Open Work Session
January 17, 2017
Fiscal Year 2016 Audit

Mr. Mike C. Kleger and Ms. Ashley M. Stern, with PKS & Company, P.A, came before Council. Mr. Kleger said at the last meeting there were several items of communications that there was not a whole lot of time for. He said Council then submitted questions and that is the reason that they are here today. He then asked if Council wanted to start out with questions directly, or if they should go over some things which they were asked in advance, to which Mr. Cannon said, yes, PKS should begin first. Ms. Stern said she believes Council members received in their brief book quite a few documents. She said she will go through each of them. One of things that Council wanted to start with is just a general conversation about the audit process. She knows they have new councilmembers, old councilmembers, that have not actually had to put up with her explanation of the audit process, so she figured she would go through it.

Ms. Stern said one of the main goals of the external financial statement audit is to express an opinion on the financial statements that they are free from material misstatement. There is inherit limitations that exist from providing such opinions, such as different estimates within the financial statements, as well as a few other items that just cannot be eliminated. She said she provided an article within the brief book about the audit process. She said if Council has any questions about the article to let her know. She said it goes into depth about different phases of the audit processes as well. Ms. Stern said they are constantly asked if the audit is designed to detect all fraud. She said it is not. Management is responsible for preventing and detecting fraud, as well as designing internal controls. The audit is not designed to detect fraud. She said, however, they are responsible for the assurance that the financials are not materially misstated due to fraud. She said that is something she is always questioned about. She said someone may ask what is a material misstatement. She said materiality is a number that she is sure a lot of people use in different day-to-day activities but according to the auditing standards it is a specific calculation which is set that they do on each fund. She said every fund that the County has in its financial statements, PKS does a specific calculation to determine what would be a material misstatement.

Ms. Stern said there is also a chart in the brief book that shows the differences between internal auditing and external auditing. She then went over a few of the key differences. She said both are risk based, so they each look at the risks of the County and determine their audit plans based upon those risks. She said a few key differences is internal auditing is meant to advise management on an internal control system as Council has seen Mr. Steve Roser do many times. She said external auditing is designed to provide an opinion on the financial statements. Internal auditing covers all areas of the organization, where the external audit has a specific financial focus.

Ms. Stern said also within the brief packet is a copy of the Management Discussion Analysis (MD&A.) She said it is also in the financial statements as well, the front section of the financial statements. She said the MD&A is written by management and it is PKS' responsibility as described on page 2 of the financial statements. She said limited procedures are applied. She said one of the comments in the MD&A, on page 6, mentions there was an $8.3-million-dollar increase in net position. She said this is the government wide increase that they went over. Governmental activities actually saw a decrease of $1.8 million, whereas business type activities or enterprise funds, proprietary funds, saw a $10 million-dollar increase. She said they went over quite a few of the increases of the enterprise funds, but just to mention them again, Airport, saw a $2.9-million-dollar increase in their net position and that is due to grants for construction. She said they will see the depreciation expense later when everything has been implemented. Ms. Stern said Solid Waste saw a $1.4-million-dollar increase in their net position and that is vastly due to reduced expenses and increased income. Ms. Stern said Urban Services was another large unit of a $6-million-dollar increase. She said that was mainly due to the transfer of the Morris Mill property over to Urban Services from the grants on which the billing will occur. She said the County will see that expense when it is donated or transferred to the City of Fruitland, which will be in the future. Ms. Stern said one of the questions posed with this action is the sustainability; is this increase of $8.3 million dollars going to be expected every year. Ms. Stern said they really cannot see the future, so they do not know what is going to happen. However, to the best of their abilities, the Council is not going to see another $6-million-dollar increase in Urban Services. The Morris Mill transfer was a one-time thing. In the future you will see the depreciation from the airport construction, so that $2.9 million dollars will not be coming in, but you will have the construction expenses. Ms. Stern continued, she said, on page 6, they made the note about the income tax revenues, which are $7.4 million dollars over budget. She said from last year where its total revenue actually increased $2.2 million dollars from 2015. She wanted to make the clarification that the $7.4 million dollars was over budget, whereas the $2.2 million dollars is an increase from the prior year. There was also an increase in the property taxes from year to year. It is not, as noted in the MD&A, due to the change in the provision of uncollectable accounts that is netted within that revenue section of the real estate taxes. She said there was another question posed to PKS about the real estate property tax collections, and the effects of the tax sale on the collections. She said she thought that Ms. Leslie Lewis could better answer that question as many of those collections occurred after 2016 and the facts of the tax sale is still being felt in 2017. Mr. Cannon asked if she could explain the $7.4 million and $2.2 million again, to which Ms. Stern responded, yes, the $7.4 million that is referenced on page 6, in the third bullet point, there is a $7.4-million-dollar increase in income tax revenue over what was budgeted. She said the 2016 budget came in higher for income taxes for revenue. She said the $2.2 million is just revenue increase over the previous year. There was a revenue increase of $2.2 million dollars over actual 2015 and actual 2016. She said that could be shown at the bottom of page 6. Mr. Cannon clarified that the County projected a conservative budget, to which Ms. Stern responded, yes. Mr. Cannon said a lot less than the $2.2 million. Ms. Stern said a lot of that had to do with the Wynn case, not knowing what the refunds were going to be, the effects of that, as well as not knowing what the economy was going to do in the income tax revenues. Mr. Kleger said that is a difficult line item in the budget as it is not like property tax where you know what the assessment will be, and you come up with a number. You typically have to be fairly conservative on the income tax revenue. Ms. Stern said that she typically sees this coming in higher unless it has been a surprise. Mr. Cannon said this is a good thing.

Ms. Stern said one of the other items that they went over in the previous presentation is the pension. She said she provided within the Council packet two pension reports. She said for specific questions about the estimates and the projections, the County's actuaries are better to answer those questions because they are the ones who do the calculation, but she said she would go over the plans in general. She said the County is participating in the County Plan, which is the current active plan, as well as the old Maryland State Retirement Pension System Plan, which serves employees still remaining in that plan from Recreation and Parks as well as the Roads Division. She said that report comes from the State of Maryland. There is a required contribution annually, but other than that the County really has no effect on that liability calculation.

Mr. Cannon asked, on page 7 of her report, page 8 of the Council's PDF file, why is the new revenue where it says excluding transfers, why is the new revenue growth so low compared to all the prior years. Mr. Cannon said he was looking at dollar change year-to-year, to which Ms. Stern responded, page 7 refers back to page 6. She said she would refer back to somewhere on page 6 where you can see the trend of the actual dollar numbers. Ms. Stern said she is not a big percentage person but for previous years, and she would start back at the beginning from 2012 to 2013, there was a little increase in personal property tax, of about a million, and over a million in real property taxes increase, as well as almost $2-million-dollar increase in federal and state grants. She said that is not always substained every year. The federal and state grants are pending, whereas in this past year there was less than a million-dollar increase in your federal and state trend. It is really just a collective effort of all the revenues brought together. She said one of the big changes to point out is the service charge revenue decreased and that is due to the change in the accounting for

Roads. Roads used to be an internal service fund and could bill out for service revenue. Now they are part of the General Funds, and they are not permitted to bill out for certain revenues. She said that is a $6-million-dollar change and that could contribute to a lot of the percentage differences. She said she could look further into that and get back to the Council. Mr. Cannon asked if Ms. Stern could explain a little more about what the County could bill before but they cannot bill now. Ms. Stern said, for fuel that is billed through the Roads Department, but there are different services that Roads would perform for other Departments, such as Fuel etc., that they were able to bill out to each Department. It is really an inter-fund revenue. You have a revenue on one side and an expense to the County on the other side.

Ms. Stern said back to the pension, the two actuary reports are in front of Council. One of things that she wanted to point out in the Maryland State Retirement report is the amount that the County has to recognize or required to recognize as a net pension liability, increased by $150,000 last year. She said there is nothing the County can do about that. That is all the management of the State Retirement Fund and what their investments are doing. Ms. Stern said, unfortunately, that is a liability on the County's books. The County's financial part for their pension plan is also included, and she wanted to bring forth one specific thing within that plan, and that is on page 10 of the plan, it is the actuary determined contributions versus what the County actually contributed. One of the things that they are always questioning is if the County is contributing as much as it should. The actuary is determining that the County should contribute, for example, in 2016, $882,000. According to their calculations, the County went ahead and contributed $1.4 million dollars. She said the County is going above with what the actual required contribution is to contribute more, yet the liability is still increasing. She said and that has to do with investments, projections of what the investments are going to do versus what they actually do and it also has to do with certain payouts, people living longer, a lot more mortality tables and estimates from that sense. Ms. Stern said that is one of the changes that they noted in the financial statements this year is that the pension expenses being allocated to individual departments, related to the pension plans that were just discussed. She said that is typical for a lot of their government clients. There are few that keep it all as one expense, but most will allocate it to the departments to more accurately show what each department is costing. Mr. Kleger said, however, it is disclosed back in the footnotes. Mr. Stern continued, she said there was an increase in total assets and that is actual assets, fixed assets, cash, receivables, for the government wide activities of about $20.32 million. This is in connection with the increase in the physical assets, other current assets including cash and receivables, especially with the construction at the airport, the Urban Services construction with the Morris Mill project, and also is in connection with the $8.3-million-dollar increase in net position that she mentioned earlier.

Ms. Stern said one of the things they get asked about a lot is fiduciary funds. A Fiduciary fund is monies that are not the County's receivables, it is not the County's assets, but the County is in charge of managing, they are basically for the benefit of others. There are quite a few fiduciary funds that the County is in charge of. She said they have listed a few that they wanted to go over; the Inmate Welfare Fund, the Pension Trust Fund, which is used to payout the benefits of the pension as well as the Narcotics Task Force. They are also fully listed in the financial statements on page 31 if anyone is interested in reading each of the Fiduciary Funds within the County. Mr. Joe Holloway asked how closely do they audit those funds, to which Ms. Stern said they go into each fund as a whole because those funds are all listed as one. They audit their expenses, look at the cash, but they do not specifically go into every single line item. Mr. Kleger said they rotate the different funds, different years. They look at different funds in different years, so you they are not concentrating on one fund every year. Mr. Cannon said he thought the County funded $30,000 for the COAT Program, Mr. Cannon asked was it 100% of the COAT program, the Opioid program for the Health Department and State's Attorneys' Office? Mr. Culver, who was in the audience, said it was $130,000 total. The City put in $30,000 and the County put in $100,000. Ms. Stern said the health insurance and workmen's compensation insurance is another thing that she noted in the MD&A that she wants to discuss with Council. She said they saw a rise in these costs across their clients. However, she thinks the Human Resources Department could provide Council with some specific rates as well as expenses related to health insurance and workmen's compensation insurance.

Ms. Stern said the last thing she would like to mention in regards to the management discussion and analysis is the other post-employment benefits. It is currently an asset. There is an actuarial report in the Council packet. The County has the OPEP or other post-employment benefit asset of $3.8 million, which the County has prefunded the benefits related to this. Mr. Kleger said that has built up fairly quickly as a couple years ago it was only a couple hundred thousand refunded, now it is up to about $3.8 million as of June 30, 2016. He said, to let you know where that balance stands at this point, it is the opposite direction of the pension, but it is a liability as prepaid assets.

Ms. Stern said one of the questions posed to PKS has to do with the differences between cut backs of staff and changes in staff, as well as the internal control effect on that. There is an inherent increase in the risk when changing staff or having a cut back in personnel. People are going to retire, people are going to change jobs and there is going to be a risk related to that. There becomes an efficiency of having the same person work on the same thing because they understand the job functions and they do it more correct. She said, of course there will be an increase risk when there is a change in personnel, and they will increase their testing due to any changes in personnel. She said she thinks

Council in relation to these changes in staff should be continuing to assess the same risks just like they do with any change in personnel. Mr. Cannon asked if PKS sees this as a problem with the County, to which Ms. Stern responded, they we see it happen in every government; it is common, it happens all of the time. She said she did not see it as a County only problem, but they always assess it as a risk, or a potential problem. She said that is just because of their auditing standards and how they look at things. She said she could provide more information for internal control, controlled structures, based upon the number of personnel or anything that Council would be interested in looking into.

Ms. Stern said one of the items that she provided to Council in the packet with the presentation is a memo that they use to summarize different items that they discussed during the audit. The budget transfer noted, in the top column, was an isolated incident. They only saw it once within their testing. She said the budget transfer was an isolated incident and it has since been corrected and clarified with the department. She said she tends to use the word "impressed" thinking that it is an everyday word, but she understands that it is not. She said typically a reconciled balance with any payroll account, they like to see something small. She said she was not going to quantify that, it is completely up to management, however, that account should always be reconciled back to that amount so there should be no additional checks written from that account that are not run through the same process where money is transferred. It adds an extra level of internal control on that account and any voided checks should be taken into account, including transfers into that account. Ms. Stern said this limits the amount of liability of any fraudulent checks being written, if anything is being paid that is not supposed to be paid, that type of thing. Ms. Stern said they also mentioned in a few comments that due to a change in staff there were a few items that were not complete when they did their audit. For example, accounts payable, fixed assets, this is entirely due to a change in staff. There was a finance person that left. Prior to the audit, a new woman was hired and it was taking her some time to get familiarized with the accounting software as well as everything that needed to be done. She said she did not see that as a problem going forward.

Ms. Stern said they also mentioned on page 2 of that memo, a centralization of the finance function. She said, for example, the County currently has every division outside, or most divisions outside of the Government Office Building, have their own finance staff or their own accountant. This can cause a lapse or difference in control as each accountant may have their own way of doing internal control. They like to see more consistency. More consistency gives a better understanding of each control as well as making sure there is more protection for the County.

Ms. Stern said she also wanted to touch on the Management Letter, which is in the auditor's communications within the packet that she provided. Ms. Stern said in the Management Letter there are a couple things that she would like to clarify. The first is the time clock, which is also referenced the Agreed Upon Procedures report. She said regarding the personal action notice recommendation, their recommendation is to remove electronic signatures from the physical PANS. These personal action notices are printed and they were printed with electronic signatures for the protection of management, protection of the Council. They recommend that those electronic signatures be removed and either real signature, or a sign off within the system be used and she thinks that is already implemented by management. They have already removed all of the signatures.

Ms. Stern said she also referenced some of the new accounting principles coming forward. One of these are the tax abatements. She said this is where the County will need to reference any of the abatements in their footnotes to detail, including names as well as amounts. Mr. Cannon asked Ms. Stern if she could go over the accrued compensated debts. Mr. Cannon then asked if that was a use it or lose it type policy. Ms. Stern said they do not see too many use it or lose it policies within government. The County does have a cap on how much can be incurred. They normally see a little bit more encouragement on taking time, for example, holiday time, or comp time. She said a lot of governments will require that it be used within a period of time, similar to a use it or lose it. For example, vacation or sick time is encouraged to be used. Mr. Cannon clarified that is management's responsibility to remind their employees where they are, to which Ms. Stern responded, yes, some governments will do a payout. Mr. Kleger said that liability will come down as it is growing substantially. It was about at $3.8 million at the end of the year and that is County wide. Mr. Cannon asked are the department heads responsible, or is HR responsible to let the department head know where the particular employee is in that regard. Ms. Stern said it could be done through either manner. She said they see a lot of it being within the Department to encourage people to take time off. It does reduce risks from their standpoint. She said this is also a reflection of the fact that the number of employees in the County has grown. With a growing number of employees, you are going to see an increase in certain liabilities, as well as people are not retiring until a little bit later. At retirement you will see a lot of large payouts reducing liability. Mr. Joe Holloway asked if that is something that should be listed as a liability in the budget, per department, to which Ms. Stern responded there is a short term portion which should be reflected in the budget. She said the short term portion is done based upon a calculation of the rolling average of what people take over three or five years. She said it is an estimate within the statements. Mr. Kleger said if it is going to be used within the next year, he would think they would want to budget for the expense. Mr. Joe Holloway then asked if the County is doing that now. Is that being reflected in the budget now? Mr. Strausburg came to the podium. He said if the departments are aware of it, it should be budgeted, but sometimes they do not know. He said it should be on the liabilities balance sheet. The departments would not be budgeting that expense in the operating budget. Mr. Strausburg said it is tough to budget for a surprise retirement, especially at the timing of the budget.

Ms. Stern said their solution to the tax abatements, what they are seeing a lot is that management consider including information in the management discussion analysis about any tax abatement that would then be presented in the footnote. She said the Management Discussion Analysis is a better place to include the reasoning or potential benefits that are received from an abatement. She said overall she wanted to mention that they did increase their testing in related areas due to the changes in personnel. Ms. Stern said also within the brief book is their Agreed Upon Procedures report. She said they included this as part of additional procedures that they perform in order to calculate the liability due to time clock rounding. Mr. Cannon said before you get to time clock rounding if he could talk about the Roads Inventory. He then asked Mr. Roser if the Roads inventory was a huge success in his audit, to which Mr. Roser responded, yes there was a problem several years ago and a former employee in the Roads Division cleaned it all up; they took inventory and now they are actually implementing a new system for inventory throughout the County. It is going to be consistent and the Roads Division will be part of that too. Mr. Roser said it is his understanding that the work that they did could be rolled electronically into the new system.

Ms. Stern said going back to the Agreed Upon Procedures report, she wanted to go over the time clock as there was a question as to what improper rounding would be. She said she thinks that it is better for a lawyer to answer all of the FLSA provisions. She said she is not an attorney, so all of that language is not good for her. She said the time clock system was rounding work hours to a specific set of hours; for example, 8:00 – 5:00, 7:30 – 4:30, etc. She said then employees would clock in at say 7:05, but the time was being rounded to 8:00. She said this happens with new systems, they see it all of the time when a new system is implemented and there is a learning phase. It takes time to figure things out. The effect of this is that there were some employees with time that needed to be accrued on their compensation, or compensated time. Mr. Cannon asked does it also occur when someone comes in early all of the time, like when you have a great worker that wants to come in 15 minutes early every day, the next thing you know, you are situated where you have to get compensation or overtime, to which Ms. Stern responded, yes. Mr. Kleger said you could have people working from home in today's environment when they could dial into the system. It is a complicated area as far as keeping track of when someone is actually working. Ms. Stern said it is the actual working part, not the clocking in, getting the coffee, chatting with your neighbor, etc. She said that was the substantiation of the letters that were signed by certain employees to say, no, we clocked in because we were downstairs, went upstairs, had coffee, etc., and then did not actually work until 8:00. She said they see it quite often in their business where people come in, they sit and have coffee, but it is the key to having them actually clock into work when they are actually working. Mr. Cannon asked if the time clock would prove that they are coming to work on time, but there is still the understanding between management and the employee that their job starts at 8:00, to which Ms. Stern responded, yes. Mr. Cannon asked if that is in compliance with the FSLA. Ms. Stern said she thought the problem is documentation. If an employee came back and said well I clocked in at 7:30, I was working, it is hard to remember a year ago and say, no, you were having coffee or whatnot, they wanted to limit the liability on the County and say that they do not want an employee to be able to come back and say they were working when they actually were not. Ms. Stern said the other items that she included in the brief book, she will not go over in extreme detail, but those are adjusting journal entries, reclass journal entries, as well as our government wide journal entries. She said the adjusting journal entries may seem to be out of number order a little bit, but that is because of their system. When they look at journal entries, they look at them as a whole including all journal entries to get the financials to the presentation and their system numbers, in that fashion. She said she included all journal entries to show there are none missing, it is just the number order can be a little confusing. Ms. Stern said as noted in their memo to management, they believe the closing process, is showing vast improvement, and it can continue to be improved. This is indicated in the number of PVC entries, or prepared by client entries when the books are closed. She said a lot of these entries cannot be avoided. They are going to happen, because of different departments submitting information, other items that have to wait on another item to be completed; it does take time. She said she thinks that the Finance Department, as well as management, have come up with a good plan to vastly reduce these entries and close the books sooner. She said she thinks they have a really good plan going forward, including a possible later start date of the audit, more communication with outside departments, and strict deadlines of when they need to have things done, as well as consistent staff. Consistent staff is key with any financial process in assuring that everything is complete. Mr. Kleger said, yes, they have seen a vast improvement as this year is much better. Ms. Stern said one year they had over 200 journal entries and now they are down to 113 total. She said there has been great improvement in the past year.

Ms. Stern continued she said the reclassifying entries in government wide entries, she wanted to point out what those were. Reclassifying entries are entries that the County does not need to post. They only provide the County with the adjusting journal entries because they are the ones that need to be posted to the County books, and the government wide journal entries are just entries to convert from the general fund to the government wide, and they are all entries that they agreed to post as part of their engagement.

Mr. Roser said Ms. Stern did a very good job in presenting some of the answers to their questions. He said he thinks Council needs to know two things. Mr. Strausburg is quite correct that OPED is a balance sheet matter, and they are also correct that it is a very, very difficult thing to try and budget from period to period. Mr. Roser said, however, that does not mean that Council could not look at that on an aggregate basis ongoing as a balance sheet matter, and Council can have some discussion about that some time if they would like to. Mr. Cannon asked if that is something that could possibly be in the budget message, to which Mr. Strausburg responded that the intent has been to build the OPED Trust Fund up to a point where the OPED liability is 100% funded. Mr. Strausburg said they have been funding that trust at a higher rate than ARC. He said each year they go to Wall Street, and the analyst at the credit rating agencies tell them every year, you are one of the only counties who are not paying for OPED out of current revenue; they are really trying to build that trust up to 100% of the liability. He said they believe that it would be appropriate for the government to have both the pension plan and the OPED liability fully funded, and then if you are managing your investments as astutely as you can, that is a very, very good place to be for those who come behind us, they can focus on current business. He said they are still striving to do that. He thinks that before the stock market went down, now it is back up, he thinks they were somewhere in the forties and they figure that by 2028 that they need to get OPED fully funded. He said he would have to go back and look at that ARC to see if the County is still on that track. He said that is where we would like to be. Mr. Cannon clarified that the County had to reduce some of the contributions during the recession, but it is now back on pace, to which Mr. Strausburg responded, yes, and the County has tried to make up what was not funded during the recession. Mr. Kleger said he would also like to mention that there is some new accounting and auditing standards coming out relating to the OPED that is going to require more disclosures than what you see now. It will be very similar to pensions. It would probably be about 10-15 pages just on OPED, probably more information than you want going forward. He said he thinks that kicks in next year or the year after, but it is coming up, it has been passed, it is just a matter of when it gets implemented. Mr. Roser said another other thing he wanted to mention is the tax abatements. The accounting standards are requiring that the financial statements contain a calculation of the dollar effect of tax abatements. He said he had a chance at a seminar to have a conversation with a member of the Accounting Standards Board about this. It is one-sided to him; it is a one-sided equation. If you look at, for example, the idea of trying to get rid of a tax in order to generate activity, in order to generate revenue. What the statements are going to show is the elimination of the tax. It is not going to address in any shape or form the benefit, if any, that was derived in getting rid of that tax. Mr. Roser said for instance, the fees that we charge the builders for the impact. If we remove that in order to generate more revenue, the more revenue generated side of the equation does not appear anywhere on the financial statements, it is not required. He said this is something that we may have to deal with going forward if people are looking at our financial statements and seeing this abatement. We need to understand what it is and how to explain it. He said those are the two things that he wanted to bring up. Mr. Kleger said, as Ms. Stern mentioned, that the discussion on that cannot be in the footnotes on the financial statements, but it could be added to the Management Discussion Analysis where you are talking about the benefit of this particular tax abatement. He said it could be in the financial statements itself, but could probably be in the MD&A section if the County wants to expand upon that.

Mr. Joe Holloway asked if the overall picture is if the County is reducing its own inventory tax and the other things like the impact fee, but in the end when you look at the benefits to the County at the end of the year, two years from now, you can say that the County is doing better on the books and you can relay back to those points, right, to which Mr. Roser responded, exactly, and the County needs to be able to do that. Mr. Cannon said sometimes there is not a real direct correlation. Mr. Cannon asked Ms. Hurley if she had any questions, to which she responded that Ms. Stern covered the questions she had.

Mr. Kilmer said he had a couple of questions. He noticed that spending was down $1.2 million dollars from FY16/FY15 but that seemed to be mainly Roads being down by $1.68 million dollars. He said he noted that there were some issues there. He said he was just curious as to why Roads' spending was down so much. Mr. Weston Young said with Roads, there are two main things going on, one is and he is not sure of the specifics, it is regarding state aid, whether or not they got money from the state because they do not always get it. It is not high user revenue, there is a separate account that builds up over time. The other issue is when you get up into the million-dollar range is the fuel and how the County handles the fuel transactions. Historically, there was a separate GL account that held the fuel for all County users and that got transferred into the Roads budget, so instead of just having say $300,000 for fuel just for the Roads Division of Public Works, it had the full $2 or $3 million dollars for all fuel users throughout the County. He said he did not know the specifics but typically it is either regarding whether or not they utilize state aid money, or if it is tied to how the fuel is budgeted because there was a change this fiscal year in how fuel was being handled. Mr. Kilmer said in the report it says there is a contract issue with the contractor making deadlines. Mr. Young they had issues with the paving contract, and they rolled over. They ended up getting all the work done, but it was not on schedule at all. He said it went two or three months beyond schedule, outside the fiscal year. He said they have since redone the contract and have a more responsible bidder. Mr. Kilmer said the other question he had for PKS is the share of building expenses for the City of Salisbury and charge of services. He is wondering why the County only got half of what it was supposed to get for shared building expenses from the City. Mr. Strauburg said he will have to get back to Council regarding that question. He thinks he knows what the issue is, but he wants to be sure before he provides an answer.

Mr. Cannon asked for any questions or comments. No comments.

Minutes of Open Work Session
January 17, 2017
Fiscal Year 2016 Audit

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Larry W. Dodd, Vice President, District 3

Ernest F. Davis, District 1

Marc Kilmer, District 2

John B. Hall, District 4

Joe Holloway, District 5

Matt Holloway, At-Large

Laura Hurley, Council Administrator