

South Granville Water and Sewer Authority Meeting Agenda

April 14, 2020

6:00 p.m.

****The meeting will be made available to the public remotely by conference call.**

Join Zoom Meeting:

<https://granvillecounty.zoom.us/j/721262814?pwd=R3JxS1c4RXBNTIFJbHVNZ0hPZkZmdz09>

Meeting ID: 721 262 814

Password: 693691

Dial by your location: 877 853 5247 US Toll-free; 888 788 0099 US Toll-free

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II. Invocation –Edgar Smoak	
III. Pledge of Allegiance –Georgana Kicinski	
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XI. Comments from the Executive Director	
XII. Comments from the SGWASA Attorney	
XIII. Comments from Board Members	
Bill Birdsong Ed Mims Georgana Kicinski Kenneth McLamb Tim Karan Edgar Smoak- Vice Chairman Jimmy Gooch- Chairman	
XIV. Adjournment	

South Granville Water and Sewer Authority
March 10, 2020
Regular Meeting Minutes

Board Members in Attendance

Town of Butner-Jimmy Gooch, Bill Birdsong
Granville County- Tim Karan, Edgar Smoak
City of Creedmoor- Ed Mims, Georgana Kicinski
Town of Stem – Kenneth McLamb

Board Members Absent

N/A

Staff in Attendance

Executive Director, Scott Schroyer
Finance Director, Richard Balmer
Secretary, Uvonka Mercer
Present at the meeting Attorney Jim Wrenn

Media Representative

Butner-Creedmoor News, Penny Carpenter

Call to Order/Welcome

Chair Jimmy Gooch

Invocation/Pledge of Allegiance

Invocation by Kenneth McLamb
Pledge of Allegiance by Ed Mims

Review and Approval of Minutes from the February 11, 2020 Regular Board Meeting

Chairman Gooch sought a motion to approve the minutes of the February 11, 2020 Regular Board meeting. The motion to approve was offered first by Kenneth McLamb and seconded by Edgar Smoak. The motion passed unanimously.

Public Comments

- Mr. Casey Dover, Mayor of the Town of Stem- Public comment was given and asked the Board to consider his request to add a seat on the SGWASA Board for the Town of Stem, as equal representation on the SGWASA Board.
- Dave Pavlus- No comment was given.

Close out the public comments by Chair Jimmy Gooch

Coley Park Pump Station Rehabilitation Project- Pump Purchase

The Executive Director recommends the SGWASA Board to award the Coley Park Pump Station Rehabilitation work to Person Pump Sales and Services, Inc. for the not-to exceed amount of \$43,070.00 and to be given authority to review and approve change orders relating to unexpected condition in an amount not to exceed \$4,307.00 without further board approval.

The proposal was awarded to Pearson Pump Sales and Service, Inc. and will begin within the next several months.

The motion to approve was offered first by Edgar Smoak and seconded by Ed Mims. The motion passed unanimously.

Resolution of Countersigning of Checks- Update

The Executive Director recommends the SGWASA Board approve the Countersigning of Checks Resolution to reflect the updates of positions. Mr. Mims asked if the order of sequence for signing checks would remain the same as it appears on the resolution. Mr. Scott Schroyer confirmed that it would remain the same.

The motion to approve was offered first by Kenneth McLamb and seconded by Edgar Smoak. The motion passed unanimously.

Wastewater Treatment Plant Pump Purchase- Award of Contract

The Executive Director recommends the SGWASA Board approve the purchase of one new pump for the influent pump station pump to Charles R. Underwood, Inc. for the not-to exceed amount of \$52,236.00. The motion to approve was offered first by Ed Mims and seconded by Georgana Kicinski with additional discussion from Mr. Mims on the life expectancy of the other two pumps and to be proactive with replacing those. The Executive Director responded to Mr. Mims regarding inspections on the other pumps and having a schedule in place for such replacements, thus being proactive.

The motion to approve was offered first by Ed Mims and seconded by Georgana Kicinski. The motion passed unanimously.

Comments from the Executive Director

- Updated to the Board on the Hydrant Flushing Logs.
- Budget Prep Tasks FY 20-21 reminder of the Finance Committee meetings on Friday, March 13, 2020 at 9:00 AM and Friday, March 20, 2020 at 9:00 AM.
Budget Retreat meeting on Wednesday, March 25, 2020 at 6:00 PM.
- Updated to the Board on the business trip with Mr. Wrenn to Washington, DC to discuss funding needs for SGWASA.
- Updated to the Board on the Veazey Road area sewer line project- Carolina Sewer Works completed the project last week.
- Updated to the Board on the Water Treatment Plant upgrade project, waiting on an official start date.

Comments from the SGWASA Attorney

Mr. Wrenn addressed the Board and responded to Stem’s proposal regarding their request for a second seat on the Board to represent the Town of Stem. The Board cannot change the Board composition and the number of members. Any request to change the number of Board members would need to be approved by the participating political subdivisions.

Comments from Board Members:

Tim Karan – Updated the Board on the NC Association of County Meeting and thanked Mr. Schroyer for working hard.

Bill Birdsong – No comments.

Jimmy Gooch- Informed the audience and the members of the Board, SGWASA covers all of South Granville, we are in this together. Mr. Gooch also shared the 1st Quarter 2020 DBP results.

Ed Mims – Updated the Board on the Conference Retreat and to thank the Executive Director participated in the Creedmoor retreat on the February 29, 2020.

Georgana Kicinski- Thanked Mr. Schroyer the Board and her continued learning of SGWASA processes. She is pleased on the continued work to make improvements for the residents.

Kenneth McLamb – Thanked Mr. Schroyer for meeting with him and Mr. Dover and continued work in applying for grants to get funding for SGWASA to move it forward.

Edgar Smoak – Updated the Board on the history of the SGWASA with the assistance of Mr. Wrenn. Mr. Smoak wanted to reassure Mr. Dover and the Town of Stem that the SGWASA Board has never slighted the residents of the Town during the 15-years he has on the Board. The Board has always acted in the best interests of the entire service area.

Adjournment

A motion was made to adjourn the March 10, 2020 regular meeting by Ed Mims. The motion was seconded by Kenneth McLamb. The motion passed unanimously.

Respectfully Submitted by: Uvonka Mercer, Secretary

Chairman Jimmy Gooch

South Granville Water and Sewer Authority
Minutes of Finance Committee Meeting
Date: March 13, 2020 at 9:00 a.m.

Statutory Reference/Purpose: G.S. 143-318-10

Members of Board present:

SGWASA Granville County Representative-Tim Karan; Finance Committee Chairman
SGWASA City of Creedmoor Representative- Georgana Kicinski; Finance Committee member
SGWASA Town of Butner Representative- Jimmy Gooch; SGWASA Board Chairman

Staff Present:

Executive Director – Scott Schroyer
Finance Director - Richard Balmer
Secretary – Uvonka Mercer

Media Present:

None

Public Present:

None

Summary:

- a. Tim Karan welcomed everyone and then turned the meeting over to the Executive Director, Scott Schroyer.
- b. Scott Schroyer presented the information to the Finance Committee with a review of the FY19-20 Budget, the proposed FY20-21 Budget, and updates on the Finance Committee Meeting dates.

Audit Services RFP: (Discussion)

Richard Balmer, Finance Director presented on the topic of auditing services. Recently a Request for Proposals (RFP) for Auditing Services was issued because SGWASA has not sought proposals for such services since 2013. The RFP garnered only one proposal. Richard Balmer, Finance Director discussed the one proposal from Winston Williams Creech Evans & Company LLP for the preparation of SGWASA's yearly audited financial statements and related filings.

SGWASA's most recent audits have been performed by Winston Williams Creech Evans & Company LLP. After discussion on the topic, the Executive Director indicated that the award of contract to Winston Williams Creech Evans & Company LLP. for auditing services would be presented to the SGWASA Board at the regularly scheduled Board meeting in April.

FY2020-2021 Budget: (Discussion)

Executive Director discussed and updated the committee on:

- CCTV sewer inspection and cleaning proposed in the FY20-21 Budget,
- Proposed personnel additions (FTE Engineer and PTE Customer Service Representative),
- Replaced and refurbished laptops.
- Vehicle maintenance and repairs.

- Additional changes this FY20-21, the Finance Director will begin reporting to the Board quarterly financial statements in the new fiscal year.
- The Finance Director was asked to prepare information for the Finance Committee at the next scheduled Finance Committee meeting regarding an analysis of a 401K match for a 1% - 5% scale.

Recommendations from Finance Committee:

The Finance Committee members recommended the following:

- Implement 401K/457 match for FY 20-21
- FTE Engineer position approved for projects and allocations.
- FTE 0.5 Customer Service Representative position approved.
- Contracted Social Media and Communication Specialist position approved.

Meeting adjourned at 12:00 p.m.

South Granville Water and Sewer Authority
Minutes of Finance Committee Meeting
Date: March 20, 2020 at 9:00 a.m.

Statutory Reference/Purpose: G.S. 143-318-10

Members of Board present:

SGWASA Granville County Representative-Tim Karan; Finance Committee Chairman
SGWASA City of Creedmoor Representative- Georgana Kicinski; Finance Committee member
SGWASA Town of Butner Representative- Jimmy Gooch; SGWASA Board Chairman

Staff Present:

Executive Director – Scott Schroyer
Finance Director - Richard Balmer
Secretary – Uvonka Mercer

Media Present:

None

Public Present:

None

Summary/Introductions:

- a. Tim Karan welcomed everyone and then turned the meeting over to the Executive Director, Scott Schroyer.
- b. Scott Schroyer presented the information to the Finance Committee with the agenda for today's meeting.

Follow Up Topics from previous Finance Committee Meeting 3/13/20: (Discussion)

- Richard Balmer, Finance Director reached out to SGWASA's current Auditors (Winston Williams Creech Evans & Company LLP) and provided the Finance Committee with updated information.
 - Auditing services reviews must be peer reviewed every 3-years and schedules are set by the Audit team; 2- levels in the organization are reviewing SGWASA's audit, because we are the only Authority that the firm reviews.
- 401K Program review Payroll and Benefit section- (handout given to the Finance Committee), an overview on 401K & 457 pretax and Roth. The 1% match should only be applied to 401K and not Roth. Richard discussed that SGWASA has four programs in place currently. Next year when HR renews the benefits, we would need to know how to restructure the plans.
- Richard Balmer, Finance Director addressed Chairman Gooch's question on 2% COLA adjustment, last year the Board approved and adopted a pay study, but the 401K implementation was deferred.
- Rate Models discussion- Richard Balmer, Finance Director updated the Committee on his research.

Draft FY2020-2021 Budget Review: (Discussion)

Will be given during the May 2020 meeting.

I-85 Sanitary Sewer Project:

A handout (report, summary of schedules) was provided by Scott Schroyer to the Finance Committee for review and consideration of the various construction scenarios and funding option timelines for the extensive sanitary sewer work proposed.

Future Board Workshop Meeting Scheduled: (Discussion)

Due to the recent Coronavirus pandemic, the meeting that is schedule for 03/25/2020 will be rescheduled later.

Recommendations:

Committee agreed unanimously to implement in FY 20-21 401K match at 1%.

Meeting adjourned at 12:00 p.m.

South Granville Water and Sewer Authority
Minutes of Finance Committee Meeting
Date: April 3, 2020 at 9:00 a.m.

Statutory Reference/Purpose: G.S. 143-318-10

Members of Board present:

SGWASA Granville County Representative-Tim Karan; Finance Committee Chairman
SGWASA City of Creedmoor Representative- Georgana Kicinski; Finance Committee member
SGWASA Town of Butner Representative- Jimmy Gooch; SGWASA Board Chairman

Staff Present:

Executive Director – Scott Schroyer
Finance Director - Richard Balmer
Secretary – Uvonka Mercer

Media Present:

None

Public Present:

SGWASA City of Creedmoor Representative- Mr. Ed Mims via Video link with Executive Director.

Summary/Introductions:

Tim Karan welcomed everyone and then turned the meeting over to the Executive Director, Scott Schroyer. Scott Schroyer presented the information to the Finance Committee with the agenda for today's meeting.

Draft FY2020-2021 Budget Review: (Discussion)

- a. **Follow-up topics from Finance Committee Meeting 03/20/2020-** The budget handout explained the proposed budget rates and any significant changes in the Projected Revenues and Expenditure for fiscal year 2020-2021.
- b. **Discussion-** Richard Balmer, Finance Director explained scenario 3 as funding CIP/Depreciation at 100%, and scenario 3A as funding at CIP/Depreciation at 90%.
- c. **Recommendations from Finance Committee Members-** Following the review and consideration of all the items/documents presented to date, the Finance Committee approved FY20-21 Rate increase scenario 3A to support the draft FY20-21 Budget proposed by the Finance Director and Executive Director.

Other Topic Discussions:

- Finance Committee Member Kicinski inquired about SGWASA's new website. Scott Schroyer informed the Finance Committee members that SGWASA is days away from launching its new website, the goal is to have it fully functioning by April 13th, 2020, prior to the regularly scheduled monthly Board Meeting.
- Finance Committee member Kicinski inquired about the status of the Water Treatment Plant Upgrade: Scott Schroyer informed the Finance Committee members that a preconstruction

meeting was held recently. SGWASA anticipates having the final signed contracts in place in mid-April. We are focusing on starting the actual construction on/around May 15, 2020.

- Scott Schroyer indicated that we are on schedule to send out the USDA Income Survey to SGWASA utility customers via US Mail starting on April 17, 2020 to Granville County, Stem, City of Creedmoor, and Butner residents. Scott Schroyer asked the Finance Committee members if they had any concerns with the proposed schedule in light of the current COVID-19 situation. The Finance Committee recommended sending the income survey's out as scheduled.

Meeting adjourned at 10:00 a.m.

VII. Extension Request for Final Water and Sewer Allocations – Kennedy’s Crossing (Phase II)

Background:

On March 4, 2019, Mr. Troy White of Durham, NC representing Leonine Building Solutions, LLC, submitted an allocation request of 12,075 Gallons Per Day (GPD) of residential water and sewer to the South Granville Water and Sewer Authority for the Kennedy’s Crossing Subdivision Phase II (35 homes) project, located on Gooch Street in Stem, NC.

At the March 12, 2019 South Granville Water and Sewer Authority (SGWASA) Board meeting, the Board approved, with conditions, the preliminary water and sewer allocations of 12,075 Gallons Per Day (GPD) of residential water and sewer for Kennedy’s Crossing Subdivision Phase II. According to the SGWASA Allocation Policy, within twelve months of the preliminary approval, Leonine Building Solutions, LLC is required to submit their final allocation request to the SGWASA Board for review.

Recently, Mr. Timothy Cooke, President of Leonine Building Solutions, LLC, contacted SGWASA and requested a 12-month extension for their Final Allocation for water and sewer, due to additional construction work that is needed at the site.

Analysis:

Having reviewed all the documents associated with this project, along with conferring with the local jurisdiction on the extension request, the Executive Director finds the requested 12-month extension to be reasonable.

Financial:

Per the SGWASA Allocation Policy, Leonine Building Solutions, LLC paid a 10% non-refundable amount of \$19,419.00 for Phase II residential water and sewer allocations as part of the preliminary allocation approval, leaving a balance to be paid of \$174,762.00 upon final allocation approval.

Attachments:

1. 3/13/19 SGWASA Preliminary Allocation Approval (with conditions) Letter to Mr. Troy White, representing Leonine Building Solutions, LLC.
2. 2/24/20 Letter from Mr. Timothy Cooke, President of Leonine Building Solutions, LLC – Requesting and extension for Final Allocation.

Recommendation:

The Executive Director recommends the SGWASA Board extend the deadline to March 9, 2021 for the Final Allocation for residential water and sewer for the Kennedy’s Crossing Subdivision Phase II, with the same conditions as noted in the 3/13/19 Preliminary Allocation Request approval letter to Mr. White.



South Granville Water and Sewer Authority

March 13, 2019

**Board
Members**

Troy White
Leonine Building Solutions, LLC
1716 Crystal Creek Drive
Durham, NC 27712

**Edgar
Smoak
Chair**

**Archer
Wilkins
Vice-Chair**

**Bill
Birdsong**

**Jimmy
Gooch**

**Kenneth
McLamb**

**Tim
Karan**

**Herman
Wilkerson**

**Staff
Members**

**Michael
Felts
Interim
Director**

**Beverly
Beal,
Secretary**

Subject: Preliminary Allocation Request – Kennedy’s Crossing Subdivision
Phase I (4 Homes) for 1,380 gallons per day (gpd) and Phase II (35 Homes) for
12,075 gallons per day (gpd) of Residential Water and Sewer
Located on Gooch St / Stem, NC
Granville County

Dear Mr. White:

At its March 12, 2019 meeting the SGWASA Board approved your preliminary allocation requests for the subject project **with conditions**. **As per the SGWASA Allocation policy you must submit to the SGWASA Secretary a non-refundable check in the amount of \$2,219.20 for Phase I and \$19,418.00 for Phase II by March 19, 2019.**

Enclosed is the invoice for the engineering fees related to your allocation request. These fees will need to be paid within 30 days from the date of the invoice (March 15, 2019). Please note that failure to receive this payment in the stated time frame shall be grounds for denying or rescinding this allocation.

Within twelve (12) months; the SGWASA March 10, 2020 regular meeting; you must submit to the SGWASA Secretary a request for Final Allocation. This final allocation request must contain all of the appropriate documentation as referenced within the SGWASA Allocation Policy (see attached) and specifically Sections 3 and 7. The information included in this final allocation request shall specifically include but will not be limited to the following:

- Final Allocation request form completely filled out with all appropriate signatures.
- A final allocation check in the amount of \$19,972.80 for Phase I and \$174,762.00 for Phase II.



South Granville Water and Sewer Authority
C/O Beverly Beal
415 Central Ave Ste B
Butner, NC 27509

February 24, 2020

RE: Final Water and Sewer Allocation Extension Request – Kennedy’s Crossing

To Whom It May Concern:

Leonine Building Solutions, LLC hereby requests to extend the water and sewer final allocation deadline for Kennedy’s Crossing to March 1, 2021. Our company completed construction for Phase I in September 2019.

The status of the properties in Phase I are displayed below:

- 113 Gooch Street – Property Sold
- 115 Gooch Street – Not yet Sold, listed on the MLS
- 117 Gooch Street – Not yet Sold, listed on the MLS
- 119 Gooch Street – Not yet Sold, listed on the MLS

With the Spring buying season upon us, we anticipate the remaining properties in Phase I to sell this year. The extension will provide our company the opportunity to obtain all final local and government, state and federal zoning planning approvals and/or permits, letters etc. within this timeframe. Additionally, the extension will provide our company the opportunity to pay the final allocation of \$174,672.00 for Kennedy’s Crossing Phase II.

We appreciate your consideration in granting this request on behalf of Leonine Building Solutions. If you have any questions and or concerns, please do not hesitate to contact me.

Kind regards,

A handwritten signature in black ink that reads "Timothy Cooke". The signature is fluid and cursive.

Timothy Cooke
President
Leonine Building Solutions, LLC
1716 Crystal Creek Drive
Durham, NC 27712
tcooke@leoninebuildingsolutions.com
1-919-599-1787 (Mobile)
1-866-695-7404 (Fax)

VIII. Fiscal Year-End Auditing Services – Award of Contract

Background:

In accordance with GS 159-34, the Authority “shall have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant...”

The South Granville Water and Sewer Authority (SGWASA) previously solicited proposals for audit services via the Request for Proposals (RFP) for the fiscal year ended 06/30/2013. At that time, SGWASA received 4 proposals from which the audit firm of Winston, Williams, Creech, Evans & Company LLP was selected. The selected firm was the lowest bidder at \$7,500 and was awarded the Contract accordingly. The next lowest bid at that time was \$9,000. SGWASA’s audit services have been provided by the firm of Winston, Williams, Creech, Evans & Company LLP since that time.

SGWASA recently solicited proposals for audit services via the RFP process for fiscal year ending 06/30/2020 and the two subsequent fiscal years. SGWASA received only 1 Proposal in response to the RFP. The sole Proposal was submitted by Carleen P Evans, CPA with the firm of Winston, Williams, Creech, Evans & Company.

Analysis:

Winston, Williams, Creech, Evans & Company LLP provided the following proposal for the three audit years requested in the RFP. The audit year ending 06/30/20 is expected to be a “yellow-book audit” performed for the quoted price of \$7,600. Prices reflected for years 2-3 include an approximate 3% increase for inflation as quoted by the firm’s Proposal.

	<u>Yellow book audit</u>	<u>Single audit</u>
FY 06/30/20	\$ 7,600	\$ 8,350
FY 06/30/21	\$ 7,800	\$ 8,550
FY 06/30/22	\$ 8,000	\$ 8,750

Recommendation:

SGWASA has been pleased with the audit services provided by the firm of Winston, Williams, Creech, Evans & Company LLP in the past. The RFP process resulted in a single proposal and the proposal costs are reasonable and lower than the next lowest bid received during the 2012-2013 RFP process (\$9,000); therefore the Executive Director and Finance Director recommend awarding the audit Contract to the audit firm of Winston, Williams, Creech, Evans & Company LLP.

Financial:

The cost of the auditing services will be included in the appropriate Fiscal Year Budget.

Attachments:

1. Audit Contract for year ending 06/30/20
2. Audit Proposal
3. Audit Cost Estimate

Recommendation:

The Executive Director recommends the SGWASA Board enter into a one-year contract with Winston, Williams, Creech, Evans & Company LLP for the fiscal year ending June 30, 2020 audit, in the not to exceed amount of \$7,600.00 and authorize the Executive Director, Finance Director, Board Chair, and Finance Committee Chair to execute the Contract and any related documents accordingly.

**Winston, Williams, Creech,
Evans, & Company, LLP**

Certified Public Accountants



March 31, 2020

To Board of Commissioners and Management
South Granville Water and Sewer Authority
415 Central Avenue, Suite B
Butner, NC 27509

We are pleased to confirm our understanding of the services we are to provide the South Granville Water and Sewer Authority for the year ended June 30, 2020. We will audit the financial statements including the related notes to the financial statements, which collectively comprise the basic financial statements, of the South Granville Water and Sewer Authority as of and for the year ended June 30, 2020. 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 the South Granville Water and Sewer Authority'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 the South Granville Water and Sewer Authority'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. Schedule of Proportionate Share of Net Pension Liability (Asset).
3. Schedule of Contributions to Pension.

We have also been engaged to report on supplementary information other than RSI that accompanies the South Granville Water and Sewer Authority'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, and we will provide an opinion on it in relation to the financial statements as a whole:

1. Budgetary schedules.

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. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of South Granville Water and Sewer Authority and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of South Granville Water and Sewer Authority's

financial statements. Our report will be addressed to Board of Commissioners and Management of South Granville Water and Sewer Authority. 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 may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that 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 on compliance, and (2) that 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 paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that South Granville Water and Sewer Authority is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

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*.

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, and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the South Granville Water and Sewer Authority'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*.

Management Responsibilities

Management is responsible for designing, implementing, establishing and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and 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 and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements. 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) additional information that we may request for the purpose of the audit, and (3) 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.

You are 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 include the audited financial statements with any presentation of the supplementary information 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 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 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, 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, Richard Balmer, 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 may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

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 will provide copies of our reports to the Local Government Commission; 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 Winston, Williams, Creech, Evans & Co., LLP 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 the Local Government Commission or its designee, a federal 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 Winston, Williams, Creech Evans & Co., LLP's 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 Local Government Commission. 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 on approximately August 10, 2020 and to issue our reports no later than October 31, 2020. Carleen P. Evans 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 \$7,600**. 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. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in full. 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(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. 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 the South Granville Water and Sewer Authority 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,

Winston, Williams, Creech, Evans & Co., LLP

Winston, Williams, Creech, Evans & Co., LLP
Certified Public Accountants
Oxford, North Carolina

RESPONSE:

This letter correctly sets forth the understanding of the South Granville Water and Sewer Authority.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____

IX. Fiscal Year 2019-2020 Budget Amendment Number 6

Background:

This Amendment appropriates budget for additional expenses for repairs and electricity at various pump stations, and the reallocation of several inter-departmental line items.

Board Approved FY 2019-20 Budget Amendments to Date:

Item	Amount
Budget Amendment #1	\$131,561
Budget Amendment #2	\$67,002
Budget Amendment #3	\$76,500
Budget Amendment #4	\$33,000
Budget Amendment #5	\$14,630,940
Total	\$14,939,003

Budget Amendment #6

Be it ordained; the FY 2019-2020 Annual Budget Ordinance is hereby amended as follows:

Revenues: Increase / (Decrease)

Transfer from Fund Balance (appropriate)	\$5,900	
Total Revenues		\$5,900

Expenditures: Increase / (Decrease)

Utilities: Sewer line Maintenance	(\$15,000)	
Utilities: Pump Stations/Towers	\$20,900	
Total Expenditures		\$5,900

Recommendation:

The Executive Director recommends the approval of Budget Amendment #6.

X. FY20-21 Budget – Finance Committee Recommendation

Background:

On March 13th, 20th, and on April 3rd, 2020 the South Granville Water and Sewer Authority (SGWASA) Finance Committee (Commissioner Karan, Finance Committee Chair, and Commissioner Kicinski) held public meetings to review and discuss a draft Fiscal Year (FY) 2020-21 Operating Budget as presented by the SGWASA Executive Director and the Finance Director. During the public meetings, the SGWASA Executive Director and the Finance Director presented items to the Finance Committee for their review and consideration. These items include, but are not limited to:

- A review of the current Fiscal Year's Budget & performance.
- A review of the Board's decision in the FY19-20 Budget to defund the Capital Improvement Plan (CIP)/Depreciation by 20% (-\$440,000) from 100% funded to 80% funded.
- The projected future loss of revenue (-\$95,000) from interest income by spending down CIP balance for the water plant upgrade project.
- The projected future loss of revenue (-\$400,000) resulting from institutional customers' reductions in water/wastewater usage.
- The effects on future infrastructure repair and replacement by not funding CIP/Depreciation at 100%.
- Evaluating strategies to fund CIP/Depreciation at 100% over time
- Anticipated increases in projected expenses for FY20-21 (controllable and uncontrollable costs).
- Potential unknown effects on projected revenues and expenses due to constraints experienced by COVID-19 and the aftereffects.
- Examining, enacting cost-effective tactics to achieve greater outputs.
- Operational considerations (contract versus in-house).
- Rate structures.

FY20-21 Budget Summary:

Following extensive discussion, analysis, and discernment regarding the current and future state of SGWASA's operational and financial needs, the Finance Committee recommends a FY20-21 Budget of total revenues/expenditures of \$13,495,540. Following is a summary of the items included in the proposed FY20-21 Budget to support the FY20-21 Budget.

Revenues:

- Water revenue was increased by 6% resulting from increases to the base and volume rates.
- Sewer revenue was increased by 5% resulting from increases to the base and volume rates.
- Capital revenue funds depreciation at 90%.

Payroll & Benefits:

- Includes adding two positions: Engineer (1 full time), Customer Service Representative (1 part-time).

- Includes a 2% Cost of Living Adjustment (COLA).
- Includes a 3% average performance merit raise for employees during the fiscal year, with allowable range of 0%-4%.
- Includes a projected increase of 12% for medical, 5% vision, & 5% dental insurance premiums effective July 1, 2020.
- Includes a projected increase of 10% workers compensation and 5% Property & Liability premiums effective July 1, 2020.
- Includes an increase of 2.15% for Local Government Employees Retirement System (LGERS (retirement contributions) effective July 1, 2020.

Expenses and Capital Outlay:

- Replacing equipment and vehicles totaling \$173,525.
- Making specified large utility repairs totaling \$215,420.
- Includes \$2.2 million for depreciation expense; however, proposed rates only fund 90%.
- Includes \$105,331 for ongoing maintenance agreements on all water towers.

Transfers:

- Includes a \$261,540 transfer from Fund Balance.

Projected Rates:

The FY20-21 proposed rates (Table 1) restore 90% funding to CIP/Depreciation; recoup the projected net loss of revenue resulting from reductions in usage by institutional customers and cover an increase in projected operating expenses.

Table 1

Meter Size	Current Rates FY19-2020	Proposed Rates FY20-2021
Base charge: <i>includes 2,000 gallons usage</i>		
3/4"	\$80.24	\$85.25
1"	\$149.87	\$157.87
1.5"	\$265.92	\$278.89
2"	\$405.18	\$424.12
3"	\$730.12	\$762.99
4"	\$1,194.32	\$1,247.09
6"	\$2,304.82	\$2,457.34
8"	\$3,747.42	\$3,909.64
10"	\$5,372.12	\$5,603.99
12"	\$7,228.92	\$7,540.39
Volume Charge: <i>per 1000 gals</i>	\$16.91	\$18.42
<i>Monthly bill (4,200 gallon usage)</i>	\$117.44	\$125.77
<i>Monthly increase (residential)</i>		\$8.33

Schedule:

The Executive Director recommends the Board hold the required Public Hearing for the FY20-21 Proposed Budget and consider the formal adoption of the FY20-21 Budget at the May 12th, SGWASA Board Meeting.

Attachments:

1. South Granville Water and Sewer Authority Adopted Annual Budget Ordinance Projected Revenues and Expenditures for the Fiscal Period from July 1, 2020 to Ending June 30, 2021.

Recommendation:

The Executive Director requests direction from the SGWASA Board on the Finance Committee's proposed FY20-21 Budget recommendation.

South Granville Water and Sewer Authority (SGWASA), North Carolina
Adopted Annual Budget Ordinance
Projected Revenues and Expenditures
For the Fiscal Period from July 1, 2020 to Ending June 30, 2021

BE IT ORDAINED by the Board Members of SGWASA, North Carolina

Section 1:

It is estimated that the following revenues will be available in the Water and Sewer Fund for the fiscal period beginning July 1, 2020 and ending June 30, 2021.

The water sales and sewer use charges were estimated using a revenue increase of 6% for water, 5% for sewer, and \$173,525 for capital, effective July 1, 2020.

REVENUES:

Water Revenues	\$5,050,000
Wastewater Revenues	\$7,950,000
Non-billing revenue	\$222,000
Interest Income	\$12,000
Other Financing Sources	\$0
Transfer from Fund Balance-Appropriate	\$261,540
Total revenues & other financing sources	\$13,495,540

The following amounts are hereby appropriated in the Water and Sewer Fund for the fiscal period beginning July 1, 2020 and ending June 30, 2021.

<u>EXPENDITURES:</u>	<u>Dept:</u>	
Administration	7110	\$1,013,397
Billing/Collections	7120	\$427,869
Raw Water	7130	\$54,100
Water Treatment Plant	7133	\$1,610,829
Wastewater Treatment	7145	\$1,878,335
Utilities		
Meter Reading	7136	\$141,052
Water Line Maintenance	7139	\$628,533
Sewer Line Maintenance	7140	\$769,268
Pump Stations/Towers	8000	\$604,531
Depreciation/Board/Other	7200	\$2,390,092
Projects & Studies	7300	\$100,000
Debt Service	7500	\$3,877,535
Total Expenditures		\$13,495,540

Section 2:

The grand totals of estimated revenues and other financing sources and expenditures and other financing uses for all funds for the fiscal period beginning July 1, 2020 and ending June 30, 2021 are shown below.

Grand Totals - All Funds:

Revenues	\$13,495,540
Expenditures	\$13,495,540

Section 3:

The Executive Director shall have the authority to make transfers as necessary up to a maximum of \$2,500.

All transfers must be in accordance with the North Carolina General Statutes. The Executive Director shall not have any authority to appropriate fund balance or to increase total appropriations.

Upon introduction of the Ordinance by Board member _____,

and seconded by Board member _____,

this ordinance is adopted on this the ____th day of _____ 2020.

Ayes:

Nays:

Jimmy Gooch, Chairman

ATTEST:

Uvonka, Mercer, Secretary