation of the Project and include other such restrictions as the Trust Fund deems necessary and satisfactory, in its sole discretion.
- ii. Property interests shall be permanent.
- iii. Property interests shall be approved as to form and content by the Trust Fund in writing.

c. Requirements for Holding of Property Interest. Property interests acquired for the Project shall be held by a party satisfactory to the Trust Fund, such party being identified as holder (as defined in NCGS Chapter 121, Article 4) in Exhibit A. If a holder of property interests acquired for this Project is not named in Exhibit A, or if the party named as holder in Exhibit A does not accept the role and responsibility of holder, the Grant Recipient shall name a party to serve as holder, subject to approval in writing by the Trust Fund.

d. Recordation of Instruments of Property Interest. The Grant Recipient shall provide to the Trust Fund a copy of instruments creating property interest obtained and recorded in connection with the Project Site. (The Trust Fund will disburse construction funds only after having received from the Grant Recipient a copy of each recorded instrument and associated documents set forth in Exhibit I.)

7. Pre-Disbursement Requirements. Prior to the disbursement of **any** Grant monies under this Grant Contract, the Grant Recipient shall deliver to the Trust Fund all of the documentation described on Exhibit C.

8. Disbursement of Grant Funds.

a. Proportionate Spending of Matching Funds. Grant monies are awarded based on a

commitment of matching funds to the Project. The Trust Fund's final, cumulative portion of the total Project cost will be no more than the percentage of funds originally committed to in the Grant Contract as given in Exhibit B. The Grant Recipient must demonstrate expenditure of matching funds as payments by the Trust Fund are requested.

b. Requests for Payment. The Trust Fund will disburse Grant funds following receipt by the Trust Fund's Contract Administrator of the Grant Recipient's requests for payment. Payment requests shall conform to the following:

- i. Payment requests shall be accompanied by appropriate itemized documentation supporting all expenses claimed and clearly identifying each expenditure for which payment is requested. Supporting documentation must be organized in a manner that clearly relates expenditures in the supporting documentation to the line items on the Payment Request form. Any request for payment that does not clearly identify each expenditure or does not relate each expenditure to the line items on the payment request form will not be processed and will be returned to the Grant Recipient for correction and resubmittal.
- ii. Payment requests shall identify all amounts of sales tax for which the Grant Recipient and/or its vendors have or will obtain payment from the North Carolina Department of Revenue. The Trust Fund will not reimburse the Grant Recipient for such amounts.
- iii. Each request for payment shall include a progress report, using the appropriate Progress Report form, available on CWMTF's website (cwmtf.nc.gov) and on the CWMTF grant management system (GMS), describing work accomplished on the Project and progress toward completing the Project Scope of Work.
- iv. A signed cover letter requesting reimbursement and stating that the Grant Recipient complied with all terms of this Grant Contract in incurring the expenses.
- v. A completed and signed Payment Request form, using the template Payment Request form in Exhibit E.

c. Alternate Disbursement of Grant Funds. The Trust Fund may, upon request by the Grant Recipient, disburse Grant funds prior to the Grant Recipient's actual payment to its vendors if such expenditures are documented by vendors' third-party invoices. In order for the Trust Fund to disburse Grant funds to the Grant Recipient based on unpaid third-party invoices, the Grant Recipient must submit the following documentation:

- i. A signed cover letter requesting reimbursement and stating that the Grant Recipient complied with all terms of this Grant Contract in incurring the expense, reviewed and has approved the unpaid third-party invoice, and certifies to the Trust Fund that the unpaid third-party invoice will be paid within three (3) working days of receipt of the disbursed Grant funds.
- ii. Payment requests shall be accompanied by appropriate itemized documentation supporting all expenses claimed and clearly identifying each expenditure for which payment is requested. Supporting documentation must be organized in a manner that clearly relates expenditures in the supporting documentation to the line items on the Payment Request form. Any request for payment that does not clearly identify each expenditure or does not

relate each expenditure to the line items on the payment request form will not be processed and will be returned to the Grant Recipient for correction and resubmittal.

- iii. Payment requests shall identify all amounts of sales tax for which the Grant Recipient and/or its vendors have or will obtain payment from the North Carolina Department of Revenue. The Trust Fund will not reimburse the Grant Recipient for such amounts.
- iv. Each request for payment shall include a progress report, using the appropriate Progress Report form available on CWMTF's website (cwmtf.nc.gov) and on the CWMTF grant management system (GMS), describing work accomplished on the Project and progress toward completing the Project Scope of Work.
- v. A completed and signed Payment Request form, using the template Payment Request form in Exhibit E.

The Grant Recipient will confirm in writing to the Trust Fund that the required payment has been made within thirty (30) days of payment.

d. Limited Grant Funds Disbursement in January, June, July, and December. Funds will not be disbursed during the first week of January, the last three weeks of June, the first week of July, and the last two weeks of December.

e. Certification by Licensed Professional. At the option of the Trust Fund, payments may be made only on the certificate and seal of an appropriately qualified licensed professional (e.g., licensed Professional Engineer) that the work for which the payment is requested has been completed in accordance with approved plans and specifications, to which certificate shall be attached an estimate by the construction contractor setting forth items to be paid out of the proceeds of each such payment. The Trust Fund, at its option, may further require a certificate from such appropriately qualified licensed professional that the portion of the Project completed as of the date of the request for payment has been completed according to schedule and otherwise as approved by the Trust Fund and according to applicable standards and requirements. However, the Trust Fund may, at its discretion, make payments without requiring such certificates or construction contractor's estimate, in which event the Grant Recipient shall furnish the Trust Fund a list of and the amounts of items to be paid out of the payment, or such other evidence as the Trust Fund may require.

f. Payment Based on Progress. The Grant Recipient agrees to proceed with diligence to complete the Project according to the schedule set out in Exhibit A and shall show appropriate progress prior to each payment. Payment may be withheld or delayed if Grant Recipient fails to make progress on the Project satisfactory to the Trust Fund. Amounts withheld shall be reimbursed with subsequent payments in the event that Grant Recipient is able to demonstrate an ability to resume satisfactory progress toward completion of the Project.

g. Proof of Payment. The Grant Recipient agrees to pay, as the work progresses, all bills for expenses incurred on the Project and agrees to submit to the Trust Fund all such receipts, affidavits, canceled checks, or other evidences of payment as may be requested from time to time and, when and if requested by the Trust Fund, to furnish adequate proof of payment of all indebtedness incurred on the Project.

h. The Trust Fund Retaining Portion of Funds until Project Completion. The Trust Fund will withhold payment from the Grant Recipient in the amount of **\$25,000** of the Grant until the Grant Recipient has satisfactorily submitted its grant contract final report.

i. No Excess Costs. The Trust Fund agrees to pay or reimburse the Grant Recipient only for costs actually incurred by the Grant Recipient that do not exceed the funds budgeted for the Project on Exhibit B.

j. Period for Incurring Expenditures. The Trust Fund will reimburse the Grant Recipient for allowable Project expenditures that are incurred by the Grant Recipient or its vendors only during the period between the Award Date and the Expiration Date of the Grant Contract. The Trust Fund will not reimburse the Grant Recipient for Project expenditures that are not incurred during this period.

k. Costs of Project Administration. The Trust Fund agrees to reimburse the Grant Recipient for administrative costs consisting only of costs of labor for administrative work conducted exclusively on this Project. The Grant Recipient's requests for such payment shall be made under the Project Administration line item of Exhibit B and shall conform to the following:

- i. Costs allowable under the Project Administration line item shall be only costs of labor needed to comply with the general conditions of the Grant Contract (e.g., progress reports, payment requests, preparing the grant contract final report, revisions to the Grant Contract). Allowable Project Administration labor costs may include any of the following:
 - a) Compensation to the Grant Recipient's employees, plus the Grant Recipient's cost of paying benefits on such compensation (i.e., employees' pay times an audited or auditable benefits multiplier);
 - b) Compensation to Grant Recipient's independent contractors (e.g., temporary office support), payable at the Grant Recipient's actual cost, without application of a benefits multiplier; and/or
 - c) Cost of professional services contracted by the Grant Recipient (e.g., engineering firm or consultant), payable at the Grant Recipient's actual cost.
- ii. Costs of any other work described in the Project Scope of Work in Exhibit A are not allowable under the Project Administration line item.

9. **Grant Withdrawal for Failure to Enter into a Construction Contract.** Pursuant to N.C.G.S. §143B-135.238(f), if the Project includes construction, this Grant award shall be withdrawn if the Grant Recipient fails to enter into a construction contract for the Project within one year after the Award Date, unless the Trust Fund's Board of Trustees finds that Grant Recipient has good cause for the failure. If the Trustees find good cause for Grant Recipient's failure, the Trustees must set a date by which Grant Recipient must take action or forfeit the Grant.

10. **Refunds, Reversion of Unexpended Funds, and Reduction of the Grant based on Construction Cost less than Budgeted Construction Cost.**

a. Refunds. The Grant Recipient shall repay to the Trust Fund any compensation it has received that exceeds the payment to which it is entitled herein, including any interest earned

on funds reimbursed pursuant to the Grant Contract.

b. Reversion of Unexpended Funds. Any unexpended Grant monies shall revert to the Trust Fund upon termination of the Grant Contract.

c. Reduction of the Grant based on Construction Cost less than Budgeted Construction Cost. The Trust Fund may reduce the Grant amount if the Grant Recipient expects actual construction costs to be less than budgeted construction costs, as follows:

- i. The Grant Recipient shall provide to the Trust Fund construction contract pricing information consisting minimally of a statement of the scope of the construction work, agreed-upon constructor or vendor pricing for the construction work, and a total anticipated construction cost based on the pricing.
- ii. The Grant Recipient shall deliver the construction contract pricing information to the Trust Fund's Contract Administrator within thirty (30) days of executing a construction contract for the Project.
- iii. The Trust Fund may, at its discretion after comparing the total anticipated construction cost with the Grant Contract project budget, choose to reduce the Grant. If the Trust Fund chooses to reduce the Grant, the Trust Fund's Contract Administrator will prepare an amendment to the Grant Contract for this purpose, and the Trust Fund will approve requests for reimbursement of the Grant Recipient's construction costs only after the amendment has been signed by both the Grant Recipient and the Trust Fund.

11. **Reporting Requirements.**

a. Project Progress Reports. The Grant Recipient shall submit a written detailed narrative progress report describing the work accomplished on the Project and progress toward meeting the Project objectives to the Trust Fund's Contract Administrator, every three months beginning three months from the Effective Date. Progress reports shall be submitted on the appropriate Report Form available on CWMTF's website (cwmtf.nc.gov) and on the CWMTF grant management system (GMS)

b. Grant Contract Final Report. The Grant Recipient shall submit to the Trust Fund's Contract Administrator a Grant Contract final report providing the information items listed on the Contract final report form, available on CWMTF's website (cwmtf.nc.gov) and on the CWMTF grant management system (GMS), and according to the schedule given in Exhibit A. If the Grant Contract final report is not acceptable to the Trust Fund, the Trust Fund shall return it to the Grant Recipient for revision. Final payment will not be made until the Grant Contract final report is acceptable to the Trust Fund.

c. Other Required Reporting. In addition to the reporting requirements contained herein, NCGS §143C-6-22 and NCGS §143C-6-23 and 09 North Carolina Administrative Code 03M may place certain reporting requirements on local governments or other political subdivisions of the State of North Carolina, or a combination of such entities, which receive State funds through the disbursement of special appropriations. All such required reports shall be filed in the format required by the North Carolina Office of the State Auditor, and shall be forwarded as follows:

- i. One copy to: North Carolina Office of the State Auditor, 20601 Mail Service Center, Raleigh, NC 27699-0601
- ii. One copy to: DNCR/Office of the Controller, 4601 Mail Service Center, Raleigh, NC 27699-4601
- iii. One copy to: Administrative Officer, North Carolina Clean Water Management Trust Fund, 1651 Mail Service Center, Raleigh, NC 27699-1651.

12. **Notice; Contract Administrators.** All notices, requests or other communications permitted or required to be made under this Grant Contract or the other Grant Documents shall be given to the respective Contract Administrator. Notice shall be in writing, signed by the Party giving such notice. Notice shall be deemed given three (3) business days next following the date when deposited in the mail, postage prepaid, registered or certified mail, return receipt requested.

13. **Signature Warranty.** Each individual signing below warrants that he or she is duly authorized to sign this Contract for the respective party, and to bind said party to the terms and conditions of this Grant Contract.

(The remainder of this page is intentionally left blank)

IN WITNESS WHEREOF, the Grant Recipient and the Trust Fund have executed one original of this Grant Contract as of the Effective Date. One original shall be retained by the Trust Fund and a copy of the original will be sent to the Grant Recipient. If there is any controversy among the documents, the document on file in the Trust Fund’s office shall control.

GRANT RECIPIENT:

By: _____
Name: _____
Title: _____

[SEAL]

ATTEST:

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM:

County Attorney

TRUST FUND:

NORTH CAROLINA CLEAN WATER MANAGEMENT TRUST FUND

By: _____ (SEAL)
Name: E. Greer Cawood
Title: Chairman, Board of Trustees

By: _____ (SEAL)
Name: Walter Clark
Title: Executive Director

EXHIBIT A
CWMTF Project No. 2017-425

Stream of the Project site: UT TO SOUTH FORK OF THE NEW RIVER

Water bodies downstream: SOUTH FORK OF THE NEW RIVER

River basin: New

County: Watauga

Amount requested from CWMTF: \$452,500

CWMTF approved grant amount: up to \$365,000

Total matching contributions: \$352,519

Total project budget: \$717,519

Percent match: 49%

Grant award date: September 13, 2017

Resource Significance: The subject stream is classified by DEQ as Class “C” with the supplemental classification of Trout Waters indicating freshwaters which have conditions which may allow for trout propagation and survival on a year-round basis.

Project Site: This project site is a 1,200 linear foot reach of an unnamed tributary of the South Fork New River just outside of Boone NC. The site is on the grounds of a County owned park that includes a soccer complex and greenway.

Scope of Work:

- Prepare a detailed engineering design for 14 acres of wetland restoration/enhancement and for the restoration of 1,200 linear feet using natural channel design methodologies restoring stable channel pattern, profile and dimension
- Prepare permit application documents and obtain all applicable permits
- Negotiate, prepare and record conservation easements along the project length and surrounding wetlands
- Construct the wetland and stream restoration and the engineering design
- Oversee construction activities, manage the project in total and report to CWMTF
- Monitoring the site for bank stability and survival of plantings. Monitor the site for easement compliance

Stream Condition: The stream channel degraded and eroding due to past agricultural practices that straighten the stream and removed riparian vegetation. Small wet areas exist within the proposed wetland restoration area but much of that ground is open and drained field.

Water Quality Objectives: To restore the ability of damage of removed wetlands to treat runoff from surrounding area and to greatly reduce sediment pollution to trout waters.

Related Projects: There are several older CWMTF funded projects located near the proposed project site and a recently funded restoration project 2016-411 on the South Fork New is so close that the project easements may abut.

Conservation Easement information: Easement holder: Watauga County

Special Grant Contract Conditions:

1. The Grant Recipient shall provide or otherwise ensure that the matching funds identified in Exhibit B are provided to the project.
2. Stream restoration, enhancement, and stabilization designs and their implementation must provide for permanently vegetated riparian buffers and permanent legal protection of the riparian buffers in accordance with the following:
 - a. Riparian buffer widths, areas, and vegetation: Except as otherwise provided in these Special Contract Conditions, riparian buffers must be vegetated with protected existing vegetation and/or new planted vegetation established to become permanent over the entire buffer area in accordance with the following:
 - i. Widths and areas of riparian buffers: Estimated widths and areas of vegetated riparian buffers are given in the Schedule of Properties for Legal Protection of Riparian Buffers.

Schedule of Properties for Legal Protection of Riparian Buffers								
No.	Property Owner	PIN	Stream Right			Stream Left		
			Approx. Stream Frontage (LF)	Approx. Protected Buffer Width (feet)	Approx. Protected Buffer Area (acres)	Approx. Stream Frontage (LF)	Approx. Protected Buffer Width (feet)	Approx. Protected Buffer Area (acres)
1	Watauga County	29210298 38000	1,200	200	5.5	1,200	200	5.5
2	Watauga County	29119251 36000	0	0	0	0	0	0.9
3	Watauga County	29210066 76000	800			800		
Totals			2,000		5.5	2,000		6.4
Average protected buffer widths				200			125	

- ii. Woody vegetation along stream banks: Along restored streambanks and protected existing streambanks, native woody vegetation must be protected or established at a density such that vegetation will reach a survival rate of at least 320 trees per acre. Native woody vegetation must be protected or established from the top of each protected or restored streambank outward to widths of at least 30 feet perpendicular to the streambank.
 - b. Permanent legal protection of riparian buffers: Real properties on which vegetated riparian buffers are to be provided must be protected permanently by legal instruments conforming to N.C.G.S. Chapter 121, Article 4, and N.C.G.S. Chapter 143B, Article 2, Part 41 (see Exhibit I and Section 6 of this Grant Contract). Real properties of the Project Site and corresponding approximate land areas to be permanently protected are given in the Schedule of Properties for Legal Protection of Riparian Buffers.
3. The Grant Recipient shall be the holder of conservation easements acquired for the Project and is prepared to monitor conditions on the land addressed in the conservation easements at least annually, in perpetuity. The Grant Recipient shall:
 - i. Submit to the Trust Fund a letter of intent from each property owner indicating each owner's intent to enter into a permanent conservation easement to protect portions of properties needed to implement this Project. Such letters shall describe the property

and, to the extent practical, the portion of the property to be protected, shall state that the owner intends to enter into a permanent conservation easement to protect land that is part of the Project Site, and shall be signed by the property owner. The Grant Recipient shall submit the letters of intent to the Trust Fund. The Trust Fund will approve the Grant Recipient's requests for payment of any costs only after receiving such letters.

- ii. Prepare and execute a deed of conservation easement for each property and record each executed deed with the Watauga County Register of Deeds.
 - iii. Provide a copy of each recorded deed of conservation easement to the Trust Fund. The Trust Fund will approve the Grant Recipient's requests for payment of any costs for construction only after receiving all recorded deeds of conservation easement.
4. The Grant Recipient shall secure applicable Federal and State permits before the start of construction and submit copies of the permits to the Trust Fund. The Trust Fund shall approve requests for payment of the Grant Recipient's construction costs only after receiving copies of applicable Federal and State permits.
 5. In accordance with Water Quality Certification No. 3885, before construction begins, the Grant Recipient shall submit a Pre-Construction Notification (PCN) form and three (3) copies of the Project plans and specifications to the North Carolina Division of Water Resources (DWR) 401 Certification Program for review. The Grant Recipient shall follow the latest guidelines on DWR's website (<http://portal.ncdenr.org/web/wq/swp/ws/401>) for the types of information to submit to DWR for review. The Grant Recipient shall name the Trust Fund as the "agent" on the PCN form and shall send a copy of the PCN form to the Trust Fund at the same time the form is sent to DWR.
 6. In conducting this Project, the Grant Recipient shall employ principles for restoring streams that have been established by the DWR 401 Certification Program. The Grant Recipient shall work with staff of the DWR 401 Certification Program to provide a Project design that, to the extent practicable, re-establishes the structure, function, and self-sustaining behavior of the Project reach of stream to those that existed before the stream reach was disturbed. The Trust Fund will release funds for reimbursing the Grant Recipient for construction only after receiving a letter from the DWR 401 Certification Program stating that either: (a) the Project design is capable of restoring the stream reach, or (b) if, in the opinion of the DWR 401 Certification Program restoration of the full stream reach is not practicable, the Project design is capable of enhancing portions of the reach that cannot be restored. If DWR does not provide such a letter within 30 days from receiving the PCN and Project design (plans and specifications) from the Grant Recipient, then the Trust Fund will deem the design to meet the requirements of the DWR 401 Water Quality Certification Program. Definitions used by the DWR 401 Certification Program are given in Exhibit G.
 7. The following General Terms and Conditions in Exhibit H do not apply to this Grant Contract:
 - a. Paragraph A.4, Retention, Operation, Maintenance and Use
 8. The Grant Recipient to provide a set of design plans showing conservation easements from both the Project and the adjacent CWMTF project, CWMTF number 2016-411 (see Related Projects in above in this section).

Project Schedule:

1. **Construction Contract Date: September 13, 2018 (one year after the Contract Award Date).** Enter into a construction contract by this date for the work identified as construction in Exhibit A. Failure to enter into a construction contract by this date will result in withdrawal of the Grant, unless the Trust Fund's Board of Trustees has found the Grant Recipient had good cause for such failure and the Board of Trustees has set a date by which the Grant Recipient must take action.
2. **Contract Expiration Date: July 31, 2020.** Complete the Project Scope of Work and submit the Grant Contract Final Report (Grant Contract Section 11b and as otherwise specified in Exhibit A) by this date. The Trust Fund will not reimburse the Grant Recipient for Project costs incurred after this date.
3. **Reimbursement Date: August 14, 2020.** The Trust Fund must receive the Final Request for Payment for the Project by this date. The Trust Fund will not accept or process for payment any request for payment received after this date. The Trust Fund will not reimburse the Grant Recipient for costs incurred after the Contract Expiration Date.

EXHIBIT B
CWMTF Project No. 2017-425

Project Budget

Item	CWMTF Grant Funds ⁽¹⁾	Matching Funds ⁽²⁾	Total Item Budget
1. Design and permitting	\$100,000	\$65,000	\$165,000
2. Easement preparation and recordation	\$0	\$5,000	\$5,000
3. Construction administration/observation	\$0	\$5,000	\$5,000
4. Construction	\$265,000	\$35,000	\$ 0
5. Easement acquisition ⁽⁴⁾	\$0	\$0	\$ 0
6. Project administration	\$0	\$5,000	\$5,000
7. Value of easements to be donated ⁽⁴⁾	\$0	\$237,519	\$237,519
8. Construction contingency ⁽³⁾	\$0	\$0	\$ 0
Total Project Budget	\$365,000	\$352,519	\$717,519
% of Total Project Budget	51%	49%	100%

Notes:

(1) To obtain payment, the Grant Recipient must submit itemized documentation substantiating direct costs incurred in the implementing the project.

(2) Matching funds are contributed by:

Watauga County Donated easements; \$237,519

Watauga County Local government in-kind services; \$10,000

BREC (Private funds); \$105,000

(3) Construction contingency funds allow the project to cover unanticipated construction costs, often resulting from unexpected conditions encountered during construction. Construction contingency funds are not intended to be used for work that is not construction (e.g., design or construction administration) nor for construction that is not part of the project scope of work (e.g., add-on work). Construction contingency funds may be disbursed only after the Grant Recipient has demonstrated to the Trust Fund that it has expended 100 percent of funds in Construction line items, 100 percent of local matching funds, and at least 90 percent of all other matching funds, including matching grant and/or loan funds.

(4) The value of a conservation easement (or other legal instrument acceptable to the Trust Fund) donated to the project by a property owner or acquired by the grant recipient may be claimed as matching funds contributed to the project only after the Grant Recipient has provided to the Trust Fund all of the following information for that donated easement:

(a) calculated area of the easement,

(b) copy of the easement document as recorded by the county register of deeds, and

(c) basis for the claimed value of the easement, which may be in the form of:

- i. current property tax valuation assessed by the Watauga County Tax Assessor's Office showing total value of land and/or improvements, if any, with indicated year of the actual assessment. This option is available for land acquisitions for which the total price for any given parcel does not exceed \$100,000. An appraisal is required if the total value of any given parcel exceeds \$100,000. See additional details on appraisal requirements below.
- ii. if a recent appraisal has been prepared, the appraisal summary may be used, instead of the tax valuation.

Appraisal Requirements: Appraisals are required if the total value of any given parcel exceeds \$100,000 and must be satisfactory to the CWMTF, performed by an independent certified appraiser acceptable to the CWMTF, and consistent with regulations or policies of the State Property Office (SPO) and policies of the CWMTF, *specifically in the "complete summary appraisal" format in accordance with Uniform Standards of Professional Appraisal Practice (USPAP)*. Two (2) appraisals are required if the value of the property is greater than \$500,000.00. All appraisals should be forwarded to the CWMTF as soon as possible, but no later than 60 days prior to the anticipated closing date. The Appraisal should reflect the fair market value of the property. All Appraisals are subject to review by the SPO. At the discretion of the CWMTF, the grant recipient may be required to amend or update the Appraisal. The grant recipient specifically acknowledges that CWMTF's acceptance of the matching funds value for the land acquisition is contingent upon approval of the appraised value by the SPO. **All Appraisals must be ordered in consultation with the CWMTF's Real Property Agent in the State Property Office. Provide two (2) originals of each Appraisal obtained. CWMTF must be included as an authorized user of the Appraisal.**

EXHIBIT C
CWMTF Project No. 2017-425

Pre Fund Disbursement Checklist

Documents to Be Submitted to CWMTF Before any Funds will be Disbursed under the Grant

REQUIREMENT		DESCRIPTION/WHAT TO SUBMIT
Submit before first request for payment		
1	Authorization to Obligate	Written authorization from the governing board or other appropriate authority stating that it agrees to the obligations of Grant Recipient set out in this Grant Contract. (*See note below.)
2	Matching Funds	Proof of availability of matching funds included in the project budget. (**See note below.)
3	Easements and/or Declarations of Covenants	Letters of intent from property owners. Letter from the holder of the easements stating that it accepts this role and its responsibilities.
4	Documents in Exhibit A	Documents as identified in Exhibit A “Special Contract Conditions” (if any) as required prior to the release of CWMTF funds.
Submit before first request for construction payment		
5	Easements and/or Declarations of Covenants	Copies recorded easements and/or declarations of covenants for the properties in Schedule of Properties for Legal Protection of Riparian Buffers in Exhibit A. Each easement and each declaration of covenants is subject to review and acceptance by CWMTF.
6	Construction Permit(s)	Provide a copy of each applicable Federal or State permit issued for construction, or written documentation from the appropriate State agency that construction of the Project does not require a Federal or State permit.
7	Construction Contract Pricing Information	Within 30 days of executing a construction contract for the Project, submit construction contract pricing information consisting minimally of a statement of the scope of the construction work, agreed-upon constructor or vendor pricing for the construction work, and a total anticipated construction cost based on the pricing. (Refer to Section 10 of the Grant Contract.)
8	Documents in Exhibit A	Documents as identified in Exhibit A “Special Contract Conditions” (if any) as required prior to the release of CWMTF funds.
Submit before or accompanying request for final payment		
9	Grant Contract Final Report	Report per Grant Contract Section 11b.
10	Easements and/or Declarations of Covenants	Copies recorded easements and/or declarations of covenants for the properties in Schedule of Properties for Legal Protection of Riparian Buffers in Exhibit A. Each easement and each declaration of covenants is subject to review and acceptance by CWMTF.
11	Construction Permit(s)	Provide a copy of applicable Federal or State permits issued for construction, or written documentation from the appropriate State agency that construction of the Project does not require a Federal or State permit.
12	Documents in Exhibit A	Documents as identified in Exhibit A “Special Contract Conditions” (if any) as required prior to the release of CWMTF funds.

* Examples of proof of authorization to obligate include:

- Resolution of the governing board to obligate.
- Certified copy of board meeting minutes documenting giving of authority to obligate.

**Examples of proof of availability of matching funds include:

- Grants from other sources:
 - Copy of grant agreement.
 - Copy of grant award letter.
- Local agency matching funds:
 - Resolution of the governing board.
 - Budget showing allocation of matching funds to the Project, accompanied by a certified copy of board meeting minutes approving the budget or by a certified copy of board meeting minutes authorizing use of local matching funds for the Project.
 - Certified copy of board meeting minutes attesting to the use and amount of local funds for match.
 - Letters from other sources of matching funds attesting to contribution of the funds.
- Value of conservation easements to be donated:
 - Current properties' fair market tax valuations assessed by the county tax assessor's office, prorated to apply only to the areas of the permanent conservation easements to be recorded for this project, or
 - Appraisals, prepared and signed by a North Carolina-licensed appraiser, of the diminution of properties' fair market values as a result of being encumbered by permanent conservation easements required for this project.

EXHIBIT C.1

Does not apply to this grant contract

EXHIBIT C.2

Does not apply to this grant contract

EXHIBIT D

**CWMTF PROGRESS REPORT FORM AND
CWMTF GRANT CONTRACT FINAL REPORT FORM**

**Current forms are available on CWMTF's website (cwmtf.nc.gov) and on the
CWMTF grant management system (GMS)**

EXHIBIT E

CWMTF REQUEST FOR REIMBURSEMENT FORM

Current forms are available on CWMTF's website (cwmtf.nc.gov) and on the CWMTF grant management system (GMS)

EXHIBIT F

Does not apply to this grant contract

EXHIBIT G

ADDITIONAL DEFINITIONS

Unless indicated otherwise from context, the following terms shall have as their meanings in this Grant Contract the definitions set forth below. The definitions set forth in N.C.G.S. Chapter 143C shall apply to this Grant Contract except as otherwise provided herein below. The definitions provided by 09 N.C.A.C. 03M shall apply to this Grant Contract to the extent they are not in conflict with N.C.G.S. Chapter 143C or this Grant Contract. In the event of conflict, N.C.G.S. Chapter 143C shall control over 09 N.C.A.C. 03M, and this Grant Contract shall control over N.C.G.S. Chapter 143C.

1. “Grant Contract” means a legal instrument that is used to reflect a relationship between the Grantor and the Grant Recipient and is used interchangeably herein with the term “Contract”.
2. “Construction contract” means a legally binding agreement between the Grant Recipient and another party for implementing construction work described in the project scope of work given in Exhibit A.
3. “Enter into a construction contract” means signature of a construction contract by both the Grant Recipient and another party for the construction work described in the project scope of work given in Exhibit A.
4. “Grant” and “grant funds” as defined in N.C.G.S. §143C-6-23 means State funds disbursed as a grant by a State agency; however, the terms do not include any payment made by the Medicaid program, the State Health Plan for Teachers' and State Employees, or other similar medical programs. For purposes of this Grant Contract, both “grant” and “grant funds” shall be referred as the Grant which is provided to the Grant Recipient to carry out the objectives of the Grant Contract.
5. “Grantee” as defined in the N.C.G.S. § 143C-6-23 means a non-State entity that receives State funds as a grant from a State agency but does not include any non-State entity subject to the audit and other reporting requirements of the Local Government Commission. For purposes of this Grant Contract however, a “grantee” as defined in N.C.G.S. §143C-6-23 shall be referred to as the Grant Recipient and the term “grantee” shall mean and refer to an entity that is the recipient of an interest in real property.
6. “Grantor” means an entity that provides resources, generally financial, to another entity in order to achieve a specified goal or objective. For purposes of this Grant Contract, the Grantor is Clean Water Management Trust Fund.
7. “Stream enhancement” means the process of implementing certain stream rehabilitation practices in order to improve water quality and/or ecological function. These practices typically are conducted on the stream bank or in the flood prone area. An enhancement procedure may include fencing cattle out of a stream and re-establishing vegetation in order to provide streambank stability. These types of practices should be conducted only on a

stream reach that is not experiencing severe aggradation or erosion. Enhancement also may include placing in-stream habitat structures, provided that the in-stream structures do not affect the overall dimension, pattern, or profile of a stream that is in dynamic equilibrium.

8. “Stream restoration” means the process of converting an unstable, altered, or degraded stream corridor including adjacent riparian zone and flood prone areas, to its natural or referenced, stable conditions considering recent and future watershed conditions. This process also includes restoring the geomorphic dimension, pattern, and profile and biological and chemical integrity, including transport of water and sediment produced by the stream’s watershed in order to achieve dynamic equilibrium.
9. “Stream stabilization” means the in-place stabilization of a severely eroding streambank. Stabilization techniques that include “soft” methods or natural materials (such as root wads, rock vanes, and vegetated crib walls) may be considered as part of a restoration design. However, stream stabilization techniques that rely heavily on “hard” engineering, such as concrete-lined channels, rip rap, or gabions to stabilize streambanks will not be considered to be stream restoration or stream enhancement.
10. “State agency” shall mean a unit of the executive, legislative, or judicial branch of State government, such as a department, institution, division, commission, board, council, or The University of North Carolina. The term does not include a unit of local government or a public authority. For purposes of this Grant Contract, both the North Carolina Department of Natural and Cultural Resources and the Clean Water Management Trust Fund are State agencies.
11. "Subgrantee" as defined in N.C.G.S. §143C-6-23 means a non-State entity that receives State funds as a grant from a grantee, as defined in N.C.G.S. § 143C-6-23, or from another subgrantee, but does not include any non-State entity subject to the audit and other reporting requirements of the Local Government Commission. For purposes of this Grant Contract however, a “subgrantee” shall be referred to as a “sub-grant recipient.”

EXHIBIT H GENERAL TERMS AND CONDITIONS

A. Affirmative Covenants

1. Title. If the property right to be acquired is fee title, Grant Recipient shall acquire good and marketable title to the Property free and clear of any liens, other charges or encumbrances that would materially affect the use of the Property as intended under this Grant Contract.
2. No Mitigation. Grant Recipient shall not use the Property or any portion thereof to satisfy compensatory mitigation requirements under 33 USC § 1344 or N.C.G.S. §143-214.11.
3. Right of Entry and Inspections. The Grant Recipient shall permit CWMTF's representatives to enter the Property for inspection of the Property and to enter any other premises of the Grant Recipient associated with the activities of the Grant Recipient pursuant to the Grant, including to review books and records in any way related to the Grant or the Property.
4. Retention, Operation, Maintenance and Use.
 - (a) Grant Recipient agrees to complete the Project as approved by the Trust Fund. The descriptions, purpose, schedules, scope of work and budgets set out in Exhibits A and B, and accompanying or related plans, specifications, estimates, procedures and maps submitted to the Trust Fund by the Grant Recipient are the foundation of this Grant Contract. Only changes deemed non-material in type at the discretion of the Executive Director may be made without the consent of the Trust Fund's Board of Trustees.
 - (b) For a period of ten (10) years after Project completion, Grant Recipient agrees to maintain and manage, at maximum functional utility, the end product of the Project. The Grant Recipient shall inspect the Project on a routine basis, with additional inspections following major storm events and shall make all necessary repairs to return the infrastructure to its full function within two (2) weeks or as soon as possible thereafter.
 - (c) Property acquired, developed or improved with grant assistance from the Trust Fund shall be retained and used for the purposes identified in Exhibit A, and Grant Recipient hereby agrees to file or record such restrictions as may be required to assure such continued use and such restrictions shall be in form and substance satisfactory to the Trust Fund.
 - (d) If at some future date, the Trust Fund and the Grant Recipient agree that the Project should no longer continue on as property(ies) of the Project Site, then Grant Recipient will abandon the Project and allow such property to return to its natural state.
5. Signage. If funds are available in the Grant Contract at the end of the Project, the Grant Recipient agrees to post signs, acknowledging CWMTF as the source of monies for conservation of the Property, on publically visible areas of those Properties that have public access and/or where private property owners are amenable to signage. CWMTF will provide art work for the signs.

6. Publicity. To the extent possible, the Grant Recipient will use its best efforts to appropriately publicize the Project's benefits to the general public, local government and state representatives, including the role of the Trust Fund in the funding and development of the project.
7. Conflicts of Interest. Grant Recipient shall at all times comply with Grant Recipient's conflict of interest policy.
8. Compliance with Reporting Requirements. Grant Recipient shall comply with the reporting requirements contained in Section 11 of the Grant Contract, and in N.C.G.S. Chapter 143C, Article 6, Part 3, and 09 N.C.A.C. Subchapter 03M-Uniform Administration of State Grants, including audit oversight by the Office of the State Auditor, the provision of access to the accounting records by both the funding entity and the Office of the State Auditor in accordance with N.C.G.S. §147-64.7, and availability of audit work papers in the possession of any auditor of any recipient of State funding. If a Grant Recipient has not met these reporting requirements and fails to submit revised reports in accordance with a grantor agency determination letter, the grantor agency shall suspend further payments to the Grant Recipient and report the Grant Recipient to the Office of the State Auditor and the Office of the State Controller.
9. Books and Records. Grant Recipient agrees to maintain and make available for inspection by the Trust Fund, at all reasonable times, all documents, books, and records of all expenditures for costs applicable to this Grant Contract, and to submit properly certified billings for such costs on forms prescribed by the Trust Fund and supported by detailed data sheets which will facilitate the audit of the Grant Recipient's records. Further, Grant Recipient shall maintain all Grant records for a period of five (5) years or until all audit exceptions have been resolved, whichever is longer.
10. Additional Requirements. Grant Recipient shall comply with all legal requirements applicable to the use of the Grant funds.
11. Permits and Approvals. All required regulatory approvals to use the Property and the Conservation Easement area in accordance with Exhibit A have or will be obtained.
12. Compliance with Laws. Grant Recipient agrees to perform and maintain the Project in compliance with all federal, state and local laws and regulations, including, without limitation, environmental, zoning and other land use laws and regulations. The Grant Recipient agrees to take reasonable steps to advise Project participants that they shall comply in the same manner.
13. Insurance. The Grant Recipient agrees to keep structures or improvements of any sort constituting the Project fully insured at all times during construction and to keep fully insured all building materials at any time located on the Project. Grant Recipient will ensure that all contractors furnish adequate payment and performance bonds.
14. No Pollution Credits. If the Project enables the Grant Recipient to reduce the discharge of phosphorus, nitrogen, or any other nutrient or pollutant below, or further below, applicable regulatory limits ("Pollution Credits"), Grant Recipient shall not sell, trade or give to another person or entity that percentage of any resulting credits achieved by the Project corresponding to the percentage of the Project costs provided by the Trust Fund.

15. Material Modifications. Any proposed material modification of the Project shall be subject to approval by the Trust Fund.
16. Data Requests. If the Trust Fund so requests, the Grant Recipient shall provide data to the North Carolina Rural Economic Development Center's Water Resources Inventory and Data Management Project and/or to the North Carolina Geographic Information Coordinating Council's NC One Map Project.
17. Conservation Easement or Other Land Use Restrictions. Grant Recipient shall obtain Conservation Easements or other land use restrictions for this Project satisfactory to the Trust Fund in its sole discretion.
18. Boundary Marking of Riparian Buffer Easement Areas. Grant Recipient shall mark the outside limits of riparian buffer conservation easement areas in a manner that is clearly visible and identifiable as the limit of the easement area.

B. Representations and Warranties

In order to induce the Trust Fund to enter into this Grant Contract and to make the Grant as herein provided, the Grant Recipient after reasonable inquiry makes the following representations, warranties and covenants, which shall remain in effect after the execution and delivery of this Grant Contract and any other documents required hereunder, any inspection or examinations at any time made by or on behalf of the Trust Fund, and the completion of the Project by the Grant Recipient:

1. No Actions. There are no actions, suits, or proceedings pending, or to the knowledge of the Grant Recipient threatened against or affecting the Grant Recipient before any court, arbitrator, or governmental or administrative body or agency which might affect the Grant Recipient's ability to observe and perform its obligations under this Grant Contract.
2. No Untrue Statements. Neither this Grant Contract nor any information, certificate, statement, or other document furnished by Grant Recipient in connection with the Grant, contains any untrue statement of a material fact or omits disclosure of a material fact which affects a property(ies) of the Project Site, the Conservation Easement or the ability of the Grant Recipient to perform this Grant Contract.
3. Validity of Grant Documents. Upon execution and delivery of items required hereunder, this Grant Contract and the other grant documents and items required hereunder will be valid and binding agreements, enforceable in accordance with the terms thereof.
4. Zoning. The present and proposed use of the Property, including, without limitation, the purpose of the Conservation Easement, is in compliance with all applicable zoning ordinances, and all applicable municipal and other governmental and regulatory approvals have been or will be obtained for the use and for operation of the Property according to this Grant Contract.
5. Tax Exempt Status. As applicable, the Grant Recipient shall maintain tax-exempt status under Section 501(c) (3) of the Internal Revenue Code of 1986, as amended (or any successor section) and

the regulations promulgated there under (the "Code") and shall notify the Trust Fund within thirty (30) days upon any change in its status under the Code.

C. Termination; Events of Default

1. Termination by Mutual Consent. The Parties may terminate this Grant Contract by mutual written consent with sixty (60) days prior notice, or as otherwise provided by law.
2. Termination for Cause. The happening of any of the following, after the expiration of any applicable cure period without the cure thereof, shall constitute an event of default ("Event(s) of Default") by the Grant Recipient of its obligations to the Trust Fund, and shall entitle the Trust Fund to exercise all rights and remedies under this Grant Contract and as otherwise available at law or equity:
 - (a) Property Unsuitable. A determination by the Trust Fund, prior to the disbursement of the Grant funds, that a property(ies) of the Project Site is unsuitable for the purposes of the Grant Contract.
 - (b) Unsuitable Use. A property(ies) of the Project Site is used in a manner materially inconsistent with the purposes of this Grant Contract or the Project.
 - (c) Default in Performance. The default by the Grant Recipient in the observance or performance of any of the terms, conditions or covenants of this Grant Contract; provided, however, that no such default shall occur until the Grant Recipient has been given written notice of the default and 30 days to cure have elapsed.
 - (d) Misrepresentation. If any representation or warranty made by the Grant Recipient in connection with the Grant or any information, certificate, statement or report heretofore or hereafter made shall be untrue or misleading in any material respect at the time made.
 - (e) Eligibility of Grant Recipient. If Grant Recipient ceases to be qualified to receive Grant funds, is dissolved, or otherwise ceases to exist.
 - (f) Failure to Monitor Conservation Easement. If the Grant Recipient fails to notify the Trust Fund of any potential violation of the Conservation Easement reasonably known to the Grant Recipient within a reasonable period of time so as to avert or cure any potential violation.
 - (g) Abandonment of the Project. If Grant Recipient abandons or otherwise ceases to continue to make reasonable progress towards completion of the Project.

D. The Trust Fund's Rights and Remedies

If an Event of Default shall occur, the Trust Fund shall have the following rights and remedies, all of which are exercisable at the Trust Fund's sole discretion, and are cumulative, concurrent and independent rights:

1. Project Termination. If an Event of Default occurs, the Trust Fund may, at its discretion suspend and/or terminate all obligations of the Trust Fund hereunder. If, in the judgment of the

Trust Fund, such failure was due to no fault of the Grant Recipient, amounts required to resolve at minimum costs any irrevocable obligations properly incurred by Grant Recipient shall, in the discretion of the Trust Fund, be eligible for assistance under this Grant Contract.

2. Additional Remedies. If an Event of Default occurs, the Trust Fund shall have the power and authority, consistent with its statutory authority: (a) to prevent any impairment of the Project by any acts which may be unlawful or in violation of this Grant Contract or any other item or document required hereunder, (b) to obtain title to or otherwise preserve or protect its interest in the Project and any property acquired with Grant funds, (c) to compel specific performance of any of Grant Recipient's obligations under this Grant Contract, (d) to obtain return of all Grant Funds, including equipment if applicable and/or (e) to seek damages from any appropriate person or entity. The Trust Fund, or its designee, may also, at the Trust Fund's sole discretion, continue to complete the Project, or any portion thereof deemed appropriate by the Trust Fund, and the Grant Recipient shall cooperate in the completion of the Project. The Trust Fund shall be under no obligation to complete the Project.

3. Non-waiver. No delay, forbearance, waiver, or omission of the Trust Fund to exercise any right, power or remedy accruing upon any Event of Default shall exhaust or impair any such right, power or remedy or shall be construed to waive any such Event of Default or to constitute acquiescence therein. Every right, power and remedy given to the Trust Fund may be exercised from at any time and as often as may be deemed expedient by the Trust Fund.

E. Miscellaneous

1. Modification. This Grant Contract may be rescinded, modified or amended only by written agreement executed by all Parties hereto.

2. Benefit. This Grant Contract is made and entered into for the sole protection and benefit of the Trust Fund, the State and the Grant Recipient, and their respective successors and assigns, subject always to the provisions of paragraph E.8 of this Exhibit H. Except for the State, there shall be no third party beneficiaries to this Grant Contract.

3. Further Assurance. In connection with and after the payment of Grant funds under this Grant Contract, upon the reasonable request of the Trust Fund, the Grant Recipient shall execute, acknowledge and deliver or cause to be delivered all such further documents and assurances, and comply with any other requests as may be reasonably required by the Trust Fund or otherwise appropriate to carry out and effectuate the Grant as contemplated by this Grant Contract and the purposes of the Conservation Easement.

4. Compliance by Others. The Grant Recipient shall be responsible for compliance with the terms of this Grant Contract by any sub-grant recipient, including but not limited to, a political subdivision, public agency, or qualified non-profit organization to which funds or obligations are transferred, delegated or assigned pursuant to this Grant Contract. Delegation by the Grant Recipient to a sub-grant recipient of any duty or obligation hereunder does not relieve the Grant Recipient of any duty or obligation created hereunder. Failure by such sub-grant recipient to comply with the terms of this Grant Contract shall be deemed failure by the Grant Recipient to comply with the terms

of this Grant Contract. Any such delegation of duties or obligations shall be in writing, signed by the Grant Recipient and sub-grant recipient, shall be in accordance with paragraph E.8 of this Exhibit I, and shall contain an affirmative covenant by the sub-grant recipient that it shall abide by the rules set forth in Title 09, Subchapter 03M of the North Carolina Administrative Code.

5. Independent Status of the Parties. The Parties are independent entities and neither this Grant Contract nor any provision of it or any of the Grant Documents shall be deemed to create a partnership or joint venture between the Parties. Further, neither the Grant Contract nor any of the Grant Documents shall in any way be interpreted or construed as making the Grant Recipient, its agents or employees, agents or representatives of the Trust Fund. The Grant Recipient is and shall be an independent contractor in the performance of this Grant Contract and as such shall be wholly responsible for the work to be performed and for the supervision of its agents and employees. In no event shall the Trust Fund be liable for debts or claims accruing or arising against the Grant Recipient. The Grant Recipient represents that it has, or shall secure at its own expense, all personnel required in the performance of this Grant Contract. Such employees shall not be employees of, nor have any individual contractual relationship with, the Trust Fund.

6. Indemnity. The Grant Recipient agrees, to the fullest extent permitted by law, to release, protect, indemnify and hold harmless the State, the Trust Fund, its Trustees, employees, agents and assigns against any and all claims, losses, liabilities, damages, and costs, including reasonable attorney fees, which result from or arise out of: (a) damages or injuries to persons or property caused by the negligent acts or omissions of Grant Recipient, its employees, agents, or assigns in use or management of the Property; (b) use or presence of any hazardous substance, waste or other regulated material in, under or on the Property; or (c) the performance of the Grant Recipient's duties under this Grant Contract. The obligations under this Section are independent of all other rights or obligations set forth herein. This indemnity shall survive the disbursement of the Grant funds, as well as any termination of this Grant Contract.

7. No Discrimination. The Grant Recipient shall assure that no person will be excluded from participation in, be denied the benefits of, or be subject to discrimination under any program or activity covered by this Grant Contract solely on the grounds of race, color, age, religion, sex or national origin.

8. Binding Effect, Contract Assignable. The terms hereof shall be binding upon and inure to the benefit of the successors, assigns, and personal representatives of the Parties; provided, however, that the Grant Recipient may not assign this Grant Contract or any of its rights, interests, duties or obligations hereunder or any Grant proceeds or other moneys to be advanced hereunder in whole or in part without the prior written consent of the Trust Fund, which may be withheld for any reason and that any such assignment (whether voluntary or by operation of law) without said consent shall be void. In the event assignment is allowed, neither the Grant Recipient nor the sub-grant recipient shall be relieved of any of the duties and responsibilities of the Grant Contract. Further, the sub-grant recipient shall agree to abide by the all the requirements of this Grant Contract, and to provide all information needed in order for the Grant Recipient to comply with this Grant Contract.

9. Governing Law, Construction and Jurisdiction. This Grant Contract and the other Grant Documents and all matters relating thereto shall be governed by and construed and interpreted in

accordance with the laws of the State of North Carolina, notwithstanding the principles of conflicts of law. The headings and section numbers contained herein are for reference purposes only. The terms of this Grant Contract shall be construed according to their plain meaning, and not strictly construed for or against either party hereto. The Grant Recipient hereby submits to the jurisdiction of the State and Federal courts located in North Carolina and agree that the Trust Fund may, at its option, enforce its rights under the Grant Documents in such courts. The Parties intend this document to be an instrument executed under seal. The Trust Fund and any party that is an individual, partnership or limited liability company hereby adopts the word "SEAL" following his/her signature and the name of the Trust Fund or partnership or limited liability company as his/her/its legal seal.

10. Savings Clause. Invalidation of any one or more of the provisions of this Grant Contract, or portion thereof, shall in no way affect any of the other provisions hereof and portions thereof which shall remain in full force and effect.

11. Additional Remedies. Except as otherwise specifically set forth herein, the rights and remedies provided hereunder shall be in addition to, and not in lieu of, all other rights and remedies available in connection with this Grant Contract.

12. Survival. Where any representations, warranties, covenants, indemnities or other provisions contained in this Grant Contract by its context or otherwise, evidences the intent of the parties that such provisions should survive the termination of this Grant Contract or any Closing, the provisions shall survive any termination or Closing. Without limiting the generality of the foregoing, the Parties specifically acknowledge and agree that the provisions of Exhibit H, Exhibit I, and the conditions shown on Exhibit A shall survive any termination of this Grant Contract as well as any Closing.

13. Entire Grant Contract; Incorporation of Exhibits. This Grant Contract constitutes the entire Grant Contract between the Parties with respect to the subject matter hereof. All recitals, exhibits, schedules and other attachments hereto are incorporated herein by reference.

14. Headings. The headings of the various sections of this Grant Contract have been inserted for convenience only and shall not modify, define, limit or expand the express provisions of this Grant Contract.

15. Time of the Essence. Time is of the essence in the performance of this Grant.

EXHIBIT I

CONSERVATION EASEMENTS

1. As used in this exhibit, “Conservation Easement” refers to the more general term “Conservation Agreement” as defined in NCGS Chapter 121, Article 4.
2. Conservation Easements obtained and recorded in connection with this Project shall be patterned after the Trust Fund’s template Deed of Conservation Easement for Restoration Purposes (“Restoration Easement”).
3. Conservation Easements obtained and recorded in connection with this Project shall be held by a party satisfactory to the Trust Fund.
4. Before disbursement of any construction funds under this Grant Contract, the Trust Fund must review and approve the Conservation Easements, and said Conservation Easements must be recorded in the official land records of the appropriate county.
5. The acquisition of the Conservation Easements may herein also be referred to as the “Closing.”
6. “Donated Conservation Easements” are Conservation Easements for which neither the Trust Fund nor the Grant Recipient has expended or will expend any funds to obtain property interest.
7. Conservation easements for stream restoration riparian buffers may not be purchased using Grant funds. Conservation easements for stream restoration riparian buffers must be donated easements, be purchased with matching funds, and/or be purchased with funds not included in the project budget in Exhibit B.
8. The following requirements apply to all Conservation Easements obtained and recorded in connection with this Project:
 - (a) Conservation Easements shall have good and marketable title.
 - (b) The terms of Conservation Easements shall provide a third party right of enforcement to the State of North Carolina, such that in the event the easement holder satisfactory to the Trust Fund fails to enforce any of the terms of Conservation Easements, the State shall have the independent right to enforce the terms of Conservation Easements through any and all authorities available under state law;
 - (c) Donated Conservation Easements shall be conveyed as an absolute gift to the easement holder satisfactory to the Trust Fund subject to an executory interest in the State such that in the event that the easement holder satisfactory to the Trust Fund attempts to terminate, transfer or otherwise divest itself of any rights, title or interests in a Conservation Easement without the prior written consent of the State, then all rights, title or interest in the Conservation Easement shall automatically vest in the State;

(d) Conservation Easements shall provide that, in the event the easement holder satisfactory to the Trust Fund transfers or assigns the Conservation Easement to a third party, the organization receiving the interest will be a qualified organization as that term is defined in Section 170(h)(3) of the Internal Revenue Code, which is organized or operated primarily for one of the conservation purposes specified in Section 170 (h)(4)(A) of the Internal Revenue Code, and that the transferee or assignee will further covenant and agree that the terms of the transfer or assignment will require it to continue to carry out in perpetuity the conservation purposes that the contribution was originally intended to advance. Specifically, Conservation Easements shall provide that, in the event the easement holder satisfactory to the Trust Fund transfers the Conservation Easement, the easement holder satisfactory to the Trust Fund shall covenant and agree to continue to monitor and observe the Conservation Easement in perpetuity with the State for such purposes as are described in the Conservation Easement and this Grant Contract and to report to the State and the Trust Fund any observed violations thereof. The easement holder satisfactory to the Trust Fund may be released from the obligation to monitor the Conservation Easement only with prior written approval of the State and the Trust Fund; and

(e) Any specific terms and conditions set forth on Exhibit A.

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AGENDA ITEM 6:

TAX MATTERS

A. Monthly Collections Report

MANAGER'S COMMENTS:

Mr. Larry Warren, Tax Administrator, will present the Monthly Collections Report and be available for questions and discussion.

The reports are for information only; therefore, no action is required.

Monthly Collections Report

Watauga County

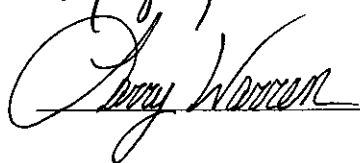
Bank deposits of the following amounts have been made and credited to the account of Watauga County. The reported totals do not include small shortages and overages reported to the Watauga County Finance Officer

Monthly Report May 2018

	<u>Current Month</u> <u>Collections</u>	<u>Current Month</u> <u>Percentage</u>	<u>Current FY</u> <u>Collections</u>	<u>Current FY</u> <u>Percentage</u>	<u>Previous FY</u> <u>Percentage</u>
<u>General County</u>					
Taxes 2017	119,697.73	21.78%	30,451,328.16	98.67%	98.58%
Prior Year Taxes	32,626.39		402,167.37		
Solid Waste User Fees	24,027.14	17.51%	2,531,903.72	97.73%	97.50%
Green Box Fees	588.51	NA	6,535.90	NA	NA
Total County Funds	\$176,939.77		\$33,391,935.15		
<u>Fire Districts</u>					
Foscoe Fire	1,823.05	22.31%	453,846.60	98.91%	98.64%
Boone Fire	3,996.74	21.52%	876,436.83	98.67%	98.54%
Fall Creek Service Dist.	0.00	0.00%	9,591.14	98.75%	98.02%
Beaver Dam Fire	259.72	9.55%	101,686.72	97.94%	98.00%
Stewart Simmons Fire	305.35	10.55%	217,048.13	98.93%	98.72%
Zionville Fire	727.48	13.43%	112,302.05	97.22%	97.00%
Cove Creek Fire	1,264.30	11.44%	232,584.80	97.85%	97.72%
Shawneehaw Fire	1,099.05	31.12%	94,616.26	98.63%	99.25%
Meat Camp Fire	3,511.88	25.28%	208,387.41	97.47%	96.32%
Deep Gap Fire	1,021.63	15.43%	180,973.56	97.44%	98.02%
Todd Fire	252.02	20.26%	60,977.57	98.44%	98.26%
Blowing Rock Fire	2,902.84	32.86%	468,157.14	98.94%	98.66%
M.C. Creston Fire	766.79	80.56%	7,152.20	99.22%	91.43%
Foscoe Service District	170.40	13.59%	71,459.25	98.75%	99.04%
Beech Mtn. Service Dist.	0.00	0.00%	1,651.91	99.45%	98.15%
Cove Creek Service Dist.	0.00	0.00%	324.15	100.00%	100.00%
Shawneehaw Service Dist	117.56	40.39%	6,468.06	97.31%	93.11%
	\$18,218.81		\$3,094,072.64		
<u>Towns</u>					
Boone	20,179.48	26.63%	5,895,339.67	99.19%	99.49%
Municipal Services	1,376.99	12.41%	128,330.06	94.27%	99.81%
Boone MV Fee	NA	NA	NA	NA	NA
Blowing Rock	NA	NA	NA	NA	NA
Seven Devils	NA	NA	NA	NA	NA
Beech Mountain	NA	NA	NA	NA	NA
Total Town Taxes	\$21,556.47		\$6,023,669.73		
Total Amount Collected	\$216,715.05		\$42,509,677.52		



Tax Collections Director



Tax Administrator

AGENDA ITEM 6:

TAX MATTERS

B. Refunds and Releases

MANAGER'S COMMENTS:

Mr. Warren will present the Refunds and Releases Reports. Board action is required to accept the Refunds and Releases Reports.

05/31/2018 16:40
Larry.Warren

WATAUGA COUNTY
RELEASES - 05/01/2018 TO 05/31/2018

P 1
tncrapt

OWNER NAME AND ADDRESS	CAT YEAR PROPERTY REASON	BILL	EFF DATE	JUR	REF NO	VALUE CHARGE	AMOUNT
1586545 ESSICK, MIKE PO BOX 1141 JEFFERSON, NC 28640	PP 2008	1027333	05/31/2018			0 G01	13.43
	586545999			C02		C02	15.87
	TAX RELEASES				6447	LF	62.00
	SOLD IN 2007						91.30
1586545 ESSICK, MIKE PO BOX 1141 JEFFERSON, NC 28640	PP 2009	1030514	05/31/2018			0 G01	13.02
	586545999			C02		C02	15.39
	TAX RELEASES				6448	LF	62.00
	SOLD MH IN 2007						90.41
1586545 ESSICK, MIKE PO BOX 1141 JEFFERSON, NC 28640	PP 2010	1033716	05/31/2018			0 G01	12.65
	586545999			C02		C02	14.95
	TAX RELEASES				6449	LF	62.00
	SOLD MH IN 2007						89.60
1586545 ESSICK, MIKE PO BOX 1141 JEFFERSON, NC 28640	PP 2011	2546	05/31/2018			0 LF	62.00
	586545999			C02		G01	12.27
	TAX RELEASES				6450	C02	14.50
	SOLD MH IN 2007						88.77
1586545 ESSICK, MIKE PO BOX 1141 JEFFERSON, NC 28640	PP 2012	1226	05/31/2018			0 LF	62.00
	586545999			C02		G01	11.89
	TAX RELEASES				6451	C02	14.06
	SOLD MH IN 2007					G01L	1.19
						C02L	1.41
						90.55	
1586545 ESSICK, MIKE PO BOX 1141 JEFFERSON, NC 28640	PP 2013	1250	05/31/2018			0 SWF	62.00
	586545999			C02		G01	11.55
	TAX RELEASES				6452	C02	13.65
	SOLD MH IN 2007					G01L	1.16
						C02L	1.37
						89.73	
1586545 ESSICK, MIKE PO BOX 1141 JEFFERSON, NC 28640	PP 2014	2925	05/31/2018			0 SWF	80.00
	586545999			C02		G01	11.55
	TAX RELEASES				6453	C02	15.13
	SOLD MH IN 2007					G01L	1.16
						C02L	1.51
						109.35	

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Larry.Warren

WATAUGA COUNTY
RELEASES - 05/01/2018 TO 05/31/2018

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tncrapt

OWNER NAME AND ADDRESS	CAT YEAR PROPERTY REASON	BILL	EFF DATE	JUR	REF NO	VALUE CHARGE	AMOUNT
1586545 ESSICK, MIKE PO BOX 1141 JEFFERSON, NC 28640	PP 2015 586545999 TAX RELEASES SOLD MH IN 2007	2874	05/31/2018	C02	6454	0 SWF G01 C02 G01L C02L	80.00 11.55 15.13 1.16 1.51 <hr/> 109.35
1586545 ESSICK, MIKE PO BOX 1141 JEFFERSON, NC 28640	PP 2016 586545999 TAX RELEASES SOLD MH IN 2007	3005	05/31/2018	C02	6455	0 SWF G01 C02 G01L C02L	80.00 11.55 15.13 1.16 1.51 <hr/> 109.35
1586545 ESSICK, MIKE PO BOX 1141 JEFFERSON, NC 28640	PP 2017 586545999 TAX RELEASES SOLD MH IN 2007	3092	05/31/2018	C02	6456	0 SWF G01 C02 G01L C02L	80.00 13.03 15.13 1.30 1.51 <hr/> 110.97
1751120 OLIVER, ELAINE H. 127 BATTLE COVE BOONE, NC 28607	PP 2015 1322 TAX RELEASES destroyed by a tree	786	05/31/2018	F02	6445	0 F02 G01 SWF F02L G01L	1.75 10.96 80.00 .18 1.10 <hr/> 93.99
1751120 OLIVER, ELAINE H. 127 BATTLE COVE BOONE, NC 28607	PP 2016 1322 TAX RELEASES Destroyed by a tree	708	05/31/2018	F02	6444	0 F02 G01 SWF F02L G01L	2.10 10.96 80.00 .21 1.10 <hr/> 94.37
1751120 OLIVER, ELAINE H. 127 BATTLE COVE BOONE, NC 28607	PP 2017 1322 TAX RELEASES DESTROYED BY TREE	641	05/31/2018	F02	6457	0 F02 G01 SWF	2.10 12.36 80.00 <hr/> 94.46

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 Larry.Warren

WATAUGA COUNTY
 RELEASES - 05/01/2018 TO 05/31/2018

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 tncrapt

OWNER NAME AND ADDRESS	CAT YEAR PROPERTY REASON	BILL	EFF DATE	JUR	REF NO	VALUE	CHARGE	AMOUNT
1591590 WESTENDORFF, BERNHARD .BERNHARD WESTENDORFF REVOCABLE TRUST AG 247 PENINSULA POINT DR MONETA, VA 24121	RE 2017	1000092	05/31/2018			0	F12	36.95
	2828-31-7105-000			F12			F12	36.95
	TAX RELEASES				6446		F12	36.95
	RELEASED TO CORRECT AND REBILL						F12	36.95
							G01	260.87
							G01	231.31
							G01	231.31
							G01	231.31
							G01	231.31
DETAIL SUMMARY	COUNT: 14	RELEASES - TOTAL				0		2,633.06

05/31/2018 16:40
Larry.Warren

WATAUGA COUNTY
RELEASES - 05/01/2018 TO 05/31/2018

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tncraprpt

RELEASES - CHARGE SUMMARY FOR ALL CLERKS

YEAR	CAT	CHARGE	AMOUNT	
2008	PP	C02	BOONE PP	15.87
2008	PP	G01	WATAUGA COUNTY PP	13.43
2008	PP	LF	SOLID WASTE PP	62.00
2008 TOTAL			91.30	
2009	PP	C02	BOONE PP	15.39
2009	PP	G01	WATAUGA COUNTY PP	13.02
2009	PP	LF	SOLID WASTE PP	62.00
2009 TOTAL			90.41	
2010	PP	C02	BOONE PP	14.95
2010	PP	G01	WATAUGA COUNTY PP	12.65
2010	PP	LF	SOLID WASTE PP	62.00
2010 TOTAL			89.60	
2011	PP	C02	BOONE PP	14.50
2011	PP	G01	WATAUGA COUNTY PP	12.27
2011	PP	LF	SOLID WASTE PP	62.00
2011 TOTAL			88.77	
2012	PP	C02	BOONE PP	14.06
2012	PP	C02L	BOONE LATE LIST	1.41
2012	PP	G01	WATAUGA COUNTY PP	11.89
2012	PP	G01L	WATAUGA COUNTY LATE LIST	1.19
2012	PP	LF	SOLID WASTE PP	62.00
2012 TOTAL			90.55	
2013	PP	C02	BOONE PP	13.65
2013	PP	C02L	BOONE LATE LIST	1.37
2013	PP	G01	WATAUGA COUNTY PP	11.55
2013	PP	G01L	WATAUGA COUNTY LATE LIST	1.16
2013	PP	SWF	SOLID WASTE PP	62.00
2013 TOTAL			89.73	
2014	PP	C02	BOONE PP	15.13
2014	PP	C02L	BOONE LATE LIST	1.51
2014	PP	G01	WATAUGA COUNTY PP	11.55
2014	PP	G01L	WATAUGA COUNTY LATE LIST	1.16
2014	PP	SWF	SOLID WASTE USER FEE	80.00
2014 TOTAL			109.35	
2015	PP	C02	BOONE PP	15.13
2015	PP	C02L	BOONE LATE LIST	1.51
2015	PP	F02	BOONE FIRE PP	1.75
2015	PP	F02L	BOONE FIRE LATE LIST	.18
2015	PP	G01	WATAUGA COUNTY PP	22.51
2015	PP	G01L	WATAUGA COUNTY LATE LIST	2.26
2015	PP	SWF	SANITATION USER FEE	160.00

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Larry.Warren

WATAUGA COUNTY
RELEASES - 05/01/2018 TO 05/31/2018

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tncrapt

RELEASES - CHARGE SUMMARY FOR ALL CLERKS

YEAR	CAT	CHARGE	AMOUNT
2015 TOTAL			203.34
2016	PP	C02 BOONE PP	15.13
2016	PP	C02L BOONE LATE LIST	1.51
2016	PP	F02 BOONE FIRE PP	2.10
2016	PP	F02L BOONE FIRE LATE LIST	.21
2016	PP	G01 WATAUGA COUNTY PP	22.51
2016	PP	G01L WATAUGA COUNTY LATE LIST	2.26
2016	PP	SWF SANITATION USER FEE	160.00
2016 TOTAL			203.72
2017	RE	F12 BLOWING ROCK FIRE RE	184.75
2017	RE	G01 WATAUGA COUNTY RE	1,186.11
2017	PP	C02 BOONE PP	15.13
2017	PP	C02L BOONE LATE LIST	1.51
2017	PP	F02 BOONE FIRE PP	2.10
2017	PP	G01 WATAUGA COUNTY PP	25.39
2017	PP	G01L WATAUGA COUNTY LATE LIST	1.30
2017	PP	SWF SANITATION USER FEE	160.00
2017 TOTAL			1,576.29
SUMMARY TOTAL			2,633.06

05/31/2018 16:40
Larry.Warren

WATAUGA COUNTY
RELEASES - 05/01/2018 TO 05/31/2018

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RELEASES - JURISDICTION SUMMARY FOR ALL CLERKS

JUR	YEAR	CHARGE	AMOUNT	
C02	2008	C02	BOONE PP	15.87
C02	2008	G01	WATAUGA COUNTY PP	13.43
C02	2008	LF	SOLID WASTE PP	62.00
C02	2009	C02	BOONE PP	15.39
C02	2009	G01	WATAUGA COUNTY PP	13.02
C02	2009	LF	SOLID WASTE PP	62.00
C02	2010	C02	BOONE PP	14.95
C02	2010	G01	WATAUGA COUNTY PP	12.65
C02	2010	LF	SOLID WASTE PP	62.00
C02	2011	C02	BOONE PP	14.50
C02	2011	G01	WATAUGA COUNTY PP	12.27
C02	2011	LF	SOLID WASTE PP	62.00
C02	2012	C02	BOONE PP	14.06
C02	2012	C02L	BOONE LATE LIST	1.41
C02	2012	G01	WATAUGA COUNTY PP	11.89
C02	2012	G01L	WATAUGA COUNTY LATE LIST	1.19
C02	2012	LF	SOLID WASTE PP	62.00
C02	2013	C02	BOONE PP	13.65
C02	2013	C02L	BOONE LATE LIST	1.37
C02	2013	G01	WATAUGA COUNTY PP	11.55
C02	2013	G01L	WATAUGA COUNTY LATE LIST	1.16
C02	2013	SWF	SOLID WASTE PP	62.00
C02	2014	C02	BOONE PP	15.13
C02	2014	C02L	BOONE LATE LIST	1.51
C02	2014	G01	WATAUGA COUNTY PP	11.55
C02	2014	G01L	WATAUGA COUNTY LATE LIST	1.16
C02	2014	SWF	SOLID WASTE USER FEE	80.00
C02	2015	C02	BOONE PP	15.13
C02	2015	C02L	BOONE LATE LIST	1.51
C02	2015	G01	WATAUGA COUNTY PP	11.55
C02	2015	G01L	WATAUGA COUNTY LATE LIST	1.16
C02	2015	SWF	SANITATION USER FEE	80.00
C02	2016	C02	BOONE PP	15.13
C02	2016	C02L	BOONE LATE LIST	1.51
C02	2016	G01	WATAUGA COUNTY PP	11.55
C02	2016	G01L	WATAUGA COUNTY LATE LIST	1.16
C02	2016	SWF	SANITATION USER FEE	80.00
C02	2017	C02	BOONE PP	15.13
C02	2017	C02L	BOONE LATE LIST	1.51
C02	2017	G01	WATAUGA COUNTY PP	13.03
C02	2017	G01L	WATAUGA COUNTY LATE LIST	1.30
C02	2017	SWF	SANITATION USER FEE	80.00
		C02 TOTAL		979.38
F02	2015	F02	BOONE FIRE PP	1.75
F02	2015	F02L	BOONE FIRE LATE LIST	.18
F02	2015	G01	WATAUGA COUNTY PP	10.96
F02	2015	G01L	WATAUGA COUNTY LATE LIST	1.10
F02	2015	SWF	SANITATION USER FEE	80.00
F02	2016	F02	BOONE FIRE PP	2.10
F02	2016	F02L	BOONE FIRE LATE LIST	.21
F02	2016	G01	WATAUGA COUNTY PP	10.96
F02	2016	G01L	WATAUGA COUNTY LATE LIST	1.10
F02	2016	SWF	SANITATION USER FEE	80.00
F02	2017	F02	BOONE FIRE PP	2.10

05/31/2018 16:40
 Larry.Warren

WATAUGA COUNTY
 RELEASES - 05/01/2018 TO 05/31/2018

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 tncrarpt

RELEASES - JURISDICTION SUMMARY FOR ALL CLERKS

JUR	YEAR	CHARGE	AMOUNT
F02	2017	G01 WATAUGA COUNTY PP	12.36
F02	2017	SWF SANITATION USER FEE	80.00
	F02	TOTAL	282.82
F12	2017	F12 BLOWING ROCK FIRE RE	184.75
F12	2017	G01 WATAUGA COUNTY RE	1,186.11
	F12	TOTAL	1,370.86
		SUMMARY TOTAL	2,633.06

AGENDA ITEM 7:**MISCELLANEOUS ADMINISTRATIVE MATTERS*****A. Audit Contract*****MANAGER'S COMMENTS:**

The County auditing firm submitted a letter of resignation. The current auditing firm is in good standing with the County and the owner is choosing to pursue alternative business opportunities. Due to time constraints and the requisite to start and complete the fiscal year audit; County staff requested the departing audit firm provide a recommendation on a possible replacement. Many auditing firms are engaged and are unable to provide services due to current obligations and schedules.

However, Gould Killian, CPA Group, P.A., was recommended by Ms. Watson and has submitted a proposal for the County's audit in the amount of \$47,500 for the financial statement audit and compliance audit on up to 2 major programs. An additional charge of \$4,900 for Agreed-Upon procedures plus \$2,350 for each additional major program over the 2 included in the \$47,500 base price will be charged.

The County Manager has personally met with and vetted the new firm. Reference checks have been made with high marks and 100% satisfaction rates being given by current counties and towns. Staff has contacted the North Carolina State Auditor's Office for their input with no response to date. Regarding the fire contracts which is currently \$750 per fire department, staff will review the current contracts and determine if these procedures can be done internally.

Staff recommends the Board approve the audit contract with Gould Killian, CPA Group, P.A., in the amount of \$47,500 for the financial statement audit and compliance audit on up to 2 major programs with an additional charge of \$4,900 for Agreed-Upon Procedures plus \$2,350 for each additional major program over the 2 included in the \$47,500 base price.

Board action is required to approve the letter of engagement, audit contract, and Agreed-Upon procedures with Gould Killian, CPA Group, P.A.



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

Jeffrey A. Gould
Charles E. Killian
Harold C. Cole
G. Edward Towson, II
Harvey W. Jenkins
Shon P. Norris

June 12, 2018

Board of Commissioners
Watauga County
814 West King Street
Suite 205
Boone, NC 28607

We are pleased to confirm our understanding of the terms of our engagement and the nature and limitations of the services we are to provide for Watauga County.

We will apply the agreed-upon procedures listed in the attached *Letter of Instruction to Auditors Testing the Eligibility Intake Functions for Certain Federal Programs at County Governments and Health Districts* (Letter of Instruction) dated March 20, 2018 that were specified and agreed to by the North Carolina Office of the State Auditor on eligibility intake functions for the Medical Assistance Program (Medicaid) of Watauga County for the year ended June 30, 2018. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures performed or to be performed is solely the responsibility of the North Carolina Office of the State Auditor and we will require an acknowledgment in writing of that responsibility. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

Because the agreed-upon procedures listed in the attached Letter of Instruction do not constitute an examination or review, we will not express an opinion or conclusion on Watauga County's eligibility intake functions for Medicaid. In addition, we have no obligation to perform any procedures beyond those listed in the attached Letter of Instruction.

We plan to begin our procedures in June 2018 and, unless unforeseeable problems are encountered, the engagement should be completed by October 31, 2018.

We will issue a written report upon completion of our engagement that lists the procedures performed and our findings. Our report will be addressed to The Honorable Beth A. Wood, CPA, State Auditor. If, for any reason, we are unable to complete any of the procedures, we will describe in our report any restrictions on the performance of the procedures, or not issue a report and withdraw from this engagement. You understand that the report is intended solely for the information and use of the North Carolina Office of the State Auditor, and should not be used by anyone other than these specified parties. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

An agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations; however, we will communicate to you any known and suspected fraud and noncompliance with laws or regulations affecting Watauga County's eligibility intake functions for Medicaid that come to our attention. In addition, if, in connection with this engagement, matters come to our attention that contradict Watauga County's eligibility intake functions for Medicaid, we will disclose those matters in our report.

You are responsible for Watauga County's eligibility intake functions for Medicaid and that it is in accordance with eligibility requirements of the Medicaid program. The North Carolina Office of the State Auditor is responsible for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for their purposes. You are also responsible for, and agree to provide us with, a written assertion about Watauga County's eligibility intake functions for Medicaid. In addition, you are responsible for providing us with (1) access to all information of which you are aware that is relevant to the performance of the agreed-upon procedures on the subject matter, (2) additional information that we may request for the purpose of performing the agreed-upon procedures, and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence relating to performing those procedures.

At the conclusion of our engagement, we will require certain written representations in the form of a representation letter from management that, among other things, will confirm management's responsibility for Watauga County's eligibility intake functions for Medicaid in accordance with eligibility requirements of the Medicaid program.

Daniel R. Mullinix is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fees for this service will be billed at our standard hourly rates, not to exceed \$4,900. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If we receive additional instructions from the North Carolina Office of the State Auditor that cause additional time or more than 96 cases to review in order to complete the engagement, or if significant additional time is otherwise necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered as work progresses and are payable on presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. If the need for additional procedures arises, or the procedures need to be modified, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their agreement with the procedures performed or to be performed and their responsibility for the sufficiency of procedures.

Very truly yours,



Daniel R. Mullinix, CPA

Gould Killian CPA Group, P.A.

RESPONSE:

This letter correctly sets forth the understanding of Watauga County.

Management Signature: _____

Title: _____

Date: _____

Governance Signature: _____

Title: _____

Date: _____

PRE-AUDIT CERTIFICATE:

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

By: _____

Date: _____

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

To: Certified Public Accounting Firms

From: Katie G. Gleason, CPA, Financial Audit Director

Date: March 20, 2018

Re: Testing of eligibility for federal programs

The Office of Budget and Management Compliance Supplement (Part 3, section E. Eligibility) describes a situation called 'Split Eligibility Determination Functions' as a situation where a non-Federal entity pays the Federal benefit to eligible participants, but arranges with another entity to perform part, or all of, the eligibility determination.

In North Carolina, the North Carolina Department of Health and Human Services (NC DHHS) pays benefits to or on behalf of eligible participants, and eligibility is determined by county Departments of Social Services or Area Health Districts for numerous programs including Medicaid, CHIP (Health Choice), Women, Infants, and Children (WIC), Temporary Assistance for Needy Families (TANF, NC Work First), Supplemental Nutrition Assistance Program (SNAP), and Adoption Assistance.

The audit requirements of 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) require that the State show the benefits paid as Federal expenditures on the State's Schedule of Expenditures of Federal Awards (SEFA). These benefits will not be shown on the SEFA of the counties. Therefore, the North Carolina Office of the State Auditor (OSA), as auditor of the State, is responsible for meeting the internal control and compliance audit objectives for eligibility.

Uniform Guidance allows the OSA to coordinate and arrange for additional procedures to ensure eligibility determinations are in accordance with Federal regulations. Pursuant to *North Carolina General Statute* 147-64.2, the OSA will promote, to the extent possible, coordinated, non-duplicating audits of public programs. Because the auditors of counties are performing financial and compliance audits of the counties, we believe it would be more efficient for these auditors to provide assistance in performing procedures related to participant eligibility at the county level for the year ending June 30, 2018.

An essential part of the audit of the split eligibility programs described above is the redetermination of participant eligibility at the county level. As such, we ask that procedures be performed related to eligibility as described in the attached instructions (Attachment B).

We are requesting that you perform procedures as described in the attached instructions, conducting an Agreed-Upon Procedure (AUP) in accordance with AICPA AT-C Sections 105 and 215. This will include the redetermination of eligibility for the participants within the timeframe given to you by OSA.

The results of your testing should be provided to us in the prescribed format and in an Independent Accountant's Report on Applying Agreed-Upon Procedures. We will use those results as evidence to support our opinion on compliance for the State of North Carolina as it relates to eligibility for the designated programs. An example AUP report is attached (Attachment A).

The results are due to OSA by October 31, 2018.

ATTACHMENT A

Standard Agreed-Upon Procedures Report Form

[DATE]

The Honorable Beth A. Wood, CPA, State Auditor
 Office of the State Auditor
 2 South Salisbury Street
 20601 Mail Service Center
 Raleigh, North Carolina 27699-0601

Dear Ms. Wood:

We have performed the procedures below, which were explained to us in the *Letter of Instruction to Auditors Testing the Eligibility Intake Functions for Certain Federal Programs at County Governments and Health Districts* (Letter) dated March 20, 2018, to assist you in evaluating the eligibility intake functions at [NAME OF AUDITED ENTITY] for the year ended June 30, 2018. [NAME OF AUDITED ENTITY]'s management is responsible for the eligibility intake functions. The sufficiency of these procedures is solely the responsibility of the North Carolina Office of the State Auditor. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been required or for any other purpose.

The procedures performed are listed below. The associated findings have been provided in the attached Error Documentation Template, as requested.

For the Medical Assistance Program (Medicaid), we performed procedures (as detailed in the Letter) to confirm that participants included in the sample provided were correctly determined eligible for the selected certification period (applicable to the payment selected) in accordance with Eligibility Review Document provided by the NC DHHS by re-performing the eligibility determination for the participants.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). We are not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the eligibility intake functions. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

In accordance with Government Auditing Standards, we reported significant deficiencies, material weaknesses, instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that have a material effect on the eligibility intake function that warrant the attention of those charged with governance to [NAME OF AUDITED ENTITY] officials. *This paragraph should be modified or removed depending on the circumstances and results of your procedures.*

This report is intended solely for the information and use of the North Carolina Office of the State Auditor, and is not intended to be, and should not be, used by anyone other than the specified parties.

Sincerely,

 (Signature of County Audit Firm Partner)

Attachment B

Instructions

Introduction

The North Carolina Office of the State Auditor (OSA) has prepared this document to provide guidance to the auditors performing procedures under the Agreed-Upon Procedures related to eligibility determination of designated programs.

The procedures here are not intended to, and do not, constitute an audit in accordance with Generally Accepted Government Auditing Standards or Uniform Guidance. The procedures included are for the purpose described. It is the responsibility of the auditor of the county to carry out the Agreed-Upon Procedures and report the results in accordance with the applicable standards. The county auditor will assume the risk that misapplication of these procedures may result in inappropriate results being reported to OSA.

Relevant Federal Programs

For the fiscal year ending June 30, 2018, the following programs with split eligibility determination functions have been determined to be major for the State of North Carolina and will be included in the scope of this AUP:

- Medicaid

This scope is what is known as of the date of the letter to which this is attached. Should there be any changes to the scope, notification will be made in additional correspondence.

Overall Engagement Objectives

The overall objective of this engagement is to confirm that participants included in the sample provided were correctly determined eligible for the selected certification period (applicable to the payment selected) by re-performing the eligibility determination for the participant in accordance with the Eligibility Review Document provided by the NC DHHS.

Eligibility Testing Procedures

The auditor for each county will receive a listing of participants and correlating certification period to be tested. Instructions for obtaining the sample items are included in Attachment E. **The total sample size for each county for fiscal year 2018 will be 96.**

For each participant included in the listing provided, the auditors will re-perform the eligibility determination process, including the inspection of required documentation that supports eligibility, to confirm that the participant for which funds were paid was eligible in accordance with Eligibility Review Document provided by the NC DHHS for the period selected.

For each participant for which a payment was selected, all evidence supporting the eligibility determination should be inspected to confirm that information was accurately and completely input into the system for consideration in the determination process. The county auditor should confirm that all information entered into the system supported the determination of eligibility. **The county auditor must re-perform the eligibility determination.** The auditor must use the DHHS provided eligibility checklist document when re-performing eligibility determination. This document is available on the LGC website.

If the county auditor finds that the information supporting the eligibility determination was not accurate or was not complete, or if the county auditor finds that the necessary evidence was not obtained, an error should be noted in the process and the auditor should re-perform the eligibility determination in its entirety to confirm that the recipient was eligible to receive program benefits. **Note: It is not an option to run the participant through the system again.**

Since the sampling unit is based on a specific payment, the procedures are based only on the certification period for the selected claim.

Auditors will document errors related to the eligibility process (technical or eligibility errors, as discussed later) in the Error Documentation Template (Attachment D).

Program Specific Information

Medicaid: The Medicaid sample provided should only include participants receiving benefits whose eligibility determination or re-determination was based on the non-MAGI (Modified Adjusted Gross Income) methodology. See Part 4 of the *OMB Compliance Supplement*, section E. *Eligibility* for Medicaid for additional details. If your sample item is determined under the MAGI methodology, please replace the item using the replacement items provided by the NC OSA.

If a participant is found to be presumptively eligible for a program based on eligibility for a different program determined at the county, the eligibility intake process and compliance with federal regulations must be tested based on the requirements of the originating program. For example, if a recipient is presumptively eligible for the Medicaid program based on eligibility for the TANF program, then the recipient should be audited for the requirements of the TANF program.

If a participant is found to be presumptively eligible for a program based on eligibility determination performed by a federal program such as Medicare or Social Security Insurance (SSI), the eligibility for those federal programs should be verified and these participants will be considered eligible for the program.

Errors

Document any errors using the Error Documentation Template (Attachment D). This template should be completed for each audited program in order to determine the proper error amount (questioned cost). This document allows for both technical errors and eligibility errors to be documented. Technical errors are errors that do not change the participant's eligibility status. There will not be an associated error value for technical errors. Errors impacting a participant's eligibility status would have an associated error value and should be considered an eligibility error.

For each error you must also document the cause of the issue. Copies of the error(s) for eligibility should be submitted as additional documentation to support noted errors. For example, if there was an income source that was not included in the original determination within NC FAST, we would like a copy of the original screen showing that the source was excluded, and a copy of the verification that was used to identify the missing income source. Documentation should only be sent for errors that impacted eligibility.

Please submit the error documentation when completed in Excel format.

GAGAS Communications

In the event the procedures performed discloses significant deficiencies, material weaknesses, instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreement, or abuse come to the auditors' attention that warrant the attention of those charged with governance, GAGAS requires that auditors' should communicate such matters to audited entity officials.

Knowledge of Matters Outside of Agreed-Upon Procedures

Although the county auditor need not perform procedures beyond the agreed-upon procedures, if in connection with the application, and through the completion of, the agreed-upon procedures engagement, matters come to the county auditor's attention by other means that significantly contradict the subject matter or assertion referred to in the AUP report, the county auditor should include this matter in the AUP report.

Representation Letter

In accordance with standards, we request that you obtain written representation from the County's management regarding their compliance with the applicable eligibility functions of the identified federal programs. These representations may be tailored to cover specific assertions and matters unique to the entity. (Note: The date of the written representation should be the same as the report date.)

Submission and Required Forms

We request that you submit all required forms to the NC Office of the State Auditor after completion. The instructions for uploading this information can be found at Appendix E.

The forms that should be submitted are as follows:

- Error Documentation Template (and any supporting documentation)
- Independent Accountant's Report

Billing

Instructions are forthcoming from the Local Government Commission related to billing and invoicing.

Source for Governing Requirements

2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

US Office of Management and Budget Compliance Supplement

AICPA AT-C Section 105 – Concepts Common to All Attestation Engagements

AICPA AT-C Section 215 – Agreed-Upon Procedures Engagements

Government Accountability Office (GAO) Government Auditing Standards (Yellow Book), Chapter 5, paragraphs .58-.59

North Carolina General Statutes 147-64.2



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

Jeffrey A. Gould
Charles E. Killian
Harold C. Cole
G. Edward Towson, II
Harvey W. Jenkins
Shon P. Norris

June 12, 2018

Board of Commissioners
Watauga County
814 West King Street
Suite 205
Boone, NC 28607

We are pleased to confirm our understanding of the terms of our engagement and the nature and limitations of the services we are to provide for Watauga County.

We will apply the agreed-upon procedures listed in the attached *Letter of Instruction to Auditors Testing the Eligibility Intake Functions for Certain Federal Programs at County Governments and Health Districts* (Letter of Instruction) dated March 20, 2018 that were specified and agreed to by the North Carolina Office of the State Auditor on eligibility intake functions for the Medical Assistance Program (Medicaid) of Watauga County for the year ended June 30, 2018. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures performed or to be performed is solely the responsibility of the North Carolina Office of the State Auditor and we will require an acknowledgment in writing of that responsibility. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

Because the agreed-upon procedures listed in the attached Letter of Instruction do not constitute an examination or review, we will not express an opinion or conclusion on Watauga County's eligibility intake functions for Medicaid. In addition, we have no obligation to perform any procedures beyond those listed in the attached Letter of Instruction.

We plan to begin our procedures in June 2018 and, unless unforeseeable problems are encountered, the engagement should be completed by October 31, 2018.

We will issue a written report upon completion of our engagement that lists the procedures performed and our findings. Our report will be addressed to The Honorable Beth A. Wood, CPA, State Auditor. If, for any reason, we are unable to complete any of the procedures, we will describe in our report any restrictions on the performance of the procedures, or not issue a report and withdraw from this engagement. You understand that the report is intended solely for the information and use of the North Carolina Office of the State Auditor, and should not be used by anyone other than these specified parties. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

An agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations; however, we will communicate to you any known and suspected fraud and noncompliance with laws or regulations affecting Watauga County's eligibility intake functions for Medicaid that come to our attention. In addition, if, in connection with this engagement, matters come to our attention that contradict Watauga County's eligibility intake functions for Medicaid, we will disclose those matters in our report.

You are responsible for Watauga County's eligibility intake functions for Medicaid and that it is in accordance with eligibility requirements of the Medicaid program. The North Carolina Office of the State Auditor is responsible for selecting the criteria and procedures and determining that such criteria and procedures are appropriate for their purposes. You are also responsible for, and agree to provide us with, a written assertion about Watauga County's eligibility intake functions for Medicaid. In addition, you are responsible for providing us with (1) access to all information of which you are aware that is relevant to the performance of the agreed-upon procedures on the subject matter, (2) additional information that we may request for the purpose of performing the agreed-upon procedures, and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence relating to performing those procedures.

At the conclusion of our engagement, we will require certain written representations in the form of a representation letter from management that, among other things, will confirm management's responsibility for Watauga County's eligibility intake functions for Medicaid in accordance with eligibility requirements of the Medicaid program.

Daniel R. Mullinix is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fees for this service will be billed at our standard hourly rates, not to exceed \$4,900. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If we receive additional instructions from the North Carolina Office of the State Auditor that cause additional time or more than 96 cases to review in order to complete the engagement, or if significant additional time is otherwise necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered as work progresses and are payable on presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. If the need for additional procedures arises, or the procedures need to be modified, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their agreement with the procedures performed or to be performed and their responsibility for the sufficiency of procedures.

Very truly yours,



Daniel R. Mullinix, CPA

Gould Killian CPA Group, P.A.

RESPONSE:

This letter correctly sets forth the understanding of Watauga County.

Management Signature: _____

Title: _____

Date: _____

Governance Signature: _____

Title: _____

Date: _____

PRE-AUDIT CERTIFICATE:

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

By: _____

Date: _____

STATE OF NORTH CAROLINA

Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

To: Certified Public Accounting Firms

From: Katie G. Gleason, CPA, Financial Audit Director

Date: March 20, 2018

Re: Testing of eligibility for federal programs

The Office of Budget and Management Compliance Supplement (Part 3, section E. Eligibility) describes a situation called 'Split Eligibility Determination Functions' as a situation where a non-Federal entity pays the Federal benefit to eligible participants, but arranges with another entity to perform part, or all of, the eligibility determination.

In North Carolina, the North Carolina Department of Health and Human Services (NC DHHS) pays benefits to or on behalf of eligible participants, and eligibility is determined by county Departments of Social Services or Area Health Districts for numerous programs including Medicaid, CHIP (Health Choice), Women, Infants, and Children (WIC), Temporary Assistance for Needy Families (TANF, NC Work First), Supplemental Nutrition Assistance Program (SNAP), and Adoption Assistance.

The audit requirements of 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) require that the State show the benefits paid as Federal expenditures on the State's Schedule of Expenditures of Federal Awards (SEFA). These benefits will not be shown on the SEFA of the counties. Therefore, the North Carolina Office of the State Auditor (OSA), as auditor of the State, is responsible for meeting the internal control and compliance audit objectives for eligibility.

Uniform Guidance allows the OSA to coordinate and arrange for additional procedures to ensure eligibility determinations are in accordance with Federal regulations. Pursuant to *North Carolina General Statute* 147-64.2, the OSA will promote, to the extent possible, coordinated, non-duplicating audits of public programs. Because the auditors of counties are performing financial and compliance audits of the counties, we believe it would be more efficient for these auditors to provide assistance in performing procedures related to participant eligibility at the county level for the year ending June 30, 2018.

An essential part of the audit of the split eligibility programs described above is the redetermination of participant eligibility at the county level. As such, we ask that procedures be performed related to eligibility as described in the attached instructions (Attachment B).

We are requesting that you perform procedures as described in the attached instructions, conducting an Agreed-Upon Procedure (AUP) in accordance with AICPA AT-C Sections 105 and 215. This will include the redetermination of eligibility for the participants within the timeframe given to you by OSA.

The results of your testing should be provided to us in the prescribed format and in an Independent Accountant's Report on Applying Agreed-Upon Procedures. We will use those results as evidence to support our opinion on compliance for the State of North Carolina as it relates to eligibility for the designated programs. An example AUP report is attached (Attachment A).

The results are due to OSA by October 31, 2018.

ATTACHMENT A

Standard Agreed-Upon Procedures Report Form

[DATE]

The Honorable Beth A. Wood, CPA, State Auditor
 Office of the State Auditor
 2 South Salisbury Street
 20601 Mail Service Center
 Raleigh, North Carolina 27699-0601

Dear Ms. Wood:

We have performed the procedures below, which were explained to us in the *Letter of Instruction to Auditors Testing the Eligibility Intake Functions for Certain Federal Programs at County Governments and Health Districts* (Letter) dated March 20, 2018, to assist you in evaluating the eligibility intake functions at [NAME OF AUDITED ENTITY] for the year ended June 30, 2018. [NAME OF AUDITED ENTITY]'s management is responsible for the eligibility intake functions. The sufficiency of these procedures is solely the responsibility of the North Carolina Office of the State Auditor. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been required or for any other purpose.

The procedures performed are listed below. The associated findings have been provided in the attached Error Documentation Template, as requested.

For the Medical Assistance Program (Medicaid), we performed procedures (as detailed in the Letter) to confirm that participants included in the sample provided were correctly determined eligible for the selected certification period (applicable to the payment selected) in accordance with Eligibility Review Document provided by the NC DHHS by re-performing the eligibility determination for the participants.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). We are not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the eligibility intake functions. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

In accordance with Government Auditing Standards, we reported significant deficiencies, material weaknesses, instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that have a material effect on the eligibility intake function that warrant the attention of those charged with governance to [NAME OF AUDITED ENTITY] officials. *This paragraph should be modified or removed depending on the circumstances and results of your procedures.*

This report is intended solely for the information and use of the North Carolina Office of the State Auditor, and is not intended to be, and should not be, used by anyone other than the specified parties.

Sincerely,

 (Signature of County Audit Firm Partner)

Attachment B

Instructions

Introduction

The North Carolina Office of the State Auditor (OSA) has prepared this document to provide guidance to the auditors performing procedures under the Agreed-Upon Procedures related to eligibility determination of designated programs.

The procedures here are not intended to, and do not, constitute an audit in accordance with Generally Accepted Government Auditing Standards or Uniform Guidance. The procedures included are for the purpose described. It is the responsibility of the auditor of the county to carry out the Agreed-Upon Procedures and report the results in accordance with the applicable standards. The county auditor will assume the risk that misapplication of these procedures may result in inappropriate results being reported to OSA.

Relevant Federal Programs

For the fiscal year ending June 30, 2018, the following programs with split eligibility determination functions have been determined to be major for the State of North Carolina and will be included in the scope of this AUP:

- Medicaid

This scope is what is known as of the date of the letter to which this is attached. Should there be any changes to the scope, notification will be made in additional correspondence.

Overall Engagement Objectives

The overall objective of this engagement is to confirm that participants included in the sample provided were correctly determined eligible for the selected certification period (applicable to the payment selected) by re-performing the eligibility determination for the participant in accordance with the Eligibility Review Document provided by the NC DHHS.

Eligibility Testing Procedures

The auditor for each county will receive a listing of participants and correlating certification period to be tested. Instructions for obtaining the sample items are included in Attachment E. **The total sample size for each county for fiscal year 2018 will be 96.**

For each participant included in the listing provided, the auditors will re-perform the eligibility determination process, including the inspection of required documentation that supports eligibility, to confirm that the participant for which funds were paid was eligible in accordance with Eligibility Review Document provided by the NC DHHS for the period selected.

For each participant for which a payment was selected, all evidence supporting the eligibility determination should be inspected to confirm that information was accurately and completely input into the system for consideration in the determination process. The county auditor should confirm that all information entered into the system supported the determination of eligibility. **The county auditor must re-perform the eligibility determination.** The auditor must use the DHHS provided eligibility checklist document when re-performing eligibility determination. This document is available on the LGC website.

If the county auditor finds that the information supporting the eligibility determination was not accurate or was not complete, or if the county auditor finds that the necessary evidence was not obtained, an error should be noted in the process and the auditor should re-perform the eligibility determination in its entirety to confirm that the recipient was eligible to receive program benefits. **Note: It is not an option to run the participant through the system again.**

Since the sampling unit is based on a specific payment, the procedures are based only on the certification period for the selected claim.

Auditors will document errors related to the eligibility process (technical or eligibility errors, as discussed later) in the Error Documentation Template (Attachment D).

Program Specific Information

Medicaid: The Medicaid sample provided should only include participants receiving benefits whose eligibility determination or re-determination was based on the non-MAGI (Modified Adjusted Gross Income) methodology. See Part 4 of the *OMB Compliance Supplement*, section E. *Eligibility* for Medicaid for additional details. If your sample item is determined under the MAGI methodology, please replace the item using the replacement items provided by the NC OSA.

If a participant is found to be presumptively eligible for a program based on eligibility for a different program determined at the county, the eligibility intake process and compliance with federal regulations must be tested based on the requirements of the originating program. For example, if a recipient is presumptively eligible for the Medicaid program based on eligibility for the TANF program, then the recipient should be audited for the requirements of the TANF program.

If a participant is found to be presumptively eligible for a program based on eligibility determination performed by a federal program such as Medicare or Social Security Insurance (SSI), the eligibility for those federal programs should be verified and these participants will be considered eligible for the program.

Errors

Document any errors using the Error Documentation Template (Attachment D). This template should be completed for each audited program in order to determine the proper error amount (questioned cost). This document allows for both technical errors and eligibility errors to be documented. Technical errors are errors that do not change the participant's eligibility status. There will not be an associated error value for technical errors. Errors impacting a participant's eligibility status would have an associated error value and should be considered an eligibility error.

For each error you must also document the cause of the issue. Copies of the error(s) for eligibility should be submitted as additional documentation to support noted errors. For example, if there was an income source that was not included in the original determination within NC FAST, we would like a copy of the original screen showing that the source was excluded, and a copy of the verification that was used to identify the missing income source. Documentation should only be sent for errors that impacted eligibility.

Please submit the error documentation when completed in Excel format.

GAGAS Communications

In the event the procedures performed discloses significant deficiencies, material weaknesses, instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreement, or abuse come to the auditors' attention that warrant the attention of those charged with governance, GAGAS requires that auditors' should communicate such matters to audited entity officials.

Knowledge of Matters Outside of Agreed-Upon Procedures

Although the county auditor need not perform procedures beyond the agreed-upon procedures, if in connection with the application, and through the completion of, the agreed-upon procedures engagement, matters come to the county auditor's attention by other means that significantly contradict the subject matter or assertion referred to in the AUP report, the county auditor should include this matter in the AUP report.

Representation Letter

In accordance with standards, we request that you obtain written representation from the County's management regarding their compliance with the applicable eligibility functions of the identified federal programs. These representations may be tailored to cover specific assertions and matters unique to the entity. (Note: The date of the written representation should be the same as the report date.)

Submission and Required Forms

We request that you submit all required forms to the NC Office of the State Auditor after completion. The instructions for uploading this information can be found at Appendix E.

The forms that should be submitted are as follows:

- Error Documentation Template (and any supporting documentation)
- Independent Accountant's Report

Billing

Instructions are forthcoming from the Local Government Commission related to billing and invoicing.

Source for Governing Requirements

2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)

US Office of Management and Budget Compliance Supplement

AICPA AT-C Section 105 – Concepts Common to All Attestation Engagements

AICPA AT-C Section 215 – Agreed-Upon Procedures Engagements

Government Accountability Office (GAO) Government Auditing Standards (Yellow Book), Chapter 5, paragraphs .58-.59

North Carolina General Statutes 147-64.2



**GOULD KILLIAN
CPA GROUP, P.A.**
CERTIFIED PUBLIC ACCOUNTANTS

Jeffrey A. Gould
Charles E. Killian
Harold C. Cole
G. Edward Towson, II
Harvey W. Jenkins
Shon P. Norris

June 12, 2018

Board of Commissioners
Watauga County
814 West King Street
Suite 205
Boone, NC 28607

We are pleased to confirm our understanding of the services we are to provide Watauga County for the year ended June 30, 2018. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of Watauga County as of and for the year ended June 30, 2018. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Watauga County's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Watauga County's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Required schedules for Law Enforcement Officers' Special Separation Allowance
3. Required schedules for Other Post-Employment Benefits – Retiree Health Plan
4. Required schedules for the Local Government Employees' Retirement System
5. Required Schedules for the Register of Deeds' Supplemental Pension Fund

We have also been engaged to report on supplementary information other than RSI that accompanies Watauga County's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

We will provide an opinion on it in relation to the financial statements as a whole, in a separate written report accompanying our auditor's report on the financial statements:

1. Combining and individual fund statements, budgetary schedules, other schedules
2. Schedule of expenditures of federal and state awards

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

1. Introductory section
2. Statistical section

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions.

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Board of Commissioners of Watauga County. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss

the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on

internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Watauga County's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of Watauga County's major programs. The purpose of these procedures will be to express an opinion on Watauga County's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Management Responsibilities

Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3)

additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review on prior to the completion of final field work.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We understand that the County will be responsible for preparing the financial statements, including the schedule of expenditures of federal and state awards, and providing a final draft of the financial statements for our review by October 15, 2018.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period.

We will provide copies of our reports to the Board of Commissioners of Watauga County; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

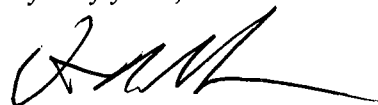
The audit documentation for this engagement is the property of Gould Killian CPA Group, P.A. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a federal or state agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Gould Killian CPA Group, P.A. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the federal or state oversight agency. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit in June 2018 and to issue our reports no later than the deadline established by the LGC which would not require an amended contract to be obtained. Daniel R. Mullinix is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$47,500 for the financial statement audit and compliance audit on up to 2 major programs. An additional fee of up to \$2,350 will apply for each additional major program. The fees for our services do not include preparation of the financial statements, including the schedule of expenditures of federal and state awards. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. We appreciate the opportunity to be of service to Rutherford County and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



Daniel R. Mullinix
Certified Public Accountant

RESPONSE:

This letter correctly sets forth the understanding of Watauga County.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____

SHARRARD, MCGEE & Co., P.A.

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

1321 LONG STREET • POST OFFICE BOX 5869 • HIGH POINT, NORTH CAROLINA 27262

(336) 884-0410
FAX (336) 884-1580OFFICES
HIGH POINT
GREENSBORO**Report on the Firm's System of Quality Control**

July 28, 2017

To the Owners of
Gould Killian CPA Group, P.A. and the
Peer Review Committee of the North Carolina Association of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Gould Killian CPA Group, P.A. (the firm) in effect for the year ended January 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act, and an audit of an employee benefit plan.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Gould Killian CPA Group, P.A. in effect for the year ended January 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Gould Killian CPA Group, P.A. has received a peer review rating of *pass*.

Shaward, McLean & Co, P.A.

CONTRACT TO AUDIT ACCOUNTS

Of WATAUGA COUNTY
Primary Government Unit

N/A

Discretely Presented Component Unit (DPCU) if applicable

On this 12th day of June, 2018,

Auditor: Gould Killian CPA Group, P.A. Auditor Mailing Address: 100 Coxe Avenue

Asheville, NC 28801

Hereinafter referred to as The Auditor

and County Commissioners (Governing Board(s)) of WATAUGA COUNTY
 (Primary Government)

and N/A: hereinafter referred to as the Governmental Unit(s), agree as follows:
 (Discretely Presented Component Unit)

1. The Auditor shall audit all statements and disclosures required by accounting principles generally accepted in the United States of America (GAAP) and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit (s) for the period beginning July 1, 2017, and ending June 30, 2018. The non-major combining, and individual fund statements and schedules shall be subjected to the auditing procedures applied in the audit of the basic financial statements and an opinion shall be rendered in relation to (as applicable) the governmental activities, the business-type activities, the aggregate DPCUs, each major governmental and enterprise fund, and the aggregate remaining fund information (non-major government and enterprise funds, the internal service fund type, and the fiduciary fund types).
2. At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with auditing standards generally accepted in the United States of America. The Auditor shall perform the audit in accordance with *Government Auditing Standards* if required by the State Single Audit Implementation Act, as codified in G.S. 159-34. If required by OMB *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance) and the State Single Audit Implementation Act, the Auditor shall perform a Single Audit. This audit and all associated audit documentation may be subject to review by Federal and State agencies in accordance with Federal and State laws, including the staffs of the Office of State Auditor (OSA) and the Local Government Commission (LGC). If the audit and Auditor communication are found in this review to be substandard, the results of the review may be forwarded to the North Carolina State Board of CPA Examiners (NC State Board). **County and Multi-County Health Departments:** The Office of State Auditor (OSA) will require Auditors of these Governmental Units to perform agreed upon procedures (AUPs) on eligibility determination on certain programs. Both Auditor and Governmental Unit agree that Auditor shall complete and report on these AUPs on Eligibility Determination as required by OSA and in accordance with the instructions and timeline provided by OSA.
3. If an entity is determined to be a component of another government as defined by the group audit standards, the entity's Auditor shall make a good faith effort to comply in a timely manner with the requests of the group auditor in accordance with AU-6 §600.41 - §600.42.
4. This contract contemplates an unqualified opinion being rendered. If during the process of conducting the audit the Auditor determines that it will not be possible to render an unqualified opinion on the financial statements of the unit, the Auditor shall contact the SLGFD staff to discuss the circumstances leading to that conclusion as soon as is practical and before the final report is issued. The audit shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract.

Contract to Audit Accounts (cont.) WATAUGA COUNTY

Primary Government Unit

N/A

Discretely Presented Component Unit (DPCU) if applicable

5. If this audit engagement is subject to the standards for audit as defined in *Government Auditing Standards*, 2011 revisions, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in *Government Auditing Standards*. The Auditor agrees to provide a copy of their most recent peer review report regardless of the date of the prior peer review report to the Governmental Unit and the Secretary of the LGC prior to the execution of the audit contract. **If the audit firm received a peer review rating other than pass**, the Auditor shall not contract with the Governmental Unit without first contacting the Secretary of the LGC for a peer review analysis that may result in additional contractual requirements.

If the audit engagement is not subject to Government Accounting Standards or if financial statements are not prepared in accordance with GAAP and fail to include all disclosures required by GAAP, the Auditor shall provide an explanation as to why in an attachment.

6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to the SLGFD within four months of fiscal year end. Audit report is due on October 31, 2018. If it becomes necessary to amend this due date or the audit fee, an amended contract along with a written explanation of the delay shall be submitted to the Secretary of the LGC for approval.
7. It is agreed that generally accepted auditing standards include a review of the Governmental Unit's systems of internal control and accounting as same relate to accountability of funds and adherence to budget and law requirements applicable thereto; that the Auditor shall make a written report, which may or may not be a part of the written report of audit, to the Governing Board setting forth his findings, together with his recommendations for improvement. That written report shall include all matters defined as "significant deficiencies and material weaknesses" in AU-C 265 of the *AICPA Professional Standards (Clarified)*. The Auditor shall file a copy of that report with the Secretary of the LGC.
8. All local government and public authority contracts for audit or audit-related work require the approval of the Secretary of the LGC. This includes annual or special audits, agreed upon procedures related to internal controls, bookkeeping or other assistance necessary to prepare the Governmental Unit's records for audit, financial statement preparation, any finance-related investigations, or any other audit-related work in the State of North Carolina. **Invoices for services rendered under these contracts shall not be paid by the Governmental Unit until the invoice has been approved by the Secretary of the LGC.** (This also includes any progress billings.) [G.S. 159-34 and 115C-447] All invoices for Audit work shall be submitted in PDF format to the Secretary of the LGC for approval. The invoices shall be sent via upload through the current portal address: <http://nctreasurer.slgfd.leapfile.net> Subject line should read "Invoice – [Unit Name]. The PDF invoice marked 'approved' with approval date shall be returned by email to the Auditor to present to the Governmental Unit for payment. Approval is not required on contracts and invoices for system improvements and similar services of a non-auditing nature.
9. In consideration of the satisfactory performance of the provisions of this contract, the Primary Government shall pay to the Auditor, upon approval by the Secretary of the LGC, the fee, which includes any cost the Auditor may incur from work paper or peer reviews or any other quality assurance program required by third parties (Federal and State grantor and oversight agencies or other organizations) as required under the Federal and State Single Audit Acts. (Note: **Fees listed on Fees page.**) This does not include fees for any Pre-Issuance reviews that may be required by the NC Association of CPAs (NCACPA) Peer Review Committee or NC State Board of CPA Examiners (see Item #12).
10. If the Governmental Unit has outstanding revenue bonds, the Auditor shall submit to the SLGFD either in the notes to the audited financial statements or as a separate report, a calculation demonstrating compliance with the revenue

Contract to Audit Accounts (cont.) WATAUGA COUNTY

Primary Government Unit

N/A

Discretely Presented Component Unit (DPCU) if applicable

bond rate covenant. Additionally, the Auditor shall submit to the SLGFD simultaneously with the Governmental Unit's audited financial statements any other bond compliance statements or additional reports required by the authorizing bond documents, unless otherwise specified in the bond documents.

11. After completing the audit, the Auditor shall submit to the Governing Board a written report of audit. This report shall include, but not be limited to, the following information: (a) Management's Discussion and Analysis, (b) the financial statements and notes of the Governmental Unit and all of its component units prepared in accordance with GAAP, (c) supplementary information requested by the Governmental Unit or required for full disclosure under the law, and (d) the Auditor's opinion on the material presented. The Auditor shall furnish the required number of copies of the report of audit to the Governing Board as soon as practical after the close of the fiscal year end.
12. If the audit firm is required by the NC State Board, the NCACPA Peer Review Committee, or the Secretary of the LGC to have a pre-issuance review of its audit work, there shall be a statement in the engagement letter indicating the pre-issuance review requirement. There also shall be a statement that the Governmental Unit shall not be billed for the pre-issuance review. The pre-issuance review shall be performed **prior** to the completed audit being submitted to the SLGFD. The pre-issuance review report shall accompany the audit report upon submission to the SLGFD.
13. The Auditor shall electronically submit the report of audit to the SLGFD as a text-based PDF file when (or prior to) submitting the invoice for services rendered. The report of audit, as filed with the Secretary of the LGC, becomes a matter of public record for inspection, review and copy in the offices of the SLGFD by any interested parties. **Any subsequent revisions to these reports shall be sent to the Secretary of the LGC along with an Audit report Reissuance form.** These audited financial statements, excluding the Auditors' opinion, may be used in the preparation of official statements for debt offerings, by municipal bond rating services to fulfill secondary market disclosure requirements of the Securities and Exchange Commission and for other lawful purposes of the Governmental Unit without subsequent consent of the Auditor. If the SLGFD determines that corrections need to be made to the Governmental Unit's financial statements, those corrections shall be provided within three days of notification unless another deadline is agreed to by the SLGFD.

If the OSA designates certain programs to be audited as major programs, as discussed in item #2, a turnaround document and a representation letter addressed to the OSA shall be submitted to the SLGFD.

The SLGFD's process for submitting contracts, audit reports and invoices is subject to change. Auditors shall use the submission process in effect at the time of submission. The most current instructions will be found on our website: <https://www.nctreasurer.com/sgl/Pages/Audit-Forms-and-Resources.aspx>

14. Should circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Governing Board in writing of the need for such additional investigation and the additional compensation required therefore. Upon approval by the Secretary of the LGC, this contract may be varied or changed to include the increased time, compensation, or both as may be agreed upon by the Governing Board and the Auditor.
15. If an approved contract needs to be amended for any reason, the change shall be made in writing, on the Amended LGC-205 contract form and pre-audited if the change includes a change in audit fee. This amended contract shall be completed in full, including a written explanation of the change, signed and dated by all original parties to the contract. It shall then be submitted through the audit contract portal to the Secretary of the LGC for approval. The portal address to upload the amended contract is <http://nctreasurer.slgfd.leapfile.net> No change to the audit contract shall be effective unless approved by the Secretary of the LGC, the Governing Board, and the Auditor.

Contract to Audit Accounts (cont.) WATAUGA COUNTY

Primary Government Unit

N/A

Discretely Presented Component Unit (DPCU) if applicable

- 16. A copy of the engagement letter, issued by the Auditor and signed by both the Auditor and the Governmental Unit shall be attached to the contract, and by reference here becomes part of the contract. In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract shall take precedence. Engagement letter terms that conflict with the contract are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item #23 of this contract. Engagement letters containing indemnification clauses shall not be accepted by the SLGFD.
- 17. Special provisions should be limited. Please list any special provisions in an attachment.
- 18. A separate contract should not be made for each division to be audited or report to be submitted. If a DPCU is subject to the audit requirements detailed in the Local Government Budget and Fiscal Control Act and a separate audit report is issued, a separate audit contract is required. If a separate report is not to be issued and the DPCU is included in the primary government audit, the DPCU shall be named along with the parent government on this audit contract. DPCU Board approval date, signatures from the DPCU Board chairman and finance officer also shall be included on this contract.
- 19. The contract shall be executed, pre-audited, physically signed by all parties including Governmental Unit and t h e Auditor and then submitted in PDF format to the Secretary of the LGC. The current portal address to upload the contractual documents is <http://nctreasurer.slgfd.leapfile.net>. Electronic signatures are not accepted at this time. Included with this contract are instructions to submit contracts and invoices for approval as of November 2017. These instructions are subject to change. Please check the NC Treasurer’s web site at <https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx> for the most recent instructions.
- 20. The contract is not valid until it is approved by the Secretary of the LGC. The staff of the LGC shall notify the Governmental Unit and Auditor of contract approval by email. **The audit should not be started before the contract is approved.**
- 21. There are no other agreements between the parties hereto and no other agreements relative hereto that shall be enforceable unless entered into in accordance with the procedure set out herein and approved by the Secretary of the LGC.
- 22. **E-Verify.** Auditor **shall comply** with the requirements of NCGS Chapter 64 Article 2. Further, if Auditor utilizes any subcontractor(s), Auditor **shall require** such subcontractor(s) to comply with the requirements of NCGS Chapter 64, Article 2.
- 23. All of the above paragraphs are understood and shall apply to this contract, except the following numbered paragraphs shall be deleted: (See Item #16 for clarification). **None**

SIGNATURE PAGES FOLLOW FEES PAGE

Contract to Audit Accounts (cont.) WATAUGA COUNTY
Primary Government Unit
N/A
Discretely Presented Component Unit (DPCU) if applicable

FEES – PRIMARY GOVERNMENT

AUDIT: \$ Fixed-\$47,500; Variable each major program over 2 - \$2,350

WRITING FINANCIAL STATEMENTS: \$ n/a - County to prepare financial statements

ALL OTHER NON-ATTEST SERVICES: \$ n/a

For all non-attest services the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct and *Governmental Auditing Standards* (as applicable). Bookkeeping and other non-attest services necessary to perform the audit shall be included under this contract. However, bookkeeping assistance shall be limited to the extent that the Auditor is not auditing his or her own work or making management decisions. The Governmental Unit shall designate an individual with the suitable skills, knowledge, and/or experience necessary to oversee the services and accept responsibility for the results of the services. Financial statement preparation assistance shall be deemed a “significant threat” requiring the Auditor to apply safeguards sufficient to reduce the threat to an acceptable level. The Auditor shall maintain written documentation of his or her compliance with these standards in the audit work papers.

Prior to submission of the completed audited financial report, applicable compliance reports and amended contract (if required) the Auditor may submit invoices for approval for services rendered, not to exceed 75% of the total of the stated fees above. If the current contracted fee is not fixed in total, invoices for services rendered may be approved for up to 75% of the prior year audit fee.

The 75% cap for interim invoice approval for this audit contract is \$ 35,625
** NA if there is to be no interim billing

FEES – DPCU (IF APPLICABLE)

AUDIT: \$ _____

WRITING FINANCIAL STATEMENTS: \$ _____

ALL OTHER NON-ATTEST SERVICES: \$ _____

For all non-attest services the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct and *Governmental Auditing Standards* (as applicable). Bookkeeping and other non-attest services necessary to perform the audit shall be included under this contract. However, bookkeeping assistance shall be limited to the extent that the Auditor is not auditing his or her own work or making management decisions. The Governmental Unit shall designate an individual with the suitable skills, knowledge, and/or experience necessary to oversee the services and accept responsibility for the results of the services. Financial statement preparation assistance shall be deemed a “significant threat” requiring the Auditor to apply safeguards sufficient to reduce the threat to an acceptable level. The Auditor shall maintain written documentation of his or her compliance with these standards in the audit work papers.

Prior to submission of the completed audited financial report, applicable compliance reports and amended contract (if required) the Auditor may submit invoices for approval for services rendered, not to exceed 75% of the total of the stated fees above. If the current contracted fee is not fixed in total, invoices for services rendered may be approved for up to 75% of the prior year audit fee.

The 75% cap for interim invoice approval for this audit contract is \$ _____
** NA if there is to be no interim billing

Contract to Audit Accounts (cont.) WATAUGA COUNTY

Primary Government Unit

N/A

Discretely Presented Component Unit (DPCU) if applicable

Communication regarding audit contract requests for modification or official approvals will be sent to the email addresses provided in the spaces below.

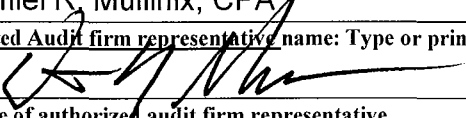
Audit Firm Signature:

Gould Killian CPA Group, P.A.

Name of Audit Firm

By Daniel R. Mullinix, CPA

Authorized Audit firm representative name: Type or print



Signature of authorized audit firm representative

Date June 12, 2018

dmullinix@gk-cpa.com

Email Address of Audit Firm

Governmental Unit Signatures:

WATAUGA COUNTY

Name of Primary Government

By John Welch, Chairman

Mayor / Chairperson: Type or print name and title

Signature of Mayor/Chairperson of governing board

Date

By N/A

Chair of Audit Committee - Type or print name

**

Signature of Audit Committee Chairperson

Date

** If Governmental Unit has no audit committee, mark this section "N/A"

PRE-AUDIT CERTIFICATE: Required by G.S. 159-28 (a)

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

By _____

Primary Government Unit Finance Officer:

Type or print name

Primary Government Finance Officer Signature

Date _____

(Pre-audit Certificate must be dated.)

Email Address of Finance Officer

Date Primary Government Governing Body Approved Audit Contract - G.S. 159-34(a)

*****Please provide us the most current email addresses available as we use this information to update our contact database*****

Contract to Audit Accounts (cont.) WATAUGA COUNTY

Primary Government Unit

N/A

Discretely Presented Component Unit (DPCU) if applicable

**** This page to only be completed by Discretely Presented Component Units If Applicable ****

Communication regarding audit contract requests for modification or official approvals will be sent to the email addresses provided in the spaces below.

DPCU Governmental Unit Signatures:

N/A

Name of Discretely Presented Component Unit

By _____

DPCU Board Chairperson: Type or print name and title

Signature of Chairperson of DPCU governing board

Date _____

By _____

Chair of Audit Committee - Type or print name

**

Signature of Audit Committee Chairperson

Date _____

*** If Governmental Unit has no audit committee, mark this section "N/A"*

PRE-AUDIT CERTIFICATE: Required by G.S. 159-28

(a)

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

By _____

DPCU Finance Officer:

Type or print name

DPCU Finance Officer Signature

Date _____

*(Pre-audit Certificate **must be dated.**)*

Email Address of Finance Officer

Date DPCU Governing Body Approved Audit Contract - G.S. 159-34(a)

***** Please provide us the most current email addresses available as we use this information to update our contact database*****

Contract to Audit Accounts (cont.) WATAUGA COUNTY

Primary Government Unit

N/A

Discretely Presented Component Unit (DPCU) if applicable

Steps to Completing the Audit Contract

1. Complete the header information – If a DPCU is subject to the audit requirements found in the Local Government Budget and Fiscal Control Act and a separate report is being issued for that DPCU, a separate audit contract for the DPCU is required. If a separate report is not being issued for the DPCU – it is being included in the Primary Government’s audit – the DPCU shall be named with the Primary Government on the audit contract for the Primary Government. The Board Chairperson of the DPCU shall sign the audit contract in addition to the elected leader of the Primary Government.
2. Item No. 1 – Complete the period covered by the audit
3. Item No. 6 – Fill in the audit due date. For Governmental Unit (s), the contract due date can be no later than 4 months after the end of the fiscal year, even though amended contracts may not be required until a later date.
4. Item No. 8 – If the process for invoice approval instructions changed, the Auditor should make sure he and his administrative staff are familiar with the current process. Instructions for each process can be found at the following link. <https://www.nctreasurer.com/slgl/Pages/Audit-Forms-and-Resources.aspx>
5. Item No. 9 – Please note that the new fee section has been moved to page 5.
6. Item No. 16 – Has the engagement letter been attached to the contract that is being submitted to SLGFD?
 - a. Do the terms and fees specified in the engagement letter agree with the Audit contract? *“In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract shall take precedence.”*
 - b. Does the engagement letter contain an indemnification clause? **The audit contract shall not be approved if there is an indemnification clause – refer to LGC Memo # 986.**
7. Complete the fee section for BOTH the Primary Government and the DPCU (if applicable) on the fees page; please note:
 - The cap on interim payments is 75% of the current audit fee for services rendered if the contracted fee amount is a fixed amount. If any part of the fee is variable, interim payments are limited to 75% of the prior year’s total audit fee. If the contract fee is partially variable, we shall compare the authorized interim payment on the contract to 75% of last year’s actual approved total audit fee amount according to our records. There is a report of audit fees paid by each governmental unit on our web site: https://www.nctreasurer.com/slgl/lfm/audit_acct/Pages/default.aspx select “audit fees”

Please call or email Lorna Hodge at 919-814-4299 lorna.hodge@nctreasurer.com if you have any questions about the fees on this list.

 - For variable fees for services, are the hourly rates or other rates clearly stated in detail? If issued separately in an addendum, has the separate page been acknowledged in writing by the Governmental Unit?

Contract to Audit Accounts (cont.) WATAUGA COUNTY

Primary Government Unit

N/A

Discretely Presented Component Unit (DPCU) if applicable

- For fees for services that are a combination of fixed and variable fees, are the services to be provided for the fixed portion of the fee clearly stated? Are the hourly rates or other rates clearly stated for the variable portion of the fee? (Note: See previous bullet point regarding variable fees.)
 - If there is to be no interim billing, please indicate N/A instead of leaving the line blank.
8. Signature Area – There are now 2 Signature Pages: one for the Primary Government and one for the DPCU. Please only send the page(s) that are applicable to your Unit of Government and do not include the instructions pages. Make sure all signatures have been obtained, and properly dated. **The contract shall be approved by Governing Boards pursuant to G.S. 159-34(a).** If this contract includes the audit for a DPCU that is a Public Authority that falls under the Local Government Budget and Fiscal Control Act, it shall be named in this contract and the Board Chairperson of the DPCU also shall sign the contract in the area indicated. If the DPCU is filing a separate audit, a separate audit contract is required for that DPCU.
9. Please place the date the Primary Government’s Governing Board and the DPCU’s Governing Board (if applicable) approved the audit contract in the space provided.
- a. Please make sure that you provide email addresses for the audit firm and finance officer as these will be used to communicate official approval of the contract.
 - b. Has the pre-audit certificate for the Primary Government (and the DPCU if applicable) been signed and dated by the appropriate party?
 - c. Has the name and title of the Mayor or Chairperson of the Unit’s Governing Board and the DPCU’s Chairperson (if applicable) been typed or printed on the contract and has he/she signed in the correct area directly under the Auditor’s signature?
10. If the Auditor is performing an audit under the yellow book or single audit rules, has year-end bookkeeping assistance been limited to those areas permitted under the revised GAO Independence Standards? Although not required, we encourage Governmental Units and Auditors to disclose the nature of these services in the contract or an engagement letter. Fees for these services should be shown in the space indicated on the fees page.
11. Has the most recently issued peer review report for the audit firm been included with the contract? This is required if the audit firm has received a new peer review report that has not yet been forwarded to us. The audit firm is only required to send the most current Peer Review report to us once – not multiple times.
12. After all the signatures have been obtained and the contract is complete, please convert the contract and all other supporting documentation to PDF. **When submitting for approval combine and send the documents as one PDF file to include the Audit contract, any applicable addendums, the engagement letter and Peer Review Report.** Submit these documents using the most current submission process which can be obtained at the NC Treasurer’s web site
<https://www.nctreasurer.com/slg/Audit%20Forms%20and%20Resources/Instructions%20for%20Contract%20Submission.pdf>
13. If an audit cannot be completed by the due date, the Auditor or Governmental Unit shall file an Amended Contract form (Amended LGC-205). This form shall be signed by the Governmental Unit representative and the Auditor. The explanation for the delay in completing the audit is part of this contract amendment form and shall be provided. The parties that signed the original audit contract shall sign the amended contract form as well. If the signing representatives are unable to sign the amended contract, please include an explanation for this in the submitted amended contract form.

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AGENDA ITEM 7:**MISCELLANEOUS ADMINISTRATIVE MATTERS**

B. Appointment of the North Carolina Association of County Commissioners' (NCACC) Annual Conference Voting Delegate

MANAGER'S COMMENTS:

The North Carolina Association of County Commissioners' (NCACC) Annual Conference is scheduled for August 23-25, 2018, in Catawba County. Each county in attendance is required to select a voting member for representation at the annual business meeting which is conducted as a part of the conference. Submission of the voting delegate is due August 17, 2018. For more information on the Conference, please go to: www.ncacc.org/AnnualConference.



Designation of Voting Delegate to NCACC Annual Conference

I, _____, hereby certify that I am the duly designated voting delegate for _____ County at the 111th Annual Conference of the North Carolina Association of County Commissioners to be held in Catawba County, N.C., on August 23-25, 2018.

Signed: _____

Title: _____

Article VI, Section 2 of our Constitution provides:

“On all questions, including the election of officers, each county represented shall be entitled to one vote, which shall be the majority expression of the delegates of that county. The vote of any county in good standing may be cast by any one of its county commissioners who is present at the time the vote is taken; provided, if no commissioner be present, such vote may be cast by another county official, elected or appointed, who holds elective office or an appointed position in the county whose vote is being cast and who is formally designated by the board of county commissioners. These provisions shall likewise govern district meetings of the Association. A county in good standing is defined as one which has paid the current year's dues.”

Please return this form to Alisa Cobb by: **12 Noon on Friday, August 17, 2018:**

NCACC
353 E. Six Forks Road, Suite 300
Raleigh, NC 27609
Fax: (919) 733-1065
Email: alisa.cobb@ncacc.org
Phone: (919) 715-2685

AGENDA ITEM 7:

MISCELLANEOUS ADMINISTRATIVE MATTERS

C. Boards and Commissions

MANAGER'S COMMENTS:

Appalachian Regional Library

The Appalachian Regional Library Board recommends that Ms. Ala Sue Moretz be reappointed to the Appalachian Regional Library Board to fill a second term.

Watauga County Public Library

The Appalachian Regional Library Board recommends that Dr. Mary Reichel be reappointed to the Watauga County Public Library local board to fill a second term.

The above are first readings.

Economic Development Commission

Ms. Pat Parish and Mr. Tim Hodges terms on the Economic Development Commission (EDC) expire in June. Ms. Parish resigned from the EDC in May. Therefore, her slot will need to be filled. Mr. Hodges has completed one term, is eligible for a second term, and is interested in being reappointed. Terms are three years. The EDC will not meet again until July. A volunteer application has been received from Ms. Angela Weaver who is interested in serving.

This is a first reading for Ms. Weaver and a second reading for Mr. Hodges.



June 5, 2018

Mr. John Welch, Chair
Watauga County Board of Commissioners
Administrative Building, Suite 205
814 West King Street
Boone, NC 28607

Dear Mr. Welch:

At the regular meeting of the Appalachian Regional Library Board on May 17, 2018, board members voted unanimously to recommend to Watauga County Commissioners that Ala Sue Moretz be reappointed to the Appalachian Regional Library Board to fill a second term. Please approve the recommendation of the library board and notify Ms. Moretz and me of her appointment. Thanks to you and all of the commissioners for your continued support of our library.

Ala Sue Moretz resides at 2371 Big Hill Rd, Boone, NC 28607.

Sincerely,

Monica Caruso
Watauga County Librarian

Cc: Susan Poorman
Watauga County Library Board Chair

Cc: Jane Blackburn
Director of Appalachian Regional Libraries



June 5, 2018

Mr. John Welch, Chair
Watauga County Board of Commissioners
Administrative Building, Suite 205
814 West King Street
Boone, NC 28607

Dear Mr. Welch:

At the regular meeting of the Appalachian Regional Library Board on May 17, 2018, members voted unanimously to recommend to Watauga County Commissioners that Dr. Mary Reichel be reappointed to the Watauga County Public Library local board to fill a second term. Please approve the recommendation of the regional library board and notify Dr. Reichel and me of her appointment. Thanks to you and all of the commissioners for your continued support of our library.

Dr. Mary Reichel resides at 421 Fairfield Lane, Blowing Rock, NC 28604.

Sincerely,

Monica Caruso
Watauga County Librarian

Cc: Susan Poorman
Watauga County Library Board Chair

Cc: Jane Blackburn
Director of Appalachian Regional Libraries

Volunteer Application
Watauga County Boards And Commissions

061918 BCC Meeting

If you are a Watauga County resident, at least 18 years old, and willing to volunteer your time and expertise to your community, please complete the application below and click on Print Form. Please sign and mail or fax to:

Watauga County Commissioners' Office
814 West King Street, Suite 205
Boone, NC 28607
Phone: (828) 265-8000
Fax: (828) 264-3230

Name: Angela Laws Weaver

Home Address: 320 Old Fairway Drive

City: Boone Zip: 28607

Telephone: (H) 828 719 9325 (W) _____ (Fax) _____

Email: Kirrajadezeyahoo.com

Place of Employment: self, French Swiss Ski College

Job Title: property management (Airbnb), ski instructor

In Order To Assure County wide Representation Please Indicate Your Township Of Residence:

- | | | |
|-------------------------------------|------------------------------------|--|
| <input type="radio"/> Bald Mountain | <input type="radio"/> Stony Fork | <input type="radio"/> Watauga |
| <input type="radio"/> New River | <input type="radio"/> Brushy Fork | <input type="radio"/> Cove Creek |
| <input type="radio"/> Beaver Dam | <input type="radio"/> Meat Camp | <input type="radio"/> Shawneehaw |
| <input type="radio"/> Blue Ridge | <input type="radio"/> Blowing Rock | <input type="radio"/> Laurel Creek |
| <input type="radio"/> Elk | <input type="radio"/> North Fork | <input checked="" type="radio"/> Boone |

In addition, Please Indicate If You Live In One Of The Following Areas:

- | | |
|--|--|
| <input type="radio"/> Foscoe-Grandfather Community | <input type="radio"/> Valle Cruds Historic District |
| <input type="radio"/> Howards Creek Watershed | <input type="radio"/> Winklers Creek Watershed |
| <input type="radio"/> South Fork New River Watershed | <input checked="" type="radio"/> Extraterritorial Area |

We Ask Your Help In Assuring Diversity Of Membership By Age, Gender, And Race, By Answering The Following Questions

Gender

- Male
 Female

Ethnic Background

- African American Hispanic
 Caucasian Other
 Native American

Please List (In Order Of Preference) The Boards/Commissions On Which You Would Be Willing To Serve.

- Economic Development
- Recreation
- Tourism Development Authority

Volunteer Application
Watauga County Boards And Commissions
(Continued)

061918 BCC Meeting

Please list any work, volunteer, and/or other experience you would like to have considered in the review of your application.

Work Experience:

- 18 years in the outdoor recreation field in various aspects including manufacture, sales and education-employers include misty Mtn Threadworks, Footsloggers, Mast Store, High Mountain Adventures and French Swiss Ski College
- administrator / Head of School - Mountain Pathways School
- Vice President - Next Safety (start up medical device co)
- owner - Mountain Sprouts (in home preschool)
- property management - Airbnb
- owner - Catbird Caravans (mobile bar and lounge service)

Volunteer Experience:

Watauga Humane Society	Blue Ridge Conservancy
Hunger Coalition	Maintain Alliance
Project on Aging	Ashe Humane Society
Two Rivers Community School	Horse Helpers
Wildwood Agile Learning Community	Mountain Pathways
St Mary of the Hills church	
Ray Russell campaign	
Blue Ridge Women in Agriculture	

Other Experience:

Board of Directors - Mountain Pathways Montessori School
Next Safety Inc.
participated in Maintain Alliance board meetings
High South Event Professional member
attend Boone Chamber of Commerce and Silicon Holler events regularly

Other Comments:

Thank you!

Signature: _____



Date: 6/11/18

Print Form

Reset Form

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AGENDA ITEM 7:

MISCELLANEOUS ADMINISTRATIVE MATTERS

D. Announcements

MANAGER'S COMMENTS:

The 111th NCACC Annual Conference will be held August 23-25, 2018, in Catawba County. Visit www.ncacc.org/AnnualConference for full information. Please let Anita know if you plan attend.

The first regular meeting in July has been cancelled; therefore, the next Board of Commissioners Meeting will be held on Tuesday, July 17, 2018, at 5:30 P.M.

AGENDA ITEM 8:

PUBLIC COMMENT

AGENDA ITEM 9:

BREAK

AGENDA ITEM 10:

CLOSED SESSION

Attorney/Client Matters – G. S. 143-318.11(a)(3)
Personnel Matters – G. S. 143-318.11(a)(6)