Middle Chattahoochee Regional Water And Sewer Authority Meeting

June 10th, 2025 @ 7:00 PM
City of Union City- City Hall
5047 Union Street, Union City, GA 30291

I. Chairwoman Sonja Fillingame called the meeting to order at 7:00 P.M.

II. Roll Call was taken by Secretary Jessica Davis with the following board members present:

The Honorable Chairwoman Sonja Fillingame
The Honorable Mayor Vince Williams
The Honorable Vice-Chair Mario Avery
The Honorable Mayor Teresa Thomas-Smith
The Honorable Councilman Brian Jones
The Honorable Councilman Nathan Slaton
The Honorable City Manager Tony Phillips

The attendance of the board constituted a quorum, and the meeting proceeded.

III. Approval of Water Authority Minutes:

A motion to approve the April 8th 2025 minutes was made by Mayor Williams and seconded by Councilman Slaton. **Vote: 7-0; Motion Carried**

A motion to approve the May 13th 2025 minutes was made by Councilman Slaton and seconded by Mayor Williams. **Vote: 7-0; Motion Carried**

IV. Discussion & Approval

1. Forensic Audit Discussion- Laurie Dyke

Laurie Dyke, founding partner of IAG Forensics and Evaluation, explained that her firm focuses exclusively on forensic accounting handling legal, fraud, and investigative financial matters not traditional CPA services like audits or taxes. With a team of 21 specialists, her goal is to understand the board's specific questions and determine how her firm can assist, emphasizing that their work is customized based on client needs rather than standard procedures. She asked the board to clarify why they believe her services may be necessary. Chairwoman Fillingame explained that the board had discussed the need for an independent financial review as a form of housekeeping to ensure records are in good order. She confirmed that Mauldin & Jenkins currently conducts audits and that financials are reviewed monthly by the board. In response to Ms. Dyke's question about concerns prompting a forensic audit, Mayor Williams noted that newer members wanted clarity on the authority's financial practices due to its long and complex history. Mayor Teresa Thomas Smith mentioned Palmetto's ongoing forensic audit, which may help define the needed scope. City Manager Phillips added that, since the authority predates current members, a clear understanding of its financial history is vital. Ms. Dyke asked if the review should go back 25 years or focus on tracing specific funds. Mayor Smith noted that a presentation from Palmetto's forensic auditor could help define the scope of the authority's audit. Councilman Slaton supported a review spanning 20–25 years to gain clarity on bond activity, fund allocation, and past partnerships stressing the importance of transparency for future decisions. Ms. Dyke cautioned that retrieving decades-old records can be difficult but said her firm could assess existing data to determine financial status and identify red flags. She also distinguished forensic audits from standard audits, explaining that her work provides deeper insight into specific concerns that traditional audits may overlook.

Ms. Dyke explained her process, which includes three phases:

- **Phase 1: Assessment** – This includes meetings with key individuals and understanding available records. She offers a fixed fee for this phase.

- **Phase 2: Investigation** – Based on Phase 1 findings, a detailed work plan is developed and executed. This phase is flexible and evolves as new issues are uncovered.
- **Phase 3: Reporting** – A report is provided with findings, which may include documentation or summaries. A full written report may be produced if required. If any criminal wrongdoing is uncovered, the findings may be referred to the District Attorney or pursued through civil avenues.

Mayor Smith inquired about when testing would be conducted, and Ms. Dyke clarified it would occur during Phase 2 of the audit process. Mayor Smith also voiced concerns about potential conflicts of interest, emphasizing that the auditor should have no ties to board members or related entities and asked for that concern to be noted publicly. In response, Ms. Dyke acknowledged the concern and shared that her firm's growth over 22 years has been built on trust and referrals.

2. RFG Forensic Auditor Presentation

Forensic Auditor Mr. Rosales provided a presentation and distributed a packet to the board. It was communicated that his presentation should be treated as a general session, outlining the direction of a potential forensic audit. Concerns were raised that if Mr. Rosales's firm plans to submit a proposal in response to an RFP, the information presented might disqualify the firm due to possessing insider knowledge or an unfair advantage. A preliminary data analysis was suggested as a starting point for discussing the engagement of a forensic audit firm. However, the depth of knowledge demonstrated by Mr. Rosales may present a conflict if the firm intends to bid on the RFP.

City Manager Phillips made a motion to proceed with a formal Request for Proposal (RFP) for a forensic audit covering the full scope of the water authority. The motion was seconded by Mayor Teresa Thomas Smith.

Vote: 7-0; Motion Carried

City Manager Phillips clarified that the purpose of an RFP is to outline a general scope of work. Interested firms would then submit proposals detailing their recommended methodology. The board would evaluate the proposals and determine which scope best fits the authority's needs.

Chairwoman Fillingame asked whether the project team could draft the RFP. It was clarified that although the RFP could be general, the board would need to establish clear evaluation criteria such as professionalism, experience, timeframes, and methodology.

Mayor Smith asked whether an outside party should be hired to create the RFP if it would be too burdensome for the project team.

Attorney Davenport reminded the board that in a prior instance, an engineering firm was brought in to draft an RFP to select another engineering firm. He recommended considering a similar approach—hiring an accounting firm to develop the RFP and define the scope for selecting the right forensic audit firm.

City Manager Phillips proposed that based on the recommendation to have an accounting firm draft the scope of work, the board should make a motion to initiate that process. This firm would not bid on the actual audit but would help create the scope for the RFP.

City Manager Phillips made a motion to proceed with a formal Request for Proposal (RFP) for a forensic audit covering the full scope of the water authority. The motion was seconded by Mayor Teresa Thomas Smith.

Vote: 7-0; Motion Carried

Chairwoman Fillingame made a motion for each city to work with their respective procurement officers to gather scope-of-service examples that could be adapted into an RFP. The motion was seconded by City Manager Phillips.

Vote: 7-0; Motion Carried

3. Water Withdrawal Permit and License Clarification

The project managers provided an update following concerns raised by Mr. Frasier, who received correspondence from the EPD regarding the water withdrawal permit and USGS gauges. After review, it was determined that the issue was due to a recordkeeping error on EPD's part. The gauges had been correctly installed and collecting data since 2022, and that information was forwarded to EPD, which acknowledged receipt.

The project managers informed EPD that they should serve as the official point of contact going forward and shared the correspondence with board members for transparency. In response to Mayor Teresa Thomas Smith's request to discuss this topic, the team confirmed with EPD that water withdrawal permits do not carry license numbers. The permit application was submitted by the project managers on behalf of the three cities, with each city passing a resolution in support prior to submission.

Regarding operator licenses, the team clarified that the Preliminary Engineering Report (PER), approved by EPD, states such a license would not be required until Phase 4—during construction and startup of new facilities. This would be addressed through a separate permit process. While there was past discussion about offering jobs to staff from the soon-to-be-closed Palmetto Plant, no operator licenses were ever submitted to EPD.

4. Recording of Current and Future Authority Meetings

Mayor Teresa Thomas Smith initiated a discussion on the possibility of recording and streaming authority meetings to increase accessibility for members of the public who are unable to attend in person. She noted that Palmetto currently lacks the technical equipment to do so but is actively working to acquire it.

City Manager Phillips confirmed that the City of Fairburn already streams its City Council meetings and has the necessary equipment in place, should the board wish to proceed.

Mayor Teresa Thomas Smith made a motion for the Middle Chattahoochee Water and Sewer Authority to begin streaming and/or recording its meetings for public viewing. The motion was seconded by City Manager Phillips.

Chairwoman Fillingame raised a procedural concern about whether municipal staff can assist with the recording or if this responsibility must be handled independently by the authority.

Attorney Davenport clarified that the issue is not one of conflict of interest but rather relates to labor standards or workers' compensation liability.

Mayor Smith subsequently rescinded her motion, suggesting that the decision to stream or record meetings should be guided by the will of the full authority

V. Reports:

1. Authority Attorney

Mr. Davenport addressed the ongoing relationship with the 92 South Sportsman's Club. For over 10 years, the club has leased property from the authority for hunting purposes and has also acted as stewards of the land. They pay an annual lease fee currently just under $9,000 each February during a four-year term. The current term is set to expire at the end of this year.

A redlined version and a clean version of the amended lease were presented to the board for review. Notable changes include:

- An increase in the annual lease payment from $8,926 to $9,819.

- The removal of paragraph 11 (termination for breach), replaced by a more flexible termination clause.

No immediate action was requested, but Mr. Davenport noted that the club is interested in continuing the relationship.

2. Financial Manager

Attorney Davenport presented Requisition #277 in the amount of $14,026.03 for approval.

The motion to approve requisition #277 was made by Mayor Avery and seconded by City Manager Phillips.

Vote: 7-0; Motion Carried

Attorney Davenport presented Requisition #278 an interest payment on the bonds in the amount of $422,487.50. The motion to approve requisition #278 was made by Mayor Williams and seconded by Mayor Avery.

Vote: 7-0; Motion Carried

3. Project Managers:

Annual Water Loss Control Program Report-

The project managers reminded the board that the annual compliance deadline is July 27th for each of the three cities. This includes submitting the Annual Water Loss Control Program Report and the first Water Conservation Progress Report. Emails were sent to each city with a copy of the prior year's Water Loss Control Program Report to assist with this year's submission. Most cities can reference their previous reports without needing to create a new one from scratch.

Water Conservation Progress Report-

The Water Conservation Progress Report is now due. This report is required five years after the issuance of the permit and is being filed for the first time. The project team received and distributed the official template from EPD for each city's water department to complete. Cities are encouraged to reach out with any questions they may have. This annual reporting cycle should not come as a surprise, as it is a recurring requirement.

Water Authority Property-

The project managers also informed the board that the adjacent property owner to the authority's land is in the process of rezoning approximately 8,000 acres. A notice was sent to Post CPA inviting participation in upcoming discussions. The rezoning process includes:

- An open house that occurred yesterday.
- A second open house scheduled for June 17th in person.
- A virtual meeting scheduled for June 24th via Zoom.

This information will be emailed to board members for those interested in participating.

Greystone Power Corporation-

Greystone reached out regarding plans to move power lines along Campbellton and Redwine Road, which impacts property owned by the authority. Chairwoman Fillingame forwarded the initial request. The authority is currently waiting on further information, including a survey and legal description, which are necessary to consider the request for easements. The project team expects to provide updates by the next meeting.

The project managers reaffirmed their full cooperation and transparency as the board proceeds with the forensic audit process. All historical documentation from approximately 2015 onward is readily available, including emails and records. They emphasized there is no need for covert searches, and board members are welcome to contact them directly for any assistance.

VI. Executive Session Minutes Approval

A motion to approve the May 13th executive session minutes was made by Mayor Williams and seconded by Councilmember Jones. **Vote: 6-0; Motion Carried**

City Manager Phillips abstained from the vote as he was not present during the executive session.

VII. The motion to adjourn the Middle Chattahoochee Regional Water & Sewer Authority Meeting at 8:35 p.m. was made by Mayor Williams and seconded by Mayor Smith.

Vote: 7-0; Motion Carried

Sonja Fillingame, Chair

Jessica Davis, Secretary

RFG
AUDIT | TAX | ADVISORY

The Middle Chattahoochee Regional Water & Sewer Authority

MCRW&SA - Insight for Forensic Accounting RFP

June 10, 2025

MCRW&SA

June 10, 2025

The Middle Chattahoochee Regional Water & Sewer Authority (MCRW&SA), Board Members
509 Toombs St.
Palmetto, Ga. 30268

To Board Members:

Rosales Financial Group, LLC ("RFG") is engaged by the City of Palmetto to perform forensic accounting services. This engagement is conducted in accordance with the consulting standards established by the American Institute of Certified Public Accountants ("AICPA").

It is important to note that RFG was not engaged by the Middle Chattahoochee Regional Water & Sewer Authority ("MCRW&SA") or any related entities. However, due to the City's operational relationship with the Water Authority, the forensic procedures included a limited review of certain files from MCRW&SA. This review was solely to evaluate potential risk exposure to the City and was not a comprehensive audit or investigation of the MCRW&SA itself.

The forensic accounting procedures carried out by RFG provided limited assurance over the areas reviewed. Observations and findings were based exclusively on the procedures performed, which encompassed risk indicator reviews, interviews with key personnel, and analysis of historical and procedural anomalies. These findings are intended to assist the City's Board Members in their understanding of financial and forensic matters and should not be interpreted as conclusive evidence of any misconduct or irregularities.

RFG affirms its independence from both the City of Palmetto and MCRW&SA. The information contained in this report is intended solely for the use of the City of Palmetto's management and council members and is not suitable for use by other parties without prior authorization.

This executive summary encapsulates the scope, processes, and key observations of RFG's forensic accounting engagement, while adhering to the AICPA standards for consulting and forensic services.

Josue Rosales, Lead Principal
State of Georgia, Florida, and New York CPA

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Section 1 – RFG and Existing Engagement

1.1 - Background

Rosales Financial Group (RFG) is a registered Certified Public Accounting firm which performs Forensic Accounting Services, Internal Controls Services, and Financial Statement Audit Services. We serve a variety of Government, Public, and Private Clients in the State of Florida, Georgia, and New York. Through our professionals combined experience of over 100 years, and counting, we help clients address the most complex business problems surrounding “Information” and “Process”.

Our delivery team includes Certified Public Accountants, Certified Fraud Examiners, Certified Government Financial Managers, Certified Information System Auditors, and many more certifications to ensure our clients obtain well rounded solutions that are scalable and relevant for years to come. Our professionals hold years of prior experience from the Big 4 Accounting Firms, Fortune 500 Companies including Healthcare and Energy specific organizations, the Federal Government, State Departments, and Local municipalities.

1.2 - Engagement with the City of Palmetto

RFG has been engaged by the City of Palmetto, Georgia (City) to conduct forensic accounting analysis and procedures on certain transactions that affect the City's financial position.

RFG maintains strict independence from the City of Palmetto, as defined by the standards of the American Institute of Certified Public Accountants (AICPA). Specifically, RFG adheres to the AICPA Code of Professional Conduct Section **1.200,** which outlines the principles and requirements for independence in providing professional services. This ensures that RFG avoids conflicts of interest and retains impartiality, objectivity, and integrity throughout its forensic accounting engagement.

1.3 – Scope Insights for MCRWSA

At the request of the City, a member of MCRWSA, we were asked to provide insights and potential findings based on our analysis so far, which could be useful in defining the scope of forensic accounting services for management and governance at MCRWSA.

In the process of our forensic accounting analysis, we have identified transactions and related evidence that may closely correlate to assets, liabilities, and expenditures at the Middle Chattahoochee Regional Water and Sewer Authority (MCRWSA), also formally known as the South Fulton Municipal Regional Water & Sewer Authority. In addition, RFG noted the use of similar vendors, contractors, advisors, procurement processes, and control environments at both the City and the MCRWSA.

1.4 - Limited Assurance over procedures for MCRWSA

It is important to note that the procedures performed for this analysis were limited in scope and were not intended to provide exhaustive or definitive conclusions applicable to MCRWSA. The findings and insights shared are based on independent analysis procedures performed for the City of Palmetto and may not account for all factors specific to MCRWSA. As such, limited assurance is provided over these insights and potential findings.

Furthermore, the responsibility for determining the applicability and appropriateness of these findings for the scope of forensic accounting at MCRWSA rests solely with its management and governance. It is recommended that they evaluate these insights in the context of their unique operational, financial, and control environments.

R|F|G

Section 2 – Recommended Areas of Focus for Forensic Accounting RFP

2.1 – Newton County, Georgia Board of Commissioners Forensic Accounting Analysis

Background

In 2016, David T. Sawyer CPA, CFF, CITP, CFE, CIA, CAMS with Frazier & Deeter LLC (F&D), was hired by Jarrard & Davis, LLP, acting as County Attorney for Newton County, Georgia, to investigate, analyze, reconstruct, and document financial transactions related to identified risk areas and issues. The objective of this work was to identify potential waste, abuse, misuse, and fraudulent use of taxpayer funds, as well as the resulting impact on Newton County's financial position based on forensic accounting analysis and procedures.

As described in the Frazier and Deeter, CPA's & Advisors Forensic Accounting Report[1], during this period, over $20 million of county taxpayer funds were spent on the Bear Creek Reservoir project, intended to create a third water supply source for the county. This project was overseen by William Thomas Craig ("Craig" or "Tommy Craig"), who served as both County Attorney and water consultant. After the project failed to secure the necessary permits from the U.S. Army Corps of Engineers (USACE), Craig was dismissed from his role as County Attorney in November 2015, after nearly 40 years in that position.

Damage to the County

Frazier and Deeter, CPA's & Advisors estimated damages of at least $25 million to Newton County.

The report highlights several areas where financial damages were incurred:

- **Proposed Bear Creek Reservoir**: The most significant financial damage was related to the failed Bear Creek Reservoir project, which was supervised by Tommy Craig in his dual role as County Attorney and Water consultant. The project resulted in financial damages of more than $25 million to Newton County taxpayers.
- **Legal and Consulting Fees**: Tommy Craig and his associated firms benefited financially from the prolonged duration of the Bear Creek Reservoir project. Craig's law firm was paid $1,351,342 over the life of the project.
- **Land Acquisitions**: Several land acquisitions were made under Craig's supervision, which were later deemed unnecessary or excessive. These acquisitions accounted for at least $16 million of the project's cost.
- **Environmental and Engineering Services**: Payments were made to firms closely associated with Craig, such as Eco-South, Inc. ($467,765) and Eco-Tech Consultants, Inc. ($187,369), for environmental consulting services.
- **Foregone Property Tax Revenue**: The project also resulted in indirect financial damage of at least $3,215,348 due to foregone property tax revenue over the life of the project.

[1] https://static.fox5atlanta.com/www.fox5atlanta.com/content/uploads/2020/12/11-28-16_Frazier__Deeter_Report.pdf

The reports highlight several payments to Vendors that benefited Mr. Craig directly, or indirectly, through relatives, related parties, or close business associations. This includes, but is not limited to:

- Law Office of Wm. Thomas Craig
- Eco-South, Inc.
- Eco-Tech Consultants, Inc.
- Schnabel Engineering
- Childers Appraisal
- Cook Noel Tolley

Similarities to the MCRW&SA

The following list outlines key similarities between the environment which existed at Newton County and MCRW&SA:

Description	Newton County, Georgia	Reference	MCRW&SA	Reference
Law Officers of Wm. Thomas Craig	Mentioned several times in the report as payment being beneficial to Mr. Craig directly, or indirectly though relatives, related parties or close business association.	Frazier and Deeter, CPA's & Advisors Forensic Accounting Report[2], A.8	Used at MCRW&SA	**A.1, A.2, A.3, A.4, A.5, A.6, A.7**
Eco-South, Inc.	Mentioned several times in the report as payment being beneficial to Mr. Craig directly, or indirectly though relatives, related parties or close business association.	Frazier and Deeter, CPA's & Advisors Forensic Accounting Report	Used at MCRW&SA	**A.2**
Eco-Tech Consultants, Inc.	Mentioned several times in the report as payment being beneficial to Mr. Craig directly, or indirectly though relatives, related parties or close business association.	Frazier and Deeter, CPA's & Advisors Forensic Accounting Report	Used at MCRW&SA	**A.6**
Schnabel Engineering	Mentioned several times in the report as payment being beneficial to Mr. Craig directly, or indirectly though relatives, related parties or close business association.	Frazier and Deeter, CPA's & Advisors Forensic Accounting Report	Used at MCRW&SA	**A.1**
Childers Appraisal Cook Noel Tolley	Mentioned several times in the report as payment being beneficial to Mr. Craig directly, or indirectly though relatives, related parties or close business association.	Frazier and Deeter, CPA's & Advisors Forensic Accounting Report	Used at MCRW&SA	
Laura Benz; from the Law Officers of Wm. Thomas Craig	Mentioned in a report as an Attorney working for Thomas Craig.	Frazier and Deeter, CPA's & Advisors Forensic Accounting Report, **A.8**	Used at MCRW&SA, worked on several projects for and with Thomas Craig.	**A.3**
Andrea Gray; Law Officers of Wm. Thomas Craig			Used at MCRW&SA, worked on several projects for and with Thomas Craig.	**A.5**

[2] https://static.fox5atlanta.com/www.fox5atlanta.com/content/uploads/2020/12/11-28-16_Frazier__Deeter_Report.pdf

Description	Newton County, Georgia	Reference	MCRW&SA	Reference
Land Acquisition	Above $12 million in Land Acquisition made.	Frazier and Deeter, CPA's & Advisors Forensic Accounting Report	Above $12 million in Land Acquisition made.	

Recommendation for Scope

- **Project Management and Oversight**:
  - Evaluate the effectiveness of project management and oversight mechanisms.
  - Assess the roles and responsibilities of key personnel involved in the project.
  - Identify any conflicts of interest or dual roles that may have impacted decision-making. This includes but is not limited to:
    1. Undisclosed related parties
    2. subpar services or goods
    3. unfavorable contract terms to the Water Authority
    4. Inflated Prices
    5. Contracts with unfavorable contingencies to the Water Authority
- **Financial Transactions and Expenditures**:
  - Review financial transactions related to the project, including payments to contractors, consultants, and vendors.
  - Verify the accuracy and legitimacy of invoices and payments.
  - Identify any instances of overpayment, duplicate payments, or unauthorized expenditures.
- **Contractual Agreements and Compliance**:
  - Ensure Competitive Procurement was performed in adherence to the State of Georgia's procurement standards, which require transparent, fair, and competitive processes for acquiring goods and services. This includes public advertising solicitations, evaluation based on pre-determined criteria, and avoidance of conflicts of interest to protect taxpayer's funds and ensure value for money.
  - Examine contractual agreements and ensure compliance with terms and conditions.
  - Assess the procurement process for fairness and transparency.
  - Identify any deviations from standard procurement practices.
- **Land Acquisition and Valuation**:
  - Review the process of land acquisition, including appraisals and negotiations.
  - Assess the fairness and accuracy of land valuations.
  - Identify any instances of overpayment or undervaluation of properties.
- **Mitigation and Environmental Compliance**:
  - Evaluate the adequacy of mitigation plans and their compliance with regulatory requirements.
  - Assess the environmental impact of the project and the effectiveness of mitigation measures.
  - Identify any deficiencies or non-compliance issues in the mitigation plans.
- **Internal Controls and Governance**:
  - Assess the effectiveness of internal controls and governance structures.
  - Identify any weaknesses or gaps in internal controls that may have led to financial mismanagement or fraud.
  - Evaluate the role of oversight bodies and their effectiveness in monitoring the project.

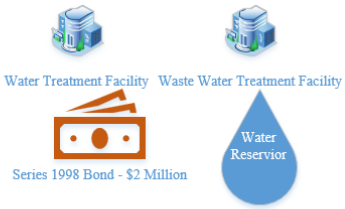
- **Communication and Transparency**:
  - Review the communication and reporting mechanisms between project stakeholders.
  - Assess the transparency of information shared with stakeholders, including the public.
  - Identify any instances of withheld or misleading information.
- **Regulatory and Legal Compliance**:
  - Ensure compliance with all relevant regulatory and legal requirements.
  - Identify any potential legal liabilities or regulatory violations.
  - Assess the impact of non-compliance on the project's financial and operational outcomes.
- **Risk Management**:
  - Evaluate risk management strategies and their effectiveness in mitigating project risks.
  - Identify any unaddressed or poorly managed risks.
  - Assess the impact of identified risks on the project's success.
- **Lessons Learned and Recommendations**:
  - Document lessons learned from the project and provided recommendations for future projects.
  - Identify best practices and areas for improvement.
  - Provide actionable recommendations to enhance project management, financial oversight, and compliance.

2.2 – 2003 Feasibility Analysis and the 2003, 2007, and 2014 Bonds

Background

Prior to 2003

➢City of Palmetto owned a Water Treatment Facility, Waste Water Treatment Facility, Water Reservoir and a respective 1998 Bond.



2003

➢Bonds obtained with reasonable expectation that at least 85% of project will be allocated to expenditures for the project within (3) three years of certificate, **A.9**.

➢Bonds are to be used to
- Defease approximately $2 million of Palmetto 1998 Bonds, **A.9**.
- Purchase Palmetto's Existing Waster Water Treatment Plant; **A.16**
- Purchase Palmetto's Existing Water Treatment Plant; **A.16**
- Purchase Palmetto's Water Reservior; **A.16**
- All assets noted above are to reviewed; **A.16**

➢Bonds are to be used to defease approximately $2 million of Palmetto Bonds, **A.9**.

2007

➢Bonds fund do not meet original expectation set that at least 85% of project will be allocated to expenditures for the project within (3) three years of certificate, **A.9**.

➢2003 Bonds are defeased, moved to a irrevocable trust, and removed from the asset and Liabilities of the MCRW&SA purview.

➢2007 Bonds are re-issued which includes Cash outflows for Legal and Accounting Fees, Underwriter's Discount, Initial Bond Registrar's and Paying Agent's fees, bond issuance premium, printing and engraving costs for the re-issurance, **A.10**.

➢Series 2007 Project consist of the:

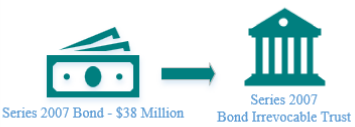
- Acquistion the Palmetto Treatment System
- Acqusition water supply and storage water reservoir sites
- Acquire, construct and equip a water treatment plant (the "Water Treatment Plant")
- Acquire and install a raw water main connecting the reservoir to the (the "Water Treatment Plant")
- acquire and install transmission mains connecting each of the Cities with the Water Treatment Plant
- Defease the Palmetto Bonds.
- the Acquistion, construction, equiping and instaling of facilities to provide potable water to cities

2014

➢Bonds fund still do not meet original 2003 expectation set that at least 85% of project will be allocated to expenditures for the project within (3) three years of certificate, **A.9**.

➢2007 Bonds are defeased, moved to an irrevocable trust, and removed from the asset and Liabilities of the MCRW&SA purview.

➢2014 Bonds are re-issued which includes Cash outflows for Legal and Accounting Fees, Underwriter's Discount, Initial Bond Registrar's and Paying Agent's fees, bond issuance premium, printing and engraving costs for the re-issurance. The statement of Cash Flows shows Cash out flows related to Bond Termination fee of **$6.6 million**.



Insight and Potential Findings for MCRW&SA

- The initial goal to allocate 85% of the expenditure effectively was not achieved, raising significant concerns about deviations from the intended purpose, as highlighted in **A.9.**
- Additionally, the establishment of several irrevocable trust funds involved substantial cash movements, which present notable risks, **A.10** and **A.11**.
- There is a substantial outflow of $6 million in FY 2014 towards Bond Termination Costs, as documented in **A.12**. Through the existence of the Water Authority.

Recommendation for Scope

- Analyze the initial 2003 Feasibility Analysis, and relevant estimates used in analysis such as population growth projected, for reasonableness to construct reservoir, or reservoirs, raw water transmission facilities, water treatment plant and potable water transmission lines, and/or a wastewater treatment facility, or wastewater treatment facilities. These Feasibility Analysis was utilized to obtain the Series 2003 Bonds, Series 2007 Bonds, and Series 2014 Bonds. Interpret results for the Board of Directors.
- Analyze Cash Inflows and Outflows related to obtaining each Bond for discrepancies, fraud, or misuse of funds based on its intended purpose, potential need for a Bond Specialist.
- Obtain understanding of vendors or individuals related to creation and management of irrevocable trusts associated with Bonds. Analyze Cash inflows and outflows of cash to and from Irrevocable Trusts.
- Develop an understanding of vendors or individuals involved in the establishment and management of irrevocable trusts related to Bonds. Analyze the inflows and outflows of cash to and from these trusts, performing further investigation into any discrepancies, fraud, or misuse of funds.
- Acquiring knowledge of all Bank Accounts and Brokerage Accounts held by the Water Authority since its inception in 2003. Identify accounts that have not been reconciled with the Accounting System used for preparing Audited Financial Statements. Conduct additional analysis to detect discrepancies, fraud, or misuse of funds.

2.3 – Roles, Responsibilities, and Conflicts of Interest

Background

In addition to the related-party concerns in **2.1**, various meeting minutes reveal instances where roles and relationships may have created conflicts of interest, impaired independence, and raised fiduciary responsibility concerns. These issues implicate multiple legal and professional standards, including Georgia's fiduciary principles applicable to public authorities and officials, the AICPA Code of Professional Conduct applicable to Certified Public Accountants (CPAs), and the Georgia Rules of Professional Conduct governing attorneys.

For example, a CPA engaged to audit the MCRW&SA while simultaneously performing all management accounting functions would violate the independence requirements outlined in the AICPA Code of Professional Conduct (ET Section 1.200.001 and related interpretations). These standards mandate that CPAs maintain objectivity and integrity, which are fundamentally compromised when the same individual is responsible for both audit and management activities. Additionally, under Georgia CPA licensing laws and Board Rules (e.g., Board Rule 20-12-.03), such dual roles would contravene state-mandated independence requirements for licensed CPAs.

Similarly, the role of the Attorney who concurrently served as legal counsel for both the City of Palmetto and the MCRW&SA raises ethical concerns under Rule 1.7 of the Georgia Rules of Professional Conduct (Conflict of Interest: Current Clients). This rule prohibits an attorney from representing a client if there is a significant risk that the representation will be materially limited by duties to another client, unless informed consent is properly obtained. The Attorney's dual representation may have compromised their ability to act in the best interest of both entities.

To date, there is no indication that these potential noncompliance issues have been formally investigated or addressed in the MCRW&SA's meeting minutes or official records, leaving substantial room for oversight and the need for further scrutiny.

Insight and Potential Findings for MCRW&SA

- Post & Associates, LLC may have held position of "Consultant", "Financial Manager", refer to **A.13,** while continuing to perform Financial Statements audits claiming to be "Independent from the "MCRW&SA", **A.14** and **A.15**.
- Dennis Davenport may have held the positions of Attorney for both the MCRW&SA and the City of Palmetto, raising significant ethical concerns under Georgia Rules of Professional Conduct, refer to **A.13**. Specifically, Rule 1.7 addresses conflicts of interest and prohibits an attorney from representing multiple parties when their duties to one client may materially limit their responsibilities to another.

  As legal counsel for both entities, Mr. Davenport had fiduciary duties to act in the best interests of each client, which could have conflicted in matters where the goals or priorities of the City of Palmetto and the Water Authority diverged. For example, decisions involving contractual agreements, resource allocation, or legal disputes may have put Mr. Davenport in a position where he could not fully prioritize the interests of one entity without compromising the other. This dual representation undermines the principle of independence required to ensure impartial and effective legal counsel, leaving room for further scrutiny and formal investigation to determine compliance with ethical standards.

Recommendation for Scope

- Understand the roles of the Board of Directors, Management, and Vendors who have held significant responsibilities at the Water Authority. Obtain attestation statement regarding knowledge of payments made to vendors with Conflicts of Interest who are referred to as related parties that were not disclosed to the Board or recorded in Meeting Minutes. This includes vendors who may have held a subcontract, or individuals, who held a conflict of interest or were a related party. This includes, but is not limited to current and prior:
  - Board members
  - Treasurer
  - Secretary
  - Attorney(s)
  - Financial Statement Auditors
  - Executive Director
  - Finance Manager
  - General Manager
  - Project Managers
  - On Call Engineers
- **Roles and Responsibilities**:
  - Evaluate the roles and responsibilities of key personnel involved in the project.
  - Identify any conflicts of interest or dual roles that may have impacted decision-making.
- **Independence and Compliance**:
  - Assess compliance with the AICPA Code of Professional Conduct for CPAs, specifically regarding independence requirements
  - Review compliance with Georgia CPA licensing laws and Board Rules
  - Examine the ethical concerns under Rule 1.7 of the Georgia Rules of Professional Conduct for attorneys
- **Potential Noncompliance Issues:**
  - Investigate potential noncompliance issues that have not been formally addressed or investigated
- **Fiduciary Duties**:
  - Assess the fiduciary duties of legal counsel and their ability to act in the best interests of each client.
  - Evaluate decisions involving contractual agreements, resource allocation, or legal disputes that may have conflicted interests.

Section 3 – Appendices

A.1 – Cash Expenditure Requestion # 126

SOUTH FULTON WATER & SEWER AUTHORITY
Requisiton # 126
Cash Expenditures
January 14,2014

Legal & Accounting		$ 900.00
McNally, Fox, Grant & Davenport		
Post & Associates	450.00	
Quality Data Processing	450.00	
Consulting		30,098.14
Wm. Thomas Craig, LLC	30,098.14	
Bond Maintenance		10,150.00
Bank of America	250.00	
BYM Mellon	1,100.00	
Moody's Investors Service	8,800.00	
Engineering		8,851.02
Eco-South, Inc.	937.50	
Schnabel Engineering	7,913.52	
Advertising		240.24
Marietta Daily Journal	240.24	
Office Supplies		269.08
Fairburn Printers & Office Supply	20.00	
Beth Williford-Best Buy	249.08	
Board Members		1,050.00
Clerical		1,100.00
Mary E. Williford	1,100.00	
TOTAL		**$ 52,658.48**

A.2 – Eco-South, Inc. - Compensatory Mitigation Plan

COMPENSATORY MITIGATION PLAN

FOR THE

BEAR CREEK WATER SUPPLY RESERVOIR
Fulton County, Georgia

Prepared for:
South Fulton Municipal Regional Water and Sewer Authority

February 2009

Prepared by:

Eco-South, Inc.
Environmental Consultants
1165 Church Street
Covington, GA 30015
(770) 385-1849

A.3 – Ms. Laura Benz Law Office of Tomas Craig

DEPARTMENT OF THE ARMY
SAVANNAH DISTRICT, CORPS OF ENGINEERS
1590 ADAMSON PARKWAY, SUITE 200
MORROW, GEORGIA 30260-1777

REPLY TO
ATTENTION OF:

July 1, 2014

Regulatory Division
SAS-2009-00225

Mr. Clark Boddie, Chairman
South Fulton Municipal Regional Water and Sewer Authority
Post Office Box 190
Palmetto, Georgia 30268

Dear Mr. Boddie:

I refer to a letter dated April 9, 2014, requesting an expanded preliminary jurisdictional determination for the pipeline associated with the proposed South Fulton-Bear Creek Reservoir project, located in Fulton County, Georgia (latitude 33.5743, longitude -84.6692). This request was submitted on your behalf by Ms. Laura Benz of the Law Offices of Wm. Thomas Craig, LLC. This project has been assigned number SAS-2009-00225 and it is important that you refer to this number in all communication concerning this matter.

We have completed an expanded preliminary jurisdictional determination (JD) for the site pursuant to the March 4, 2009, Public Notice entitled, "Characterization of Jurisdictional Determinations: Purpose, Application and Documentation Requirements as Defined by the Savannah District, US Army Corps of Engineers." I have enclosed a "JD Check Sheet" that summarizes the JD, delineation verification and appeals process.

The wetlands/other waters on the subject property may be waters of the United States within the jurisdiction of Section 404 of the Clean Water Act (33 United States Code 1344). The placement of dredged or fill material into any waterways and/or their adjacent wetlands or mechanized land clearing of those wetlands would require prior Department of the Army authorization pursuant to Section 404.

If you intend to sell property that is part of a project that requires Department of the Army authorization, it may be subject to the Interstate Land Sales Full Disclosure Act. The Property Report required by Housing and Urban Development Regulation must state whether or not a permit for the development has been applied for, issued or denied by the US Army Corps of Engineers (Part 320.3(h) of Title 33 of the Code of Federal Regulations).

This communication does not convey any property rights, either in real estate or material, or any exclusive privileges. It does not authorize any injury to property, invasion of rights, or any infringement of federal, state or local laws, or regulations.

A.4 – Ms. Laura Benz Law Office of Thomas Craig (Continued)

It does not obviate your requirement to obtain state or local assent required by law for the development of this property. If the information you have submitted, and on which we have based our determination is later found to be in error, this decision may be revoked.

Copies of this letter are being provided to the following parties: Ms. Laura Benz, Law Offices of Wm. Thomas Craig LLC, Post Office Box 1587, Covington, Georgia 30015; and Mr. Alton Owens, Eco-Tech Consultants, 1220 Kennestone Circle, Suite 100, Marietta, Georgia 30066.

Thank you in advance for completing our on-line Customer Survey Form located at http://corpsmapu.usace.army.mil/cm_apex/f?p=regulatory_survey. We value your comments and appreciate your taking the time to complete a survey each time you interact with our office.

If you have any questions, please call me at 678-804-5226.

Sincerely,

Kathrine M. Freas
Project Manager, Piedmont Branch

Enclosures

A.5 – Ms. Andrea P. Gray Law offices of Wm. Thomas Craig

LAW OFFICES
WM. THOMAS CRAIG
1144 COLLEGE AVENUE
POST OFFICE BOX 1587
COVINGTON, GEORGIA 30015

770 786-1320
FACSIMILE 770 786-1526

June 30, 2009

VIA Federal Express

John Miller
Chairman
South Fulton Municipal Regional Water & Sewer Authority
P.O. Box 190
509 Toombs Street
Palmetto, Georgia 30268

Re: Comments received in response to Joint Public Notice
Bear Creek Reservoir

Mayor Miller,

Please find enclosed a notebook containing a complete copy of the 44 comments received in response to the Joint Public Notice in addition to a summary of the comments prepared by our office. We are required to respond to the comments on or before August 5, 2009. Our office met with Infratec Consultants, Inc. and Eco-South, Inc. to discuss the issues raised and we are all diligently working together to prepare responses on the Authority's behalf. I am forwarding copies to all of the Authority members in hopes that we can address any questions or concerns they may have at the next Authority meeting on July 14, 2009.

Sincerely,

Andrea P. Gray

Enclosure

CC: Mayor Betty Hannah
Mayor Ralph Moore
Brian Jones
Terry Todd
Jim Williams
Bill McNally & Dennis Davenport
Harold Reheis

A.6 – Cash Expenditure Requestion # 146

SOUTH FULTON WATER & SEWER AUTHORITY
Requistion # 146
Cash Expenditures
December 8, 2015

Legal & Accounting		$ 870.00
McNally, Fox, Grant & Davenport	420.00	
Quality Data Processing	450.00	
Advertising		140.12
The Newnan Times-Herald	20.00	
Marietta Daily Journal	120.12	
Consultants		34,567.73
Eco-Tech Consultants	6,466.75	
Andrea P. Gray LLC	13,312.00	
Laura W. Benz, LLC	14,788.98	
Clerical		475.00
Mary E. Williford	475.00	
TOTAL		**$ 36,052.85**

A.7 – Meeting Minutes of the MCRW&SA October 10, 2006

October 10th 2006

Minutes Of The South Fulton Municipal Regional Water And Sewer Authority Meeting Held On ~~September 12th~~, 2006, In The Council Chambers At Union City, City Hall

BOARD MEMBERS PRESENT: Betty Hannah, Ralph Moore, Clark Boddie, Jim Williams, Leon Sumlin, ~~James Walker, Sr.~~ and Adolph Snell.

BOARD MEMBERS ABSENT: None Walker, Sr.

Consultants Present: ~~Dennis Davenport for~~ Bill McNally, Dan Post Jr., Ralph Brown, Tyler Hewitt, James Mathis III, Tommy Craig, Laura Benz and Andrea Gray.

A.8 – Laura Benz from Craig's office; Newton County, Georgia/ Forensic Account Analysis

h. Misrepresentation 6: February 8, 2013 [63]

On February 8, 2013, Tommy Craig stated that the Bear Creek Reservoir project had been signed off on by Georgia EPD.

> *The Bear Creek Reservoir project has been signed off on by the Georgia Environmental Protection Division, "indicating the state's approval of every aspect of the project," County Attorney Tommy Craig announced to the Board of Commissioners on Tuesday night.*
>
> *EPD issued the final water withdrawal permits for the Alcovy River and the reservoir, and issued a 401 Water Quality Certification, said Laura Benz, an attorney with Craig's office, on Thursday.*

Subsequently, attorney Laura Benz from Craig's office employs faulty logic and cause / effect relationship, saying that approval by Georgia EPD meant that the 404 permit is imminent (as early as spring 2013).

> *"EPD has said it believes the project as proposed will not adversely impact water quality," she said. That means a 404 permit from the Army Corps of Engineers, the last step in the permitting process, is imminent. Benz says she anticipates the permit could be issued as early as spring [2013].*

A.9 – Sources and Uses of Water Revenue Bonds, 2003 Bond

$41,630,000

South Fulton Municipal Regional Water and Sewer Authority
Water Revenue Bonds,
Series 2003

SOURCES & USES

Dated 11/01/2003 — Delivered 11/21/2003

SOURCES OF FUNDS	
Par Amount of Bonds	$41,630,000.00
Reoffering Premium	279,646.10
Palmetto Series 1998 DSR	213,960.00
Transfer from Palmetto Series 1998 Sinking Fund	133,142.00
Accrued Interest from 11/01/2003 to 11/21/2003	111,128.61
TOTAL SOURCES	$42,367,876.71
USES OF FUNDS	
Deposit to Project Construction Fund	27,746,262.36
Deposit to Capitalized Interest (CIF) Fund	7,188,568.83
Deposit to Debt Service Reserve Fund (DSRF)	3,689,378.92
Escrow to defease Palmetto Series 1998 Bonds	2,411,774.66
Gross Bond Insurance Premium	481,000.00
Costs of Issuance	454,744.50
Total Underwriter's Discount (0.950%)	395,351.40
Rounding Amount	796.04
TOTAL USES	$42,367,876.71

Banc of America Securities LLC
Public Finance Group

S~2.SF-Series 2003-final pricing III-New Money
11/13/2003 6:04 PM

A.9 – Sources and Uses of Water Revenue Bonds, 2003 Bond (Continued)

4. Disbursements of Funds and Schedule of Expenditures.

4.1. The sale proceeds derived from the sale of the Series 2003 Bonds, including accrued interest to the date of delivery, shall be applied as follows:

(a) An amount equal to $111,128.61, representing the accrued interest received on the Series 2003 Bonds, shall be deposited into the Sinking Fund, credited to the Debt Service Account, and used for the payment of the interest on the Series 2003 Bonds coming due on January 1, 2004;

(b) An amount equal to $35,270,223.73 shall be deposited into the Construction Fund and used for the Project, the costs of issuing the Series 2003 Bonds and capitalized interest.

(c) An amount equal to $2,064,672.66 shall be wired to the Escrow Agent and used to defease the Palmetto Bonds.

(d) An amount equal to $481,000.00 shall be wired directly to the Bond Insurer and used for the payment of the premium on the Policy.

(e) An amount equal to $395,351.40 shall be retained by the Underwriter as its underwriting discount.

4.2. The Authority intends that the moneys on deposit in the Construction Fund and the investment earnings thereon qualify for the three-year temporary period in Treasury Regulation § 1.148-2(e)(2). As of the date of this Certificate, the Authority has incurred, or reasonably expects to incur within six months of the date of this Certificate, a substantial binding obligation to a third party or parties which is not subject to contingencies within the Authority's or a related party's, control to expend at least 5% of such moneys on the acquisition, construction and equipping of the Project.

Work on the acquisition, construction and equipping of the Project and the allocation of the moneys on deposit in the Construction Fund to expenditures therefor are reasonably expected to proceed with due diligence to completion. The Authority reasonably expects that at least 85% of the moneys on deposit in the Construction Fund will be allocated to expenditures for the Project within three years from the date of this Certificate.

4.3. Any moneys remaining in the Construction Fund following the completion of the acquisition, construction and installation of the Project and the payment of all costs in connection therewith shall be transferred to the Sinking Fund and applied to the payment or redemption of the Series 2003 Bonds. Prior to any such redemption, such moneys shall be invested at a yield (computed in accordance with Treasury Regulation § 1.148-5) not in excess of the yield on the Series 2003 Bonds (computed in accordance with Treasury Regulation § 1.148-4).

4.4. No portion of the cost of the acquisition, construction and equipping of the Project includes reimbursement to the Authority for any costs of the acquisition, construction or equipping of any portion of the Project paid or incurred by the Authority prior to the date that the Authority adopted a reimbursement resolution in accordance with Treasury Regulation § 1.150-2. All costs reimbursed by the Authority were paid within 18 months from the date of this Certificate.

A.10 – Notes to the 2011 MCRW&SA AFS – 2003 Defeasement and 2007 Bond Issuance

Refinance of Series 2003 Bond

SOUTH FULTON MUNICIPAL REGIONAL WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

(4) Long-Term Debt

Interest Rate Exchange Agreements (SWAPs) and Associated Bonds

Combined Utility Revenue Bonds - On August 28, 2007, the Authority entered into an agreement with Bank of America, N. A. to refinance their Series 2003 Bonds, issued November 1, 2003 with a debt of $41,630,000 which was the balance owed at that date. The Series 2007 Variable Rate Demand Water Revenue Bonds replaced the Series 2003 Bonds. The objective was to lower borrowing costs by synthetically fixing interest rates on the subject bonds. The Series 2007 Bonds will be issued to bear interest at a weekly rate. The Authority may elect to cause the Series 2007 Bonds to bear interest at the Commercial Paper Rate or at a Fixed Rate until maturity. The Remarketing Agent will determine the interest rate(s) applicable to the Series 2007 Bonds according to the Bond Resolution terms provided that the interest rate may not exceed the lesser of 12% per annum or the maximum rate allowed by law. The rate of interest on each Series 2007 Bond will be determined as the lowest rate of interest which would cause the Series 2007 Bonds to half a market value at the date of determination equal to the principal

Defeasing of Series 2003 Bond

(Includes legal and accounting fees, Underwriter's discount, initial Bond Registrar's and Paying Agent's fees, bond insurance premium, printing and engraving costs, validation court costs, and other costs of issuance.)

The Bank Of New York, who serves as the City's Fiscal Paying Agent, has proceeded with defeasing the Series 2003 Bonds.

Revenue Bonds. The Authority issues bonds where the issuer pledges income derived from the acquired or constructed assets to pay debt service. The Authority issued revenue bonds which are no longer outstanding as follows:

- $41,630,000 Series 2003 Bonds, issued November 1, 2003 due in annual installments of $100,000 to $19,150,000 beginning January 1, 2008 through January 1, 2033; interest at 3.00% to 4.91%, net of unamortized bond premium of $279,646. $41,630,000

A.10 – Notes to the 2011 MCRW&SA AFS – 2003 Defeasement and 2007 Bond Issuance (Continued)

Defeasing of Series 2003 Bond (Continued)

Defeased Bonds

In prior years, the Authority defeased certain water revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Authority's financial statements. At December 31, 2011 $41,180,000 of bonds outstanding are considered defeased.

Purpose of the Series 2007 Project

The Series 2007 Project consists of the (i) the acquisition of the Palmetto Treatment System, and (ii) the acquisition, construction, equipping and installation of facilities to provide potable water to the Cities, as more fully described below. The purchase price for the Palmetto Treatment System will include amounts necessary to defease Palmetto's Combined Public Utility Revenue Refunding and Improvement Bonds, Series 1998 (the "Palmetto Bonds"), which were issued for the purpose of acquiring, constructing, equipping and improving the Palmetto's water and wastewater treatment system.

The Series 2007 Project is designed to accommodate the projected future growth of the Cities. Proceeds of the Series 2007 Bonds will be used to (i) acquire the Palmetto Treatment System, (ii) acquire water supply and storage water reservoir sites, (iii) acquire, construct and equip a water treatment plant (the "Water Treatment Plant"), (iv) acquire and install a raw water main connecting the reservoir to the Water Treatment Plant, (v) acquire and install transmission mains connecting each of the Cities with the Water Treatment Plant, and (vi) defease the Palmetto Bonds.

A.11 – Notes to the 2014 MCRW&SA AFS – 2007 Defacement and 2014 Bond Issuance

SOUTH FULTON MUNICIPAL REGIONAL WATER AND SEWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

(4) Long-Term Debt

Revenue Refunding Bonds, Series 2014

On July 1, 2014 the Authority entered into an agreement with The Depository Trust Company to refinance the Series 2007 Variable Rate Demand Water Revenue Bonds issued as book entry only. The sources and uses of the refinancing are as follows:

Sources of Funds		
Par Amount of Bonds	$	34,585,000
Plus : Reoffering Premium		2,554,551
Remaining 2007 Bond Proceeds		1,705,767
Transfers from Series 2007 Bond Proceeds		397,497
Bank of America Concession for Costs of Issuance		48,197
Total Sources of funds	$	39,291,012
Uses of Funds		
Deposit to Pay-Off Series 2014 LOC		38,452,497
Bond Insurance Premium		118,937
Cost of Issuance		719,578
Total Uses of Funds	$	39,291,012

The net carrying amount of the Series 2007 was $38,450,000, and the 2007 Series bonds are considered defeased, and therefore, not recorded on the financial statements. The refunding resulted in an economic loss of $3,953,000.

The reacquisition price was greater than the net carrying amount on the financial statements resulting in a deferred outflow on refunding debt of $4,087,945. This deferred outflow will be allocated in a systematic and rational manner over the life of the new loan as a component of interest expense as follows:

A.12 – 2014 $6 million Cash outflow for Bond Termination Fees

SOUTH FULTON MUNICIPAL REGIONAL WATER & SEWER AUTHORITY

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to Outside Contractors	$ (92,915)	$ (114,395)
Payments for Board Expenses	(4,200)	(4,200)
Other Payments	(126,131)	(6,804)
Net Cash (Used) by Operating Activities	(223,246)	(125,399)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Interest	(642,188)	(2,061,702)
Construction Costs	(802,579)	(700,725)
Land Acquisition Costs	(2,169,000)	(3,501)
Bond Principal Payments	(38,965,000)	(585,000)
Bond Issue Costs	(719,578)	-
Bond Termination Fee	(6,640,000)	-
Proceeds from New Loan	34,585,000	-
Premium and Contribution to Issuance Costs	2,602,749	-
Capital Contributions	2,871,877	2,761,840
Net Cash (Used) by Capital and Related Financing Activities	(9,878,719)	(589,088)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investing Income	931	1,344
Investment Fees	(14,586)	(127,605)
Net Cash (Used) by Investing Activities	(13,655)	(126,261)
Net (Decrease) in Cash and Cash Equivalents	(10,115,620)	(840,748)
Cash and Cash Equivalents January 1	12,071,011	12,911,759
Cash and Cash Equivalents December 31	$ 1,955,391	$ 12,071,011

A.13 – FY 2011 Auditors and Attorneys for MCRW&SA

SOUTH FULTON MUNICIPAL REGIONAL WATER AND SEWER AUTHORITY

AUTHORITY OFFICIALS

2011

AUTHORITY BOARD

John O. Miller, Chairman
Mayor, City of Palmetto

Mario Avery
Mayor, City of Fairburn

Thomas G. Barber, Jr.
Fairburn

Brian K. Jones
City of Union City

Ralph Moore
Mayor, City of Union City

Lucinda Rockemore
Citizen Member

Terry L. Todd
City of Palmetto

AUTHORITY ATTORNEYS
McNally, Fox, Grant, & Davenport

AUTHORITY AUDITORS
Post & Associates, CPA's, LLC

AUTHORITY ENGINEERS
Krebs Architecture & Engineering, Inc.
Schnabel Engineering

A.13 – FY 2011 Auditors and Attorneys for MCRW&SA (Continued)

FY 2011 List of Advisors/ Consultants for MCRW&SA

Minutes Of The South Fulton Municipal Regional Water And Sewer Authority Meeting Held On October 11th, 2011, At 5047 Union Street, Union City, GA

BOARD MEMBERS PRESENT: John Miller, Ralph Moore, Mario Avery, Terry Todd, Lucinda Rockemore, Tom Barber and Brian K. Jones

BOARD MEMBERS ABSENT: None

Consultants Present: Dennis Davenport, Dan Post, Tommy Craig, Laura Benz and Andrea Grey.

FY 2011 Post & Associates Management positions

Finance – Dan Post reviewed the September 2011 financial statement with the Board.

Dan Post requested draw number 98 in the amount of $176,253.25 plus $2,500.00 for BOA for the Letter of Credit totaling $178,753.25, from the construction account.

Ralph Moore made a motion to approve draw number 98 in the amount of $178,753.25 from the construction account, seconded by Brian K. Jones. A vote was taken and the motion passed unanimously.

Dan Post reviewed the September 2011 financial budget with the Board.

Dan Post stated that its time for the KPMG Arbitrage audit from Grant-Thornton at a cost of $4000.00 and that will be presented at the November meeting.

s

A.14 – FY 2011 Auditor, Attorneys and Consultants for the City of Palmetto

CITY OF PALMETTO, GEORGIA
CITY OFFICIALS
2011

MAYOR
John O. Miller

CITY COUNCIL
Lorraine Allen
Natalie McFadden
Laura Mullis
Lucinda Rockemore
Gregory Rusch
Leon Sumlin

CITY ADMINISTRATOR
Terry Todd

CITY CLERK
Cynthia Hanson

PUBLIC WORKS DIRECTOR
William F. "Butch" Gaddy

CHIEF OF POLICE
Luther Graham

FIRE CHIEF
Henry Argo

CITY RECORDER
James Barfield
H. Clay Collins

BUILDING INSPECTOR
David Mundt
Safebuilt, Inc.

CITY PLANNER
Mike Warrix

CITY ATTORNEYS
McNally, Fox, Grant & Davenport

CITY AUDITORS
Post & Associates LLC

A.15 – FY 2011 Post & Associates

Daniel L. Post, CPA
Daniel L. Post, Jr., CPA
Bret A. Tyler, CPA
Samantha W. Maxwell, CPA
James C. Castle, CPA
Paula Yost, CPA

Post & Associates CPA's

MEMBERS
American Institute of CPA's
Georgia Society of CPA's

ESTABLISHED 1968

Independent Auditor's Report

John O. Miller, Chairman
and Members of the Authority Board
South Fulton Municipal Regional Water and Sewer Authority
Union City, Georgia

We have audited the accompanying statement of net assets of the South Fulton Municipal Regional Water and Sewer Authority and the related statement of revenues, expenses, and changes in fund net assets, and the statement of cash flows as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the South Fulton Municipal Regional Water and Sewer Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Controller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the South Fulton Municipal Regional Water and Sewer Authority at December 31, 2010 and 2009 and the results of its operations and statement of cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with U.S. Government Auditing Standards, we have also issued our report dated June 26, 2011 on our consideration of the South Fulton Municipal Regional Water and Sewer Authority internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Marietta, Georgia
June 26, 2011

A.16 – By Laws – Palmetto's Assets

1.

Union City, Palmetto, and Fairburn recognize that the Authority, in order to fund the construction and operation of a water reservoir or reservoirs, raw water transmission facilities, water treatment plant and potable water transmission lines, and/or a wastewater treatment facility or wastewater treatment facilities, hereinafter the "Project", or "Projects", will issue revenue bonds in an amount sufficient to achieve these objectives. Part of the proceeds from the revenue bonds may be used to purchase Palmetto's existing waste water treatment plant, its water treatment plant, and its water reservoir provided that same is offered for sale to the Authority at a fair market value established by an independent qualified person or firm and agreed to by Palmetto and the Authority. The transmission lines for the raw water, potable water, and waste water will not be purchased by the Authority. The transmission lines for the raw water, potable water, and waste water will remain the property of Palmetto.

REPORT OF

DAVID T. SAWYER CPA.CFF.CITP, CFE, CIA, CAMS

RE: NEWTON COUNTY, GEORGIA
BOARD OF COMMISSIONERS

FORENSIC ACCOUNTING ANALYSIS

NOVEMBER 28, 2016

TABLE OF CONTENTS

I. PROFESSIONAL QUALIFICATIONS AND ASSIGNMENT

My name is David Sawyer and I have been retained by Jarrard & Davis, LLP ("Jarrard & Davis" or "County Attorney"), in that firm's capacity as County Attorney for Newton County, Georgia, ("Newton County" or "the County") to perform forensic accounting analysis of certain transactions which have an impact on the financial position of the County.

I am a Certified Public Accountant, Certified in Financial Forensics and Certified Information Technology Professional (CPA.CFF.CITP), Certified Fraud Examiner (CFE), Certified Internal Auditor (CIA), Certified Anti-Money Laundering Specialist (CAMS) and licensed in Georgia as a Private Detective. I possess a Bachelor's of Science in Business Administration, with a major in Accounting.

I have extensive experience conducting forensic accounting investigations in a variety of industries and settings and have been qualified as an expert witness in State and Federal Court, as well as in Arbitration hearings. A true and correct copy of my educational background, professional certifications, prior testimony, qualifications and experience is attached hereto as **Exhibit 0.01**[1].

II. INTRODUCTION AND BACKGROUND

Newton County Financial Operations and Condition

As was similar to other counties in the metropolitan Atlanta area, Newton County, Georgia, experienced population growth and projected growth in the late 1990's and early 2000's. However, in the wake of the economic recession from 2008, population growth in Newton County has waned and economic and real estate development has slowed. As a result, Newton County government has also faced declining tax revenues and budgetary shortfalls, as exemplified by the County obtaining tax anticipation notes (TAN's) and shifting funds between designated SPLOST (Special Purpose Local Option Sales Tax) and Impact Fee accounts.

Also during this timeframe, more than $20 million in County / taxpayer funds was expended on a project to construct a third water supply source for the County, known as the Bear Creek Reservoir. This project was supervised by William Thomas Craig ("Craig" or "Tommy Craig"), in his dual role as County Attorney and water consultant. Shortly after the project could not obtain the necessary permitting from the U.S. Army Corps of Engineers ("USACE"), Craig was terminated as County Attorney in November 2015, after nearly 40 years in that position with the County. Obviously, this cash outflow compounded the financial challenges already faced by the County.

[1] Sawyer Curriculum Vitae

In the weeks and months that followed, the Craig law firm was replaced by Jarrard & Davis, LLP, as County Attorney. During initial meetings with County Finance personnel, Jarrard & Davis identified the shifting of SPLOST funds with Impact Fee funds, to cover budgetary shortfalls. At that time, and in context with other recent events described above, the County requested an in-depth, risk-based financial study and forensic analysis of County finances.

III. OBJECTIVE, SCOPE AND LIMITATIONS OF ANALYSIS

Frazier & Deeter Analysis

On March 21, 2016, Frazier & Deeter LLC (or "F&D") was engaged by Jarrard & Davis, LLP, in that firm's capacity as County Attorney for Newton County, Georgia, to investigate, analyze, reconstruct and document financial accounting transactions related to the risk areas and issues identified. The scope and objective of our work was also to identify areas of potential waste, abuse, misuse and fraudulent use of taxpayer funds, as well as the related resulting impact on the financial position of Newton County ("the forensic accounting analysis").

To identify areas of potential risk and further analysis, I met with interim County Manager Lloyd Kerr and County Finance Director Michelle Kelly, to discuss the overall financial condition of the County. I also met with County Commissioners, to hear and understand their concerns regarding the use of County funds and resources. From those meetings and interviews, we developed a scope of work which included the following functional areas (in the order that they appear in this report):

A. Newton County Recreation Commission
B. Nelson Heights Community Center
C. Proposed Bear Creek Reservoir
D. Newton County Landfill and Convenience Centers
E. SPLOST and Impact Fees

Our analysis in these areas continued, based on the level of financial and controls risks identified, and the potential for waste, abuse or fraud. Our firm has devoted more than 1,000 hours to this analysis, at rates between $75 per hour and $340 per hour. My current billing rate is $340 per hour.

This report is prepared under AICPA's Statement on Standards for Consulting Services ("SSCS") Number 1. As such, Frazier & Deeter has not been engaged to perform an audit, review, or any other form of attest service related to Newton County's financial statements, in accordance with Generally Accepted Auditing Standards, as those terms are defined by

the American Institute of Certified Public Accountants. I have not investigated the reasons and explanations behind all transactions processed by Newton County or deviations from Generally Accepted Accounting Principles ('GAAP') or Generally Accepted Government Accounting Standards ('GAGAS'), in presentation of the Newton County accounting records.

Preparation of this report contemplates that I may be called upon to provide expert witness testimony and / or opinions, in the context of civil litigation, criminal prosecution, or both. I reserve the right to revise my opinions at any time additional information is brought to my attention or for inadvertent errors or omissions. Additional documents or data may be brought to my attention that have not been examined or considered. Evaluation of this data, when or if produced, may also necessitate a revision to the opinion(s) contained in this report. However, based on extensive work completed to date, I have developed professional expert opinions regarding certain aspects of potential waste, abuse or fraud. These opinions, and the bases for those opinions, are set forth in this report.

IV. SUMMARY OF ANALYSIS

Overview

To date, I have devoted a significant amount of time to understanding the transactions related to our defined scope of work. Along with a team of professionals working under my direction, I undertook an extensive independent analysis of thousands of financial transactions, records and other documents, including databases, spreadsheets, accounting and bookkeeping records, legal documents and various other supporting transactional records. I have also developed a working knowledge and understanding of transaction processing and recordkeeping by Newton County during the period in question, as related to our scope of work, defined above. In this analysis, we considered the substance, as well as the form by which the transactions were recorded.

Summary Opinion

Based on analysis performed by me and professionals working at my direction, it is my opinion that actions taken in various functional areas within Newton County resulted in financial damages to Newton County taxpayers of **more than $25 million**, not including interest, litigation expenses, general damages and punitive damages, as depicted in the table below.

Report Section / Description	Amount
A. Recreation Commission	$ 11,853
B. Nelson Heights Community Center	42,648
C. Proposed Newton County Reservoir	25,569,421
D. Landfill / Convenience Centers	TBD
E. SPLOST / Impact Fees	4,123,474

A. Newton County Recreation Commission

B. Nelson Heights Community Center

Commissioner J.C. Henderson, as an officer of Nelson Heights Community Services, Inc. (or "NHCS," a 501(c)3 organization) and Rising Son Christian Church (or "RSCC," another 501(c)3 organization), received preferential and financially beneficial treatment from the County. At least **$42,148** of taxpayer funds were used for undefined, wasteful or abusive purposes, including:

1. Legal services in the amount of $17,039.
2. Unexplained operating expenses, in the amount of $2,372.
3. Foregone Rental Revenue, in the amount of $3,000.
4. Van Purchase / Transportation, in the amount of $8,500.
5. Real Estate Transactions, in the amount of $11,237.
6. Accounting services in an undetermined amount.

C. Proposed Bear Creek Reservoir

In the now failed, defunct Bear Creek Reservoir project, former County Attorney William Thomas Craig ("Craig"):

1. Recklessly wasted County / taxpayer funds.

2. Made numerous, repeated, misleading, deceptive statements and misrepresentations to the Board of Commissioners and taxpayers about the need, feasibility and achievability of the proposed Bear Creek Reservoir. Many of these statements were recorded in local news articles.

3. Had continual, ongoing knowledge that the Reservoir project would not be permitted.

4. In spite of this knowledge and concealed by his misrepresentations and misleading, deceptive statements, Craig facilitated land acquisition transactions by purchasing overpriced properties, resulting in **at least $25 million** of taxpayer losses.

5. Paid excessive prices for properties that were non-compliant with regulations.

6. Benefitted from years of legal and consulting fees for the failed project and also provided benefits to his business associates.

7. Despite generating hundreds of thousands of dollars in consulting and legal fees for his own personal benefit, did not (and has still not) paid Federal income taxes amounting to **at least $1 million and possibly as much as $2 million**, at least in part, stemming from those amounts paid by Newton County.

8. As a result, largely contributed to the decline of the financial position of Newton County.

D. Landfill / Convenience Centers

1. Eco-Tech Consultants, Inc. billed the Landfill for services in advance of any evidence of approval in the Newton County BOC meeting minutes. Each invoice rendered and paid before November 17, 2015 (the date of BOC approval) was initialed by Chairman Ellis.

2. Eco-Tech Consultants, Inc. and Eco-South, Inc. have interlocking directorship, with apparent relationships with then-County Attorney Tommy Craig. Eco-South was paid $112,224 from fiscal year 2006 to 2014.

3. Performing what was described as 'Emergency Response Services,' Harbin Engineering marked up subcontractor invoices by $44,988.

4. There appears to have been a hand-off of the Beaverdam Creek mitigation site monitoring project from Eco-South, Inc. to Eco-Tech Consultants, Inc. sometime during the Summer / Fall of 2014, shortly before the dissolution of Eco-South, Inc.

5. We recommend that further inquiry be made of Mr. Craig's relationship with and between the two entities. Such inquiry should also include any documentation / correspondence regarding the transfer of the project from Eco-South, Inc. to Eco-Tech Consultants, Inc.

E. SPLOST / Impact Fees

1. Systematic commingling of funds occurs between the SPLOST 2005 fund, the SPLOST 2011 fund and the Impact Fee fund. Systematic changes may be required to address this potential for commingling.

2. The Impact Fee fund borrowed at least $4,123,474 from the SPLOST 2005 fund. Further inquiry should be undertaken by competent legal authority to determine the propriety of this inter-fund transaction activity.

B. NELSON HEIGHTS COMMUNITY CENTER

Background and Overview: Comparison / Contrast

Community centers, in general, operate as after-school programs for school-aged children. Typically, children attending the centers arrive at the centers by school bus, and are supervised by employees or volunteers. Computers and multimedia equipment are provided to help facilitate both education and entertainment of the children. Meals and field trips may also be provided. To gain a better understanding of how community centers operate in Newton County, we visited two centers – Washington Street Community Center ("WSCC") and Nelson Heights Community Center ("NHCC"). From interviews and site visits we conducted, an overview, comparison and contrast of these two centers is provided below.

The Washington Street Community Center

WSCC is a 501(c)3 not-for-profit organization and is run by non-County officials. WSCC receives a monthly appropriation from Newton County in the amount of $3,333.33, or $40,000 per year. The budget for WSCC is approximately $200,000, so it seeks and receives other funding sources. Administrative, accounting and legal services are provided by on-site personnel, or by seeking outside resources, paid for by WSCC from its operating budget.

We noted multiple on-site programs, such as a productive, functioning vegetable garden. We also learned that children attending WSCC have been on multiple educational and cultural field trips through the years. Built on the site of a former school building, the facility was constructed with approximately $400,000 in private funds. A renovation was also performed of the facility, with funds generated from the 2000 SPLOST. The director of WSCC is Ms. Bea Jackson, who has decades of community service experience, including the supervision and development of children.

The Nelson Heights Community Center

The NHCC also operates as a 501(c)3 not-for-profit organization, established under the name 'Nelson Heights Community Services, Inc.' (or "NHCS"), and is technically not a County department. NHCS was established by Newton County Commissioner J.C. Henderson, who is also an officer of the organization. NHCS also receives a monthly appropriation from Newton County in the amount of $3,333.33, or $40,000 per year. Based on our interviews and analysis, NHCS receives a proportionately small amount of additional funding from sources other than Newton County, in the form of facility rentals and donations. The total of these amounts were approximately $12,692 in fiscal year 2014, $11,588 in fiscal year 2015 and $6,086 in fiscal year 2016. The NHCC facility was

built with taxpayer funds, generated by $550,000 from the 2005 SPLOST and supplemented by $56,000 from the County's General Fund.

Additionally, the County performs numerous accounting, administrative and legal services for NHCC (and thus, NHCS, as well). While a computer lab and large screen television with DVD player are on site, field trips and other programming appear to be minimal. A meal was provided at Thanksgiving for the attending students and family, which was also attended by Commissioner Henderson and his family. NHCC has experienced significant turnover with on-site leadership and employees, with three different directors since 2013. The site was purchased with taxpayer funds and the externally-attractive facility was constructed with SPLOST funds. The facility is located less than one block from the residence of Commissioner J.C. Henderson.

Source Documents and Data, Provided and Relied Upon

In general, we were provided the following documents and data, which were used in this component of our analysis:

A detailed listing of documents provided and relied upon is provided at the conclusion of this report, in the section entitled EXHIBITS AND SOURCE DOCUMENTS RELIED ON FOR REPORT.

1. General ledgers for NHCC for fiscal years 2014 to 2016, as prepared by the Newton County Finance Department.

2. Documentation, where available, for operating expenses such as repairs, legal expenses, transportation and other expenses.

3. Minutes from NHCC Board of Directors meetings.

4. News articles related to NHCC.

5. Real estate transaction documents, including but not limited to deeds and tax assessor records.

6. Documentation from the office of Georgia Secretary of State.

Scope, Approach and Purpose of Analysis

In general, the following steps were performed for this component of our analysis:

1. Interviewed employees and management (current and former) at the Nelson Heights Community Center, as well as current management at the Washington Street Community Center.

2. Performed trend analysis of NHCC financial data from July 1, 2013 to June 30, 2016.

3. Read news articles related to NHCC.

4. Performed analysis and examined supporting documentation related to NHCC operating expenses such as legal expenses, repairs and transportation.

5. Performed analysis for NHCC capital purchases, such as a van purchased for NHCC.

6. Performed analysis of rent revenue recorded and foregone, related to NHCC.

7. Performed research of real estate transactions related to NHCC.

8. We contacted Commissioner J.C. Henderson on two occasions, to interview him regarding NHCC. On both occasions, he was unavailable to meet with us or speak for any length of time by telephone. He did not return phone calls or attempt to speak with our team at any time during our analysis, which spanned approximately six months.

Our analysis included the period from July 1, 2013 to June 30, 2016.

A detailed listing of work product prepared is provided at the conclusion of this report, in the section entitled APPENDICES AND ANALYSIS SCHEDULES.

Findings, Causes and Impact

In total, there are questionable expenditures of at least **$42,648**, which constitute financial damage to Newton County and appear to result from waste and abuse of taxpayer funds. The beneficiary of these funds was a 501(c)3 organization, Nelson Heights Community Services, Inc. When these transactions occurred, Commissioner J.C. Henderson was an officer (and founder) of that organization. Detailed discussion of these findings is below, in Sections 1 through 8 that follow.

1. Legal Services

NHCS received legal services provided by then-County Attorney William Thomas Craig, in the amount of **$17,039**.[17] Neither the records provided by Mr. Craig's office nor the records of NHCS provided description adequate enough to verify the purpose of such services.[18]

For the fiscal year ended June 30, 2014, Newton County paid $4,411 to the law firm of William Thomas Craig, Esq., for legal services on behalf of NHCS, Inc. This amount comprised 11% of the annual Newton County appropriation for NHCS. Documentation provided by Newton County was not descriptive enough to determine the purpose, necessity or propriety of these expenditures.

For the fiscal year ended June 30, 2015, Newton County paid $7,063 to the law firm of William Thomas Craig, Esq., for legal services on behalf of NHCS, Inc. This amount comprised 18% of the annual Newton County appropriation for NHCS. No documentation was provided by Newton County, to determine the purpose or propriety of these expenditures.

For the fiscal year ended June 30, 2016, Newton County paid $5,565 to the law firm of William Thomas Craig, Esq., for legal services on behalf of NHCS, Inc. This amount comprised 14% of the annual Newton County appropriation for NHCS. No documentation was provided by Newton County, to determine the purpose or propriety of these expenditures.

[17] Appendix B1: Analysis of Nelson Heights Legal Expenses
[18] Exhibit B1: Invoices from the Law Offices of Wm. Thomas Craig, LLC

2. Operating Expenses

Expenditures totaling **$2,372** were made for unexplained advertising, p-card transactions, or other services without adequate description or purpose. At least $1,200 of this amount was paid to Commissioner Henderson or a member of his family.[19]

Table B2 [20]
Nelson Heights Community Services, Inc.
Questionable payments for Operating Expenses

Date	Payee	Amount	Purpose / Description
Sep 10, 2013		$ 100.00	Services
Sep 13, 2013	J.C. Henderson	150.00	
Sep 13, 2013	J.C. Henderson	100.00	Food Server
Sep xx, 2013		400.00	Advertising
Sep xx, 2013		30.00	Banner Installation
Aug 30, 2014		209.28	P-card
Aug 13, 2015		350.00	
Jan 13, 2016		600.00	Painting NHCC
Aug 30, 2014		312.92	P-card
Jan 31, 2016		119.76	Debit Card M. Kelly
TOTAL		$ 2,371.96	

[19] Exhibit B2: Supporting documentation for expenses (Painting, Wal-Mart receipts for debit cards, minutes from NHCC Board Meeting)
[20] Appendix B2: Analysis of Nelson Heights Other Operating Expenses

3. Foregone Rental Revenue

The Rising Son Christian Church (or "RSCC," a 501(c)3 not-for-profit organization), held Church services and meetings at the Nelson Heights Community Center (NHCC) from August 2013 to March 2016. RSCC paid rental fees for use of the NHCC facility. In a twelve-month period, a discount of $250 per month was extended to RSCC, totaling **$3,000**.[21] To compound the problem, $1,750 of the discounted amount remained unpaid and outstanding at March 31, 2016.[22] During the time of these transactions, Commissioner J.C. Henderson was an officer of RSCC[23], as well as Nelson Heights Community Services, Inc., which operated the Nelson Heights Community Center.[24] At a minimum, there is an internal control weakness if a County official has control of and access to the property (i.e., keys) and may also collect revenue and authorize discounts or concessions for the revenue.

4. Van Purchase / Transportation

In October 2015, a passenger van was purchased with Newton County funds in the amount of $4,500,[25] for the sole purpose and use of the Nelson Heights Community Center (NHCC). The Kelley Blue Book value of this vehicle was $2,700.[26] An additional $1,260[27] was expended to paint 'Nelson Heights Community Center' on the van and $500[28] was expended for window or windshield replacement. Also, a payment was paid to Gary Massey Agency, Inc., on or about December 8, 2015, for commercial van insurance in the amount of $2,240[29](or 5.6% of the annual appropriation for NHCS / NHCC, a seemingly excessive amount for a van that is idle). These expenditures total **$8,500**.

Based on interviews and observation performed through May 2016, the van appears to be an idle asset and has not been used to transport children to and from the NHCC. On-site employees of NHCC have not been allowed to drive the van. Further, we inquired as the existence of waiver forms for children to be transported by the van and learned that these documents do not exist. Because these waiver forms have not been completed, it indicates that children are not transported, at least legally, by the van.

[21] Exhibit B3: Memo to NHCC Board of Directors from J.C. Henderson
[22] Appendix B3: Analysis of Foregone Rental Revenue at NHCC; Exhibit B4: E-mail from Jackie Smith to Lloyd Kerr and Michelle Kelly, dated March 31, 2016.
[23] Exhibit B5: Georgia Secretary of State Website / Filings related to RSCC.
[24] Exhibit B6: Georgia Secretary of State Website / Filings related to NHCS, Inc.
[25] Exhibit B7: Motor Vehicle Bill of Sale and Requisition, 1993 Ford Super Wagon
[26] Exhibit B8: Kelley Blue Book Value of 1993 Ford Van
[27] Exhibit B9: Invoice from Team Sports and Signs for painting and decals
[28] Exhibit B10: Invoice from Another Windshield and other support documents for windshield repair / replacement.
[29] Exhibit B11: Invoice from Gary Massey Insurance Agency, dated December 3, 2015

5. Accounting Services

Processing of accounting, bookkeeping, accounts payable invoices, revenue collection and payroll transactions were provided to NHCS at no charge. We have not quantified the time, effort and expense to provide these services to NHCS and the amount does not appear to be captured in financial reports from the Newton County Finance Department. Conservatively, though, if a staff person from the Finance Department spent one hour per week processing accounting transactions for NHCS at a rate of $10 per hour, for 50 weeks a year, the amount would benefit NHCS by an additional **$500** per year.

6. Real Estate Transactions

In connection with the construction of the Nelson Heights Community Center, real estate transactions involving four parcels of land occurred. Three of these parcels were ultimately acquired by Newton County, with one parcel remaining in the ownership of Rising Son Christian Church. Nelson Heights Community Services, Inc. was also an intermediary in these transactions and owned one parcel for a period of time. When NHCS acquired one of the parcels, an unsatisfied lien was attached to the property, which was also transferred to NHCS.

In the process of Newton County ultimately acquiring the three parcels, the unsatisfied lien of **$11,237** (as of May 20, 2016) was essentially forgiven of NHCS.[30] This occurred when the 0.63 acre parcel owned by NHCS was transferred to RSCC and then purchased by Newton County on the same day. Newton County then assumed the lien liability and remained responsible for paying that amount. When these transactions occurred, Newton County Commissioner J.C. Henderson was listed by the Georgia Secretary of State's Office as a founder and / or officer of both NHCS and RSCC.)[31] [32]

As of May 20, 2016, the entire lien amount had not been satisfied. The end result and impact is that Commissioner Henderson (and two organizations, where he was an officer benefitted from these transactions, at the expense of Newton County. Then-County Attorney Tommy Craig facilitated, aided and abetted these transactions. In the process, Craig also misled and deceived the closing attorney that the liens would be satisfied by Newton County (which they were not).

Overview of Parcels

[30] Exhibit B15: Real estate closing documents, plats and deeds related to the 0.63 acre tract.
[31] Exhibit B5: Georgia Secretary of State Website / Filings related to RSCC.
[32] Exhibit B6: Georgia Secretary of State Website / Filings related to NHCS, Inc.

The four parcels of land at issue are situated on Laseter Street SW, near the intersection with Puckett Street SW, in Newton County. Three of the parcels (the 7.94 acre tract, the 2.09 acre tract and 0.63 acre tract) are all situated on the northwest side of Laseter Street. The 1.91 acre tract is located on the southeast side of Laseter Street SW, on the corner of Laseter Street SW and Puckett Street SW. Detailed discussion of transactions relating to these parcels follows below.

Please also see Appendix B4[33], for a flowchart diagram of the transactions. In the discussion that follows, please note that 'transfer' may well indicate a sale of this property, but sales amounts may not have been readily available from public real estate records.

The 1.91 Acre Tract

The 1.91 acre tract is located due east and northwest of the 2.09 acre tract, southeast of the 7.94 acre tract and northeast of the 0.63 acre tract. It is across Laseter Street SW from the other three parcels. Please see attached plat map for additional reference.[34]

January 18, 2005: The property is transferred from the Glass Estate to the Rising Son Christian Church.[35]

July 17, 2014: On the date that the 2.09 acre tract is transferred to Newton County, the 1.91 acre tract is retained by the Rising Son Christian Church. From street signage, this tract appears to be the future site of the Rising Son Christian Church building(s).

The 2.09 Acre Tract

The 2.09 acre tract is located across Laseter Street SW, due west and southwest from the 1.91 acre tract. It is southwest of the 7.94 acre tract and surrounds two sides of the 0.63 acre tract, on the same side of Laseter Street SW. Please see attached plat map for additional reference.[36]

January 18, 2005: The property is transferred from the Glass Estate to the Rising Son Christian Church.[37]

July 17, 2014: The property is transferred from the Rising Son Christian Church to Newton County.[38]

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[33] Appendix B4: Flowchart of NHCC real estate transactions.
[34] Exhibit B12: Real estate closing documents, plats and deeds related to the 1.91 acre tract.
[35] Exhibit B12: Real estate closing documents, plats and deeds related to the 1.91 acre tract.
[36] Exhibit B13: Real estate closing documents, plats and deeds related to the 2.09 acre tract.
[37] Exhibit B13: Real estate closing documents, plats and deeds related to the 2.09 acre tract.

The 7.94 Acre Tract

The 7.94 acre tract is located northwest and across Laseter Street from the 1.91 acre tract. It is northeast of the 2.09 acre tract and 0.63 acre tract, on the same side of Laseter Street SW. Please see attached plat map for additional reference.[39]

August 10, 2006: The property was transferred from the Glass Estate to Newton County. The Nelson Heights Community Center is constructed on this property.

The 0.63 Acre Tract

The 0.63 acre tract is located southwest and across Laseter Street from the 1.91 acre tract. It is surrounded on two sides by and situated southeast of the 2.09 acre tract, on the same side of Laseter Street SW. It is southwest of the 7.94 acre tract and is separated by north side of the 2.09 acre tract. Please see attached plat map for additional reference.[40]

March 17, 2006: The property is transferred to Michael Fabrikant, in what appears to be a purchase of a tax sale related to foreclosure.[41]

April 16, 2007: A Stormwater Facility Covenant is enacted upon the property, requiring certain stormwater / drainage monitoring, mitigation and reporting.[42]

January 2, 2008: The property is transferred to a real estate investment company known as DIV Tax Venture.[43]

August 10, 2009: A building on the property is demolished and an invoice of $7,000 for the service.[44]

September 2, 2009: Payment for the demolition is made and a lien for the unpaid invoice is placed on the property.[45]

April 9, 2012: The property is transferred from DIV Tax Venture to Nelson Heights Community Services, Inc. (NHCS), with the lien still in place. At the date of transfer,

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[38] Exhibit B13: Real estate closing documents, plats and deeds related to the 2.09 acre tract.
[39] Exhibit B14: Real estate closing documents, plats and deeds related to the 7.94 acre tract.
[40] Exhibit B15: Real estate closing documents, plats and deeds related to the 0.63 acre tract.
[41] Exhibit B15: Real estate closing documents, plats and deeds related to the 0.63 acre tract.
[42] Exhibit B15: Real estate closing documents, plats and deeds related to the 0.63 acre tract.
[43] Exhibit B15: Real estate closing documents, plats and deeds related to the 0.63 acre tract.
[44] Exhibit B15: Real estate closing documents, plats and deeds related to the 0.63 acre tract.

[45] Exhibit B16: July 2, 2014 e-mail from David Henderson to Tommy Craig

Commissioner J.C. Henderson was an officer of NHCS. It is unknown why the closing attorney did not disclose this defect in title.[46]

July 17, 2014: The property is transferred from NHCS to RSCC. Commissioner J.C. Henderson is an officer of both NHCS and RSCC, so this amounts to a 'less than arms-length' transaction.[47]

July 17, 2014: The property is transferred from Rising Son Christian Church, Inc., to Newton County.

It is unknown why this additional layer of processing is made on the same day, or what benefit there was in making this transfer. In a legitimate real estate transaction, it would have seemingly been more simple, direct and efficient for NHCS to transfer the property directly to Newton County. But because NHCS is an affiliated party to the County (it receives $40,000 per year from the County) and because J.C. Henderson is both a County Commissioner and Officer of NHCS, the appearance of a 'less-than-arms-length transaction' might be given (especially since the County would be assuming an unsatisfied lien).

By making an additional 'layered' transaction on the exact same day, it appears that there was an attempt to give the appearance – though apparently fabricated – of a legitimate, arm's length purchase between the County and what would appear to be a party unaffiliated with Newton County, i.e., RSCC. However, this transaction could only be accomplished with a willing participant who was an officer in all three parties – Henderson – who is a County Commissioner and officer in both RSCC and NHCS.

[46] Exhibit B15: Real estate closing documents, plats and deeds related to the 0.63 acre tract.
[47] Exhibit B15: Real estate closing documents, plats and deeds related to the 0.63 acre tract.

Summary and Observations

Commissioner J.C. Henderson, as an officer of NHCS and RSCC, received preferential and financially beneficial treatment from Newton County. When a sitting Commissioner is a director of an entity receiving County funds, the appearance of malfeasance, gratuity or conflict of interest is given. At least **$42,648** of taxpayer funds were used for undefined, wasteful or abusive purposes, including:

1. Legal Expenses: The County paid at least **$17,039** to the law office of then-County Attorney Tommy Craig, for legal services on behalf of NHCS. Minimal, if any, supporting documentation was provided, to show the purpose, necessity or propriety of such legal advice. With such limited documentation provided, a weakness existed in the County's system of internal controls, allowing these transactions to occur.

2. Operating Expenses: Expenditures totaling **$2,372** were made for unexplained advertising, p-card transactions, or other services without adequate description or purpose. At least $1,200 of this amount was paid to Commissioner Henderson or a member of his family.

3. Foregone Rental Revenue: Rental revenue from RSCC was discounted and then unpaid, providing a financial benefit of at least **$3,000** for a Church where Commissioner Henderson was an officer. Commissioner Henderson also maintained key access and an opportunity to collect the revenue directly for the facility, posing a weakened, potentially compromised system of internal controls.

4. Van Purchase, Transportation: A passenger van for the Nelson Heights Community Center was purchased for $4,500, which was $1,800 in excess of Kelley Blue Book value. As of May 2016, the van had not been used to transport children to and / or from the facility. Additional expenses of $4,000 were also made for this apparently idle asset, to total **$8,500**.

5. Accounting Services: The County performed accounting tasks for Nelson Heights Community Services, Inc. Because these services were not provided to other comparable community centers, apparent preferential and beneficial treatment resulted for Commissioner Henderson. The dollar value of the services provided is estimated at **$500**.

6. Real Estate Transactions: Commissioner Henderson, and the organizations where he was an officer, transferred real estate property to Newton County, along with an

unsatisfied lien of **$11,237**. These real estate transactions were financially beneficial to Commissioner Henderson and the organizations where he was an officer, to the detriment of Newton County and its taxpayers. The transactions were facilitated by then-County Attorney Tommy Craig.

We recommend that further investigative steps be performed by law enforcement authorities, to determine whether or not criminal activity has occurred.

C. PROPOSED BEAR CREEK RESERVOIR

Background and Overview: Reservoirs, in General

Currently, Newton County relies on two sources for water supply – the Lake Varner Reservoir and City Pond. The Lake Varner Reservoir was constructed in the late 1980's and the project was approved in approximately six months. The permitting process was facilitated by then-County Attorney William Craig ("Craig").

The need for water consumption is calculated based primarily on three factors:

1. Current water usage
2. Population and population growth
3. Safe (Water) Yield, which is measured in 'millions of gallons per day' (mgd).

To construct a dam (and the resulting lake, also known as a reservoir), a 'Section 404' permit must be issued by the U.S. Army Corps of Engineers ("USACE"). During the construction of a reservoir, land and streambeds are flooded, damaged or destroyed. Under regulations from the U.S. Environmental Protection Agency ("EPA") and USACE, proper 'mitigation' land must be obtained and improved, to compensate for the lands that were damaged and / or destroyed.

As such, one of the key aspects of designing and constructing a reservoir is to prepare a 'Compensatory Mitigation Plan,' which includes the tracts and parcels of land that will be purchased and wetlands will be improved.

In about 1995, Craig facilitated purchases of large parcels of land in Newton County. Shortly thereafter, in the late 1990's, Craig began proposing the need for a third Newton County water source, to be named Bear Creek Reservoir (the "Reservoir").

Source Documents and Data, Provided and Relied Upon

In general, we were provided the following documents and data, which were used in this component of our analysis:

1. Real estate transaction documents
2. News articles
3. Letters and correspondence from regulatory authorities
4. Financial data related to the Reservoir, provided by the Newton County Finance Department
5. Supporting financial documentation, including but not limited to invoices and closing documents

6. Parcel mapping from Covington / Newton County GIS

A detailed listing of documents provided and relied upon is provided at the conclusion of this report, in the section entitled EXHIBITS AND SOURCE DOCUMENTS RELIED ON FOR REPORT.

Scope, Approach and Purpose of Analysis

In general, the following steps were performed for this component of our analysis:

1. Analysis of expenditures for the proposed Bear Creek Reservoir
2. Reading of news articles and correspondence from regulatory agencies
3. Interviews with Newton County personnel
4. Analysis of real estate transactions

A detailed listing of work product prepared is provided at the conclusion of this report, in the section entitled APPENDICES AND ANALYSIS SCHEDULES.

Findings, Causes and Impact

Below is an overview of our findings from analysis of the now-defunct Bear Creek Reservoir project, Tommy Craig's role and knowledge in the project, how he benefitted and how this was financially detrimental to taxpayers of Newton County. Collectively, these findings show misrepresentations and false, misleading statements by Tommy Craig about material facts that he knew (or should have known) were false. By the sheer, continued repetition and pattern of these actions, along with the financial benefit provided to Craig over many years, an intent to mislead decision makers was demonstrated. Because Commissioners and taxpayers relied on Craig's guidance, advice and role as County Attorney, they all suffered financial damage and harm, in excess of $25 million. Detailed discussion of these findings is found in in Sections 1 through 4 that follow.

1. Misrepresentations and contradictions of material facts that were known (or should have been known) by Tommy Craig to be false

In our analysis, we identified at least 20 different false, misleading statements, misrepresentations or facts withheld, made by then-County Attorney Tommy Craig, relating to the Bear Creek Reservoir project. These statements occurred in a period that spanned from 2008 to 2015. For each of these false, misleading statements, we provide documentation that contradicts Craig's statements or provides information that was known, or should have been known, to him in his role as County Attorney for Newton County, Georgia.

2. Financial damage to Newton County taxpayers and reliance on Craig's misrepresentations and false, misleading statements

From data provided by the Newton County Finance Department, funds were expended for the proposed Bear Creek Reservoir project, which was under Tommy Craig's supervision. Because the Reservoir project ultimately failed, the direct financial damage caused to Newton County taxpayers was at least **$22,354,073**. In addition, indirect financial damage of at least **$3,215,348** was caused, as a result of foregone property tax revenue over the life of the project, which spanned approximately 20 years. In summary, financial harm of at least **$25,569,421** was caused as a result of the failed Bear Creek Reservoir project, which was supervised and perpetuated by Tommy Craig. Because of his fiduciary role as County Attorney, Newton County Commissioners and taxpayers relied on statements and guidance provided by Tommy Craig, to their own financial detriment and harm.

3. Financial benefit to William Thomas Craig, Esq.

For the life of the failed Reservoir project, Craig served as both County Attorney and 'Water Consultant.' By its nature, the County Attorney should act as an advocate (or fiduciary) for the best interest of the County and taxpayers. In an apparent conflict of interest, Tommy Craig acted not only as County Attorney, but as 'Water Consultant,' whereby he could advise County leaders on both legal matters, as well as population growth estimates and the necessity for an additional water supply source. In essence, he supervised and brokered the work performed by consultants and engineers who were paid hundreds of thousands (if not millions) of dollars in Newton County taxpayer funds. He used his insider position as County Attorney to influence County leaders into purchasing land and services, which would ultimately be detrimental to the County, not only in terms of excess, wasted cash outflow, but also in foregone property tax revenue. This arrangement was financially beneficial for Tommy Craig, but certainly not for Newton County. These repeated, continued actions and how it benefitted Tommy Craig reasonably demonstrated intent to continue and prolong the project and mislead County decision makers, to their financial harm. As an additional near-term financial benefit, Tommy Craig has not paid Federal income taxes of more than $1 million (and possibly exceeding $2 million), according to most recent available data. This tax liability is partly driven by funds paid to his law firm and consulting business by Newton County.

4. Significant, questionable and wasteful land purchases

Newton County, at the direction and advice of then-County Attorney Tommy Craig, made land acquisitions accounted for at least $16 million of the cost for the failed Bear Creek

Reservoir project. While hindsight shows that the entire $16,436,825 for land acquisition was wasted on the project, our analysis identified twelve (12) properties which were both individually significant in dollar amount and were purchased under questionable circumstances (e.g., appraisals or re-conveyance clauses), or were not otherwise suitable for mitigation purposes. These properties comprise $12,834,610, or 78.1% of the amount expended for land acquisition. Each and every transaction was facilitated under the supervision of Tommy Craig, acting as both County Attorney and Water Consultant, with County funds flowing through his law firm's escrow account.

Detailed Discussion of Findings, Causes and Impact

1. Misrepresentations and contradictions of material facts that were known (or should have been known) by Tommy Craig to be false – a timeline

No later than March 2008, Tommy Craig began receiving feedback from government regulators that his proposed Bear Creek Reservoir (the 'Reservoir') project (the 'Project') would not and could not be approved, due to a lack of justified need and the failure to meet proper environmental standards. While having full knowledge of this information, he misled the Newton County Board of Commissioners, as well as the taxpayers of Newton County, by making misrepresentations about material facts relating to the approval status of the proposed Reservoir. In each of these instances, facts were known to Mr. Craig, or should have been known, that were withheld or concealed from County decision makers.

In his failed plan for the Reservoir, Craig continually provided flawed, incomplete or inadequate application information to government regulators about population estimates, safe yield water supply, alternatives and water treatment / usage, which ultimately resulted in the rejection of his permit application for the project. Because he repeatedly ignored the guidance and feedback of government regulators (which grant approvals and authorization for such projects), continued, ongoing delays were caused in obtaining the proper Section 404 permit, which was required for constructing the proposed Reservoir.

In correspondence from the USACE, U.S. Department of the Interior / Fish and Wildlife Service (U.S. FWS) and EPA, among others, clear feedback was provided to Craig, stating that his application was incomplete and inadequate to meet the requirements for obtaining the Section 404 permit. The continued refusal or inability by Craig to provide the proper plan or documents to meet these requirements created massive, unnecessary costs for Newton County and carried out a wasteful abuse of taxpayer funds. From years of feedback and critique from governmental agencies and regulators, Craig must have known that the need for his proposed reservoir project could not be justified, yet he continued to ignore governmental feedback and mislead or deceive County leaders that the project would one day be completed. However, knowledge was available for years in advance, that the Reservoir would not be approved.

In the section that follows, examples are provided of public statements made by Tommy Craig, organized in a chronological timeline, as contrasted with information that was known to him (or should have been known to him), based on his fiduciary position as County Attorney and overseer of the Reservoir project. When this contrast is shown, it is abundantly clear that Tommy Craig made misleading, deceptive statements and misrepresentations of material facts to County leaders, costing (and wasting) millions of dollars in Newton County taxpayer funds.

We understand and acknowledge that the permit application process for the proposed Bear Creek Reservoir began in 1999. However, for purposes of this analysis, the timeline in this section begins in March 2008, as more recent events would be considered more immediately relevant. The timeline concludes in October 2015, when the project was finally aborted by the Newton County BOC, because the USACE administratively withdrew the permit application.[48]

To set a foundation and baseline, the timeline begins with facts, observations and feedback from EPA, which show how fundamentally flawed the project was, even after nine years of development, cost and effort, and how Tommy Craig was never able or willing to cure these issues, all the way to the project's termination, more than seven years later, in October 2015.

[48] Exhibit C27: October 19, 2015 news article from Newton Citizen

Facts Known / Should Have Been Known 1: March 6, 2008[49]

In a letter dated March 6, 2008, from James D. Giattina, Director of the EPA's Water Management Division to Colonel Edward J. Kertis of the USACE, Giattina also confirms that the EPA's history with this project dates back to at least 1999, which was **four years after purchase of the 2,200-acre Gaithers Plantation property**. EPA provided detailed comments on the project in a letter dated July 7, 2000.

In summary, the letter states that:

1. Craig's application provides unjustified, inflated estimates for **Population Growth**. (pages 2-3) In the previous 2000 application, Newton County population was estimated at 257,410 by 2045. For the current application (submitted November 19, 2007), Newton County population was estimated to be 361,517 by 2050. The unexplained difference of 104,107 in a period of only five years represents an increase of 40.44%. The estimate of 361,517 was prepared during a period when the metro Atlanta housing market had declined sharply, as opposed to the original estimate of 257,410, when the metro Atlanta housing market was experiencing dramatic growth.

2. In terms of **Water Usage per Day** (pages 2-3), the EPA states that Newton County has water usage of 120 gallons per capita per day (gcpd). However, in the current application, Craig "used a gcpd of 130 gcpd (after conservation measures) to project future water requirements." EPA goes on to say that this estimate "seems inconsistent with recent State of Georgia requirements to reduce water usage. It is also inconsistent with gcpd rates for other, urbanized Metro Atlanta counties which now have, and project into the future, lower gcpd rates." The letter goes on to say, "We find that the applicant has not provided information demonstrating the projected population or gcpd use rate and thus the total water supply needs for the year 2050. Based on this, the project purpose is not adequately supported and thus does not prove for an evaluation of a full suite of alternatives."

3. The EPA letter highlights problems with Craig's **Alternatives Analysis**. (pages 3-5) It states, "The applicant has not fully evaluated all alternatives to meet future water supply needs and, therefore, has not demonstrated that the proposal is the LEDPA." (Least Environmentally Damaging Practicable Alternative). "We also find that existing surface water options, other than a construction of a new water supply reservoir, have not been fully evaluated." The Cornish Creek / Lake Varner Reservoir was permitted in 1989. EPA states that it is "...unclear as to why the yield of Lake Varner could not be increased with additional withdrawal from the Alcovy River, even at the reservoir's current pool level." EPA also expresses concerns about the comparative analysis of the

[49] Exhibit C1: March 6, 2008 letter from James Giattina (U.S. EPA) to Colonel Edward Kertis (USACE)

impacts of the four new surface water reservoir alternatives. EPA disagreed and and recommended that a comparison using more accurate impact data be documented. EPA questions why Craig did not document "...why the stream impacts have increased by 74 percent from the first (2000) application." It is also notable that Craig ignored the alternatives of drawing water from newly-constructed reservoirs located in nearby counties.

4. The letter also states that there are flaws with Craig's Compensatory Mitigation Plan, stating that the plan is "inadequate." (pages 5-6) "Most of the plan consists of wetland and stream preservation at 10 to 29 sites scattered around Newton County. Many of the standalone preservation areas, such as those in the land application area or in the middle of subdivisions, do not meet the fundamental standalone preservation criterion [set forth by the USACE]. While some sites may have merit, there is no baseline data on any of the proposed sites on which to perform even a cursory assessment." It also states that Craig's Compensatory Mitigation Plan is "highly conceptual with little technical detail."

Finally, it is reiterated that "this project, as proposed, may have substantial impacts and will have the largest level of stream impacts of any water supply reservoir proposed for a permit by the Savannah District." Based on EPA's review of the Bear Creek Reservoir project, it "may have substantial and unacceptable impacts on aquatic resources of national importance (ANRI)."

The letter concludes by saying, "...the proposed project purpose has not been fully supported, the alternatives assessment has not included a number of practicable alternatives, the applicant's alternatives were assessed using inaccurate data, and all of the direct, indirect and cumulative impacts of the preferred alternative were not assessed. Furthermore, the mitigation plan is fragmented, lacks detail, lacks baseline data, and consists of primarily wetland and stream preservation that is likely to result in a net loss of wetland and stream functions. EPA finds that this project, as currently proposed, may not meet the requirements of the Section 404(b)(1) Guidelines and may have substantial and unacceptable impacts on ANRI. Therefore, EPA recommends denial of the project, as currently proposed."

Given the content of this letter, Tommy Craig's plan for the Reservoir was fundamentally flawed and inadequate, even after at least nine years of effort had been devoted to the project, since the permitting process began in 1999. As will be shown in the examples that follow, little was done to improve the chances of success for the project until its ultimate demise in late 2015. Instead, Tommy Craig knew these circumstances, did little to completely correct them, made repeated misrepresentations to County leaders and taxpayers, and yet continued to supervise a multi-million dollar, taxpayer-funded project which was destined to fail, even from its earliest and up until its fully developed stages.

Facts Known / Should Have Been Known 2: April 3, 2008[50]

In a second letter dated April 3, 2008, from EPA to USACE, EPA reiterates that it has not been provided with sufficient information to determine whether the project complies with Section 404 guidelines, and a permit for the proposed project is not approvable at this time.

[50] Exhibit C2: April 3, 2008 letter from J.I. Palmer (U.S. EPA) to Colonel Edward J. Kertis (USACE)

a. Misrepresentation 1: August 24, 2010 [51]

According to Tommy Craig, the Section 404 permit was expected to be issued by year end.

> *If a permit from the Army Corps of Engineers is obtained by the end of the year* [2010] *as expected, the project will be put out to bid and designed in 2011, pending approval from the state Safe Dams Program, with construction to start the following year, said county attorney Tommy Craig.*

However, only four months after making the statement above, Craig submitted a revised mitigation plan on December 28, 2010. In a letter dated May 5, 2011, U.S. FWS references Craig's December 28, 2010 mitigation plan and states that Craig still had not obtained the necessary amount of stream and wetland credits. Of the required Stream mitigation credits, Craig had obtained only 312,303 (44.5%) of the required 702,016 (a deficit of 389,713); he had only obtained 142 (18.8%) of the required 754 Wetland mitigation credits (a deficit of 612).[52]

Continuing into 2012, U.S. FWS recommended that USACE not use sites that Craig had proposed as mitigation property, such as Spears Farm, the Palmer tract, the Bullard (Beaverdam) tract, Anderson Farm, and the Alcovy riparian site.[53]

In an attempt to conceal these inherent flaws in his project plan and permit application, Craig provided the following excuses and explanations for the delay in the project, which had been underway for at least ten years.

> *Obtaining a permit has been delayed by a number of factors over the last decade. A Joint Public Notice (JPN) – a public comment period on potential impact of the project – was first issued for the project in July 2000. While that was underway, the Army Corps of Engineers relocated its office from Atlanta to Morrow and didn't leave forwarding information. Concerned that those who wanted to comment might have missed the chance, the county was asked to voluntarily withdraw its application and resubmit it.*
>
> *At around the same time, the Corps suspended acceptance of all applications for about two years while it developed a new procedure to establish need for water supply projects. By the time that was done, the 2000 census results were available and the county had to reconfigure population projections.*

[51] Exhibit C3: August 24, 2010 news article from Newton Citizen
[52] Exhibit C4: May 5, 2011 letter from Sandra S. Tucker (U.S. FWS) to Colonel Jeffrey Hall (USACE)
[53] Exhibit C5: August 7, 2012 e-mail from Robin Goodloe (U.S. FWS) to Mary Dills (USACE)

> *Another delay involved the pursuit of a partnership with Jasper County. The state certified the need for the project based on Jasper County's participation, but the deal fell through. 'We spent a pretty good bit of time pursuing a partnership with Jasper County and that didn't work out. When that didn't work out, we had to revise the documents again before we could submit them,' Craig said.*
>
> *A change by the Corps on environmental mitigation regulations caused yet another delay. Another JPN was finally issued in 2008.*
>
> *"The good news is there has not been an immediate need for water. We're in a time now where we'll probably get the best bids for construction of the dam because dam contractors are eager for work. Our goal is to try and get a permit on this by the end of the year," Craig said.*

Again, he states his goal to get a permit by the end of 2010, when the project was nowhere near complete, even into August 2012 and later, into July 2014. It also seems contradictory to the over-arching strategy and objective to the project, when he states that there has not been an immediate need for water.

Craig also creates a false illusion that construction may be near and less expensive than anticipated, by stating that 'dam contractors are eager for work.' In August 2012, cost estimates were $21 million to construct the dam and Reservoir, with total costs to be $62 million.[54] According to news articles, those estimates held until November 2012.[55] However, in April 2013, the estimated construction costs spiked by more than $11 million to $32.56 million, for construction, engineering, design, administration and inspection. The total cost of the project increased to a range between $62 million to $67 million, an increase of between $1 million and $6 million for the total cost of the project.[56]

Craig also provides a misleading comment about his role in the project.

> *"I've done this in a number of other communities as a (reservoir) consultant but here, I'm just wearing my hat as an attorney."*

This statement is clearly false, as he performed the following functions regarding the project, to name a few:

1. Prepared the permit application and corresponded with regulatory authorities.
2. Recommended hiring consultants and engineers.

[54] Exhibit C3: August 4, 2012 news article from Covington News
[55] Exhibit C6: August 4, 2012 news article from Covington News; Exhibit C7: November 2, 2012 news article from Newton Citizen; Exhibit C9: November 25, 2012 news article from Newton Citizen
[56] Exhibit C13: April 17, 2013 news article from Newton Citizen

3. Supervised and reviewed work performed by consultants and engineers.
4. Approved invoices for the project.
5. Used a company that he established, to perform environmental consulting on the project.
6. Sought, researched and facilitated the purchase of real estate for pool, buffer and mitigation areas of the proposed reservoir.

Craig also states,

"The major expense is behind us, not in front of us."

With a total estimate of $63 million for the project, the $22 million expended (through October 2015), represented roughly one third of the entire cost for the project.

b. Misrepresentation 2: August 4, 2012[57]

On August 4, 2012, Craig uses false logic and a flawed sense of cause and effect, stating his assumption that the Section 404 permit from USACE will follow, almost as if automatically, in October or November, after the State of Georgia issues its 401 permit in August. He again ignores or conceals the fact that his project plan and Section 404 permit application has flaws, especially with regard to mitigation, that will result in denial or rejection of the permit.

> ***"The state will not offer you a loan unless they have assurances that you are going to cross the finish line," said County Attorney Tommy Craig, who is considered a reservoir expert and has handled the 1,242-acre Bear Creek Reservoir project from its initial application in 1999.***
>
> ***Craig said the county is finally on the verge of getting the permits it needs to withdraw water from the Alcovy River and build the dam and reservoir. He said the state told him it plans to issue the 401 water withdrawal permit this month [August 2012], while the U.S. Army Corps of Engineers has a target date of October or November [2012] to hand out the 404 permit.***
>
> ***"We're on the final leg of the journey, and it's been a long and arduous process, but all of them are, and they've gotten more and more difficult to get over time," Craig said.***

Further, Craig provides rationalization of the project costs.

[57] Exhibit C6: August 4, 2012 news article from Covington News

> *"The project from start to finish through all of its phases would be $62 million, but we don't anticipate the cost to be more than $21 million to build the dam and reservoir and we wouldn't spend any more money until there was demand and we had exhausted all the available supply at Cornish Creek (Lake Varner). The project would be built in response to demand and the water rates the county charges would be sufficient to pay the debt."*

Craig also tacitly admits that there is not an immediate need for water, by stating that the pumping facility from the Alcovy River and water treatment plan would not be needed until later.

> *Craig said the water pump and water treatment plan wouldn't be needed until later, as natural water flow into the reservoir could even supply some water without pumping.*

c. Misrepresentation 3: November 2, 2012 [58]

A November 2, 2012 news article by Crystal Tatum of the Newton Citizen quotes Tommy Craig as such:

> *The Army Corps of Engineers has approved the environmental mitigation plan for Bear Creek Reservoir and, "We're so close we can taste it," to having needed permits in hand to move forward with construction."*
>
> *Under subsection 'q' of the Clean Water Act, the Environmental Protection Agency has a right to veto permits that affect aquatic resources of national importance. Craig said EPA almost always asserts that reservoir projects fall into that category. So, there has been a 'q' letter issued regarding Bear Creek. If the Army Corps of Engineers issues a notice of intent to issue a permit on Bear Creek, the EPA has 15 days to lift the 'q' letter or elevate the permit decision to Washington, D.C.*
>
> *"We don't expect elevation," Craig said.*

Craig's statement is directly contradicted by his own actions, when he submits yet another Draft Compensatory Mitigation Plan for the Bear Creek Water Supply Reservoir on July 24, 2014. [59] The report is prepared by Eco-Tech Consultants, which is a related party to Tommy Craig. Please see Section C3d and Section D of this report, which discusses amounts paid to Eco-South, Inc. and Eco-Tech Consultants, Inc. which may have benefitted Tommy Craig and his associates.

[58] Exhibit C7: November 2, 2012 news article from Newton Citizen
[59] Exhibit C8: July 24, 2014 submission of Compensatory Mitigation Plan from W.T. Craig to USACE

Further, Craig stated:

> ***The dam and reservoir is the first phase of the project, followed by installing pumps and a pipeline from the Alcovy River to the reservoir, and eventually building a water treatment facility. When the next phase begins will be determined by whether there is sufficient demand for additional water beyond what is supplied by Cornish Creek Reservoir, Craig said.***

However, this comment seems to contradict the basic premise for needing Bear Creek Reservoir, in the first place. It appears that, by his own words, he has not determined whether there is sufficient demand for additional water beyond what is supplied by the Cornish Creek / Lake Varner Reservoir.

d. Misrepresentation 4: November 25, 2012 [60]

On November 25, 2012, Craig again understates the safe yield of Lake Varner, by using data manipulation and water treatment figures, claiming Safe Yield of 20 or 21 mgd, and treatment of 12-18 mgd.

> ***Craig defended the need to move forward with Bear Creek Reservoir to commissioners at a work session on November 19. Craig said that while Cornish Creek Reservoir is permitted at 36 million gallons per day (mgd), actual yield is 20 or 21 mgd. Currently on average, 12 mgd is being treated, and on peak days, that rises to 20 or 21 mgd, he said. Baxter International will require 1 million gallons per day, so on peak days, yield will be close to the maximum, he said. That doesn't take into account any droughts that might occur. Last year, Cornish Creek Reservoir dropped 12 feet before rains, he said.***

e. Misrepresentation / Misleading 5: November 29, 2012 [61]

On November 29, 2012, Craig claimed to have hired Schnabel Engineering to perform a 'safe water yield' analysis for Lake Varner, which showed a reduced water yield of 20 to 21 mgd. This amount was agreed to by Jason Nord, Newton County's Water Resources Director. Instead, only a two-page letter from Schnabel was produced, citing that it "focused on a 10,000-foot perspective." This study was not commissioned by the Newton County Board of Commissioners and by Schnabel's own admission, "did not include details that have a tangible effect upon reliably quantifying the current yield of the project."[62]

[60] Exhibit C9: November 25, 2012 news article from Newton Citizen
[61] Exhibit C10: November 29, 2012 news article from Covington News

[62] Exhibit C11: May 23, 2013 letter from Schnabel Engineering to Wm. Thomas Craig, LLC

f. Misrepresentation 5: November 2012

In November 2012, Craig hired Krebs Engineering to prepare a master water plan, after a similar study was completed by Infratec Consulting (James Mathis), revised and updated in September 2009. The Krebs plan, which was not made public and only shared with Craig and BOC Chairman Keith Ellis, cost more than $200,000.

According to Jason Nord, the County can produce a maximum of 29 million gallons of drinking water per day, when including both the plants at Lake Varner / Cornish Creek plant and at City Pond / Williams Street.

> *Following the 2007-2008 drought, Mathis said he did a revised yield analysis for Lake Varner and found that the maximum sustainable yield should be 23 mgd, a number that Mathis said the state accepted and is currently being used.*
>
> *County Attorney Tommy Craig hired other engineers, Schnabel Engineering, to do another yield analysis – perhaps based on even more recent drought conditions – which showed Lake Varner's maximum sustainable yield is between 20 mgd to 21 mgd.*
>
> *Mathis said the more important number is the average monthly yield – the average amount of water that can be taken from the reservoir per day during any given month. This number for Lake Varner is currently 28 mgd and has been for a while, Mathis said.*
>
> *During the housing boom, water use was growing by about 5 to 7 percent per year, Nord said. However, since the housing market collapsed, Nord said growth has dropped to around 1 percent to 2 percent per year. Though lower, Nord said that still means water demand is growing, and both he and Craig noted that growth doesn't account for the arrival of more large industries, which tend to be huge water users.*
>
> *"We're not trying to pull one over on anyone for sure. We're trying to make sure we have a sustainable water source," Nord said.*

g. Contradiction; Known / Should Have Known: September – November 2009

In September 2009, the Alcovy River Water Supply Yield Model prepared by Infratec Consultants, Inc. was revised and updated to include the drought of 2007 to 2008. This study showed the Lake Varner safe yield to be 23 mgd. For the express purpose of the Bear Creek Reservoir project, this report was submitted by Tommy Craig to the Georgia

Environmental Protection Division (Georgia EPD) Watershed Protection Branch on November 23, 2009.

h. Misrepresentation 6: February 8, 2013 [63]

On February 8, 2013, Tommy Craig stated that the Bear Creek Reservoir project had been signed off on by Georgia EPD.

> ***The Bear Creek Reservoir project has been signed off on by the Georgia Environmental Protection Division, "indicating the state's approval of every aspect of the project," County Attorney Tommy Craig announced to the Board of Commissioners on Tuesday night.***
>
> ***EPD issued the final water withdrawal permits for the Alcovy River and the reservoir, and issued a 401 Water Quality Certification, said Laura Benz, an attorney with Craig's office, on Thursday.***

Subsequently, attorney Laura Benz from Craig's office employs faulty logic and cause / effect relationship, saying that approval by Georgia EPD meant that the 404 permit is imminent (as early as spring 2013).

> ***"EPD has said it believes the project as proposed will not adversely impact water quality," she said. That means a 404 permit from the Army Corps of Engineers, the last step in the permitting process, is imminent. Benz says she anticipates the permit could be issued as early as spring [2013].***

i. Misrepresentation 7: April 17, 2013 [64]

Once again, Tommy Craig provides a misleading, false sense of hope to Newton County Commissioners and taxpayers, by providing an unsupported, unjustified estimated time of issuance for the USACE Section 404 permit. He claims that he had met with the Army Corps of Engineers, and expected issuance of the permit in June or July 2013.

> ***Craig said he met with the Army Corps of Engineers last week and expects the 404 permit to be issued in June or July. He said Cornish Creek took six months to permit and Bear Creek has taken 10 years.***
>
> ***"The level of process you have to go through, the regulatory hurdles, have increased geometrically year by year. The rules are constantly changing. The challenge is to***

[63] Exhibit C12: February 6, 2013 news article from Newton Citizen
[64] Exhibit C13: April 17, 2013 news article from Newton Citizen

> ***get the project out before they change the rules again... That explains at least in part my eagerness to get it built. I know if we get it built, they can't take it away from you," Craig said.***

The obvious omission is that Craig has not been able to justify the need for a new reservoir water supply, through population growth and water usage estimates. It is clear that the process has become more challenging for him to navigate, since obtaining the Lake Varner Reservoir, but he continues to mislead Commissioners and taxpayers that the Bear Creek Reservoir will be approved. He never met the requirements set forth by USACE, but continued to rationalize that it could be approved.

The key contradiction to Craig's April 17, 2013 statement is that he once again submitted a revised Compensatory Mitigation Plan on July 24, 2014[65] – more than a year after this statement, claiming to expect a permit in June or July 2013. The reason a revised mitigation plan was needed was because Craig's mitigation plan never met the USACE Section 404 requirements. Based on correspondence with USACE and EPA, Craig clearly had this knowledge, that certain sites were not acceptable for mitigation purposes, and that he was far short of obtaining the required mitigation credits, per correspondence with U.S. FWS.

j. Misrepresentation / Misleading 8: October 1, 2014 [66]

On October 1, 2014, Craig states that all alternatives to constructing a new water supply reservoir have been researched and that conservation alone cannot meet the current demands for water in Newton County. Further, reference is given that Craig had not researched practical water supply alternatives, as was the case six years earlier, in the EPA's letter from March 6, 2008.

> ***County Attorney Tommy Craig filed a revised Section 404 permit request, seeking permission by the Army Corps of Engineers to begin construction of a $62.5 million dam and reservoir on Bear Creek, east of Henderson Mill Road, to increase the County's water supply.***
>
> ***Craig filed the county's original 404 permit request 14 years ago. He filed the revised request after the Board of Commissioners voted on August 19*** [2014] ***to modify the original design by moving the proposed dam 2,200 feet upstream.***
>
> ***In its public comment, the U.S. Environmental Protection Agency requested the Corps to deny the permit, as did the Georgia River Network, Southern Environmental Law***

[65] Exhibit C8: July 24, 2014 submission of Compensatory Mitigation Plan from W.T. Craig to USACE
[66] Exhibit C14: October 1, 2014 news article from Newton Citizen

Center and the Georgia Office of American Rivers in a joint letter. All said the county failed to justify the need for a reservoir and has not considered practical water supply alternatives as required by federal law.

"The EPA does not believe the project complies with the Clean Water Act and supporting Section 404... guidelines," said Dawn Harris Young, public affairs specialist for the Environmental Protection Agency.

"The State of Georgia has certified its need and issued all of the required state permits for construction and operation of the reservoir," he said. "All that remains is for the U.S. Army Corps of Engineers to issue a 404 permit."

Craig continues to provide rationalization for practicable alternatives to constructing a new water supply reservoir.

Currently, Walton County consumes about 25 percent of the water supply provided by Lake Varner, and that water will be available for Newton when the Hard Labor Creek Reservoir in Walton is completed.

Craig rebutted, "That water is owned by Walton County, and Walton County has not indicated to Newton County it will stop using the relatively inexpensive water provided by Lake Varner once Hard Labor Creek is completed."

In this comment, Craig, as County Attorney for Newton County, does not appear to be an advocate for his client, Newton County.

From additional comments from other water experts in the area, it appears that Craig has not been open-minded to alternatives for the proposed Bear Creek Reservoir.

On January 20, 2015, Scott Emmons of the Newton County Water and Sewerage Authority ("NCWSA"), states that water treatment is more of a concern than the amount of source water available (volume). Emmons continues by saying that if Newton County population growth continues on its current track, the county would not need additional source water until 2030 or 2040.[67]

Additionally, on February 19, 2015, NCWSA Director Mike Hopkins reinforces Emmons' statement by saying:

"I feel comfortable coming to the (Water Authority) board and to our ratepayers saying our water source is adequate." [68]

[67] Exhibit C15: January 20, 2015 news article from Newton Citizen
[68] Exhibit C16: February 19, 2015 news article from Newton Citizen

In an independent assessment of Safe Yield Analysis commissioned by NCWSA dated February 16, 2015, the Technical Memorandum found Lake Varner's safe yield to be 23 mgd (unchanged from the levels before the drought of 2007 – 2008).[69]

From an October 1, 2014 article from the Newton Citizen[70]:

> *In comments to the Army Corps of Engineers, James Giattina, director of EPA's Water Protection Division, said that Georgia audit reports show that the county loses too much water through a leaky infrastructure.*
>
> *[Further, policy director for the Georgia River Network Chris] Manganiello noted that Newton County's drive for economic development may be a major motivation behind the reservoir plan. He added, "These things often look like a water supply project in their early stages, but are disguised amenity lakes to benefit realtors." Newton already has housing on the proposed banks of the reservoir – the Bear Creek Reserve subdivision.*

k. Misrepresentation 9: October 6, 2014 [71]

On October 6, 2014, Craig states that the need for the Reservoir is based on outdated population projections.

> *During* [the early 2000's], *it was expected that the population would continue to grow to around 400,000 in Newton County by the year 2050, prompting the development of a 2050 Plan to manage where and how population would be dispersed. Attendant with that was the need to construct a second reservoir, the Bear Creek Reservoir, in the southern part of the county.*
>
> *However, the recession hit in 2008 and now Newton County's growth has slowed considerably – to less than 1 percent between 2012 and 2013, according to U.S. Census figures. Today, Newton County has just above 102,000 people. In 2009, USA Today included Newton County on its list of the top 20 most economically distressed counties in the nation.*
>
> *Craig said the need for the reservoir is based on population projections provided by the State of Georgia, which has "blessed the need" for the reservoir.*

[69] Exhibit C17: February 16, 2015 Technical Memorandum from Scott Emmons to Mike Hopkins (NCWSA)
[70] Exhibit C14: October 1, 2014 news article from Newton Citizen
[71] Exhibit C18: October 6, 2014 news article from Newton Citizen

However, Craig contradicts his own statement from April 17, 2013[72]:

> *Craig said it's foolish to rely on data from the Governor's Office of Planning and Budget... because they have released about three different estimates for counties in the last six years, and, while projections for the state are more accurate, they aren't able to accurately predict how that population will be spread among the 159 counties.*
>
> *"Right now nobody with any precision can tell you what the population is going to be in this community in 50 years," he said.*

l. Misrepresentation 10: November 18, 2014 [73]

On November 18, 2014, Craig stated that a new safe yield water study was needed for Lake Varner, based on the drought of 2007-2008.

> *The County's most current safe yield analysis is based on what was at that time the most severe drought in the 1950's. The problem is, we have 2007 – 2009 as the new drought of record and we need to update to that drought," Craig said.*

[72] Exhibit C13: April 17, 2013 news article from Newton Citizen
[73] Exhibit C19: November 18, 2014 news article from Newton Citizen

m. Misrepresentation 11: April 19, 2015 [74]

According to Craig's statement on April 19, 2015, no updated safe yield analysis has been completed.

> *In November, Craig claimed publicly that no updated safe yield analysis had been completed. Later, a copy of the 2009 Infratec report was found on file with the Environmental Protection Division, with a submission letter signed by Craig.*
>
> *According to the Corps' records, in February* [2015] *Craig claimed that the 2009 study was "not prepared by a competent consultant and was therefore not furnished to either [the Corps] of the applicant."*
>
> *The Master Water Plan, for which the County paid more than $200,000, remained in draft form, Craig said, and was therefore 'unsuitable' for submission.*
>
> *"As a result of their opinion regarding the earlier studies, the Agent [Craig] indicated that the subsequent studies...would be based on flawed assumptions or inaccuracies, and would therefore be inappropriate to furnish to [the Corps]...*

n. Misrepresentation 12: October 8, 2015 [75]

On October 8, 2015, Tommy Craig still continues to insist and request that the Newton County Board of Commissioners approve safe yield studies, claiming other work was 'incompetent.'

In September 2009, the Alcovy River Water Supply Yield Model prepared by Infratec Consultants, Inc. was revised and updated to include the drought of 2007 to 2008. This study showed the Lake Varner safe yield to be 23 mgd. For the express purpose of the Bear Creek Reservoir project, this report was submitted by Tommy Craig to the Georgia EPD Watershed Protection Branch on November 23, 2009.[76]

On January 20, 2015, Scott Emmons of NCWSA states that water treatment more of a concern than the amount of source water available (volume). Emmons continues by saying that if Newton County population growth continues on its current track, the county would not need additional source water until 2030 or 2040.[77]

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[74] Exhibit C20: April 19, 2015 news article from Covington News
[75] Exhibit C21: October 8, 2015 news article from Newton Citizen
[76] Exhibit C22: November 23, 2009 submission letter to Ade Oake (Georgia EPD) from W.T. Craig.
[77] Exhibit C15: January 20, 2015 news article from Newton Citizen

Additionally, on February 19, 2015, NCWSA Director Mike Hopkins reinforces Emmons' statement by saying [78]:

> *"I feel comfortable coming to the (Water Authority) board and to our ratepayers saying our water source is adequate."*

In an independent assessment of Safe Yield Analysis commissioned by NCWSA dated February 16, 2015, the Technical Memorandum found Lake Varner's safe yield to be 23 mgd (unchanged from the levels before the drought of 2007 – 2008).[79]

> *During the eight years covered by this review, which includes the 2007 – 2008 historic drought period, the [water treatment plant] staff has only pumped 9% of the total available flow during the May – November time periods each year... During this time period each year the lake level is consistently falling according to the attached information provided by the WTP staff to NCWSA. The operational philosophy of a pumped-storage reservoir should be, at a minimum, to endeavor to keep the lake as full as possible. It is of grave concern that the reservoir has been unnecessarily allowed to get to dangerously low levels several times during the past eight years.*
>
> *An important conclusion from this review is that there is no immediate source water problem if the Lake Varner reservoir is properly managed. The lake level fluctuations would have been minimal if this had been implemented in the past eight years.*
>
> *The authority's review found several serious flaws in the plan, for which the County paid Krebs Engineering over $200,000.*

o. Misrepresentation 13: November 5, 2014 [80]

In a work session for the Bear Creek Reservoir held on November 5, 2014, photos of Lake Varner shown with significantly reduced water levels, by then-County Attorney Tommy Craig. According to news reports, the photographs were taken on November 4, 2014.

Known / Should Have Known: April 29, 2014 – November 4, 2014

[78] Exhibit C16: February 19, 2015 news article from Newton Citizen
[79] Exhibit C17: February 16, 2015 Technical Memorandum from Scott Emmons to Mike Hopkins (NCWSA)
[80] Exhibit C23: Circa November 5, 2014 news article from Covington News.

However, according to a Technical Memorandum prepared by Scott Emmons, P.E., of NCWSA, lower lake levels depicted in the pictures in Craig's presentation resulted because no diversion pumping into Lake Varner from Alcovy River occurred between April 29, 2014 and November 4, 2014. The report also states that Lake Varner lost approximately 1.3 billion gallons, or 35%, of its total volume and that water volume was available from the Alcovy River, for approximately 97% of the timeframe between April 29, 2014 and November 4, 2014.[81]

p. Misrepresentation (& Rationalization) 14: November 2014, October 2015

By late 2014, Tommy Craig is realizing that his Bear Creek Reservoir plan may well be rejected by Federal regulators, due to the inherent flaws and deficiencies the plan contains. Rather than admitting to and correcting these defects, he begins making rationalizations for this failure.

In a November 8, 2014, news article, Craig states that "It's become harder and harder to get reservoirs approved," with no mention of the inherent defects to his plan which have been repeatedly shown by the regulatory agencies that are responsible for issuing permits for construction of dams and reservoirs.[82]

On November 18, 2014, he continues painting a false picture of the county's water supply and tries to 'shop' for the opinion that will fit with his plan, denying the findings of other post-drought studies (e.g., Infratec) which Craig himself submitted to Georgia EPD.[83]

On October 8, 2015, Craig states that "'dueling letters' is a normal part of the process of moving reservoir projects to a successful conclusion," in another apparent denial and rationalization.[84] He makes this statement, even though the Bear Creek Reservoir application was administratively withdrawn by USACE, more than one month earlier on August 28, and still contained deficiencies that had been persisted for years.[85] A summary of Craig's comments, along with the context of the Corps' rejection of Craig's application, is depicted in the October 8, 2015 news article by Alice Queen of the Newton Citizen.[86]

> ***The U.S. Army Corps of Engineers has denied a request by Newton County to reinstate the County's application for a 404 permit to construct the Bear Creek Reservoir.***

[81] Exhibit C24: February 11 / 16, 2015 Technical Memorandum from Scott Emmons to Mike Hopkins (NCWSA)
[82] Exhibit C25: November 8, 2014 news article from Covington News
[83] Exhibit C19: November 18, 2014 news article from Newton Citizen
[84] Exhibit C21: October 8, 2015 news article from Newton Citizen
[85] Exhibit C26: August 28, 2015 letter from Edward B. Johnson (USACE) to Chairman Keith Ellis
[86] Exhibit C21: October 8, 2015 news article from Newton Citizen

In a letter sent to each commissioner at their home, County Attorney Tommy Craig and other County officials, Edward B. Johnson, Jr., chief of the Corps' Piedmont Branch, wrote that until the County supplies information requested in an August 28 letter, the application will remain administratively withdrawn. Craig had responded to the Corps' request for information on September 21.

"I reviewed the statements and materials Mr. Craig submitted in support of your request to reinstate your Section 404 permit application... and because they were not responsive to the information we requested... or availing as to why we do not need that information for our review, I must decline your request to reinstate your permit at this time," Johnson wrote.

In his September 21 response, Craig had asserted that much of the delay surrounding Newton's 404 permit application, which has been in the works since 2000, is because the county has worked with 10 Corps project managers, which has created confusion in the process.

In an e-mail to commissioners Friday afternoon, Craig wrote that he was not surprised that the Corps did not reinstate the County's application. "Importantly, you will notice the Corps did not dispute the County's recitation of the history and facts regarding the processing of our application," Craig wrote.

"On issues not... previously decided, the Corps (has) an obligation to make its decision based on the 'best available information,' Craig continued. "My argument was and is that previous regulatory and project managers have already made decisions on many of the subjects about which the Corps continues to request new information."

Craig said he is in the process of assembling the information requested by the Corps. "Take comfort in the fact that 'dueling letters' is a normal part of the process of moving reservoir projects toward successful conclusion," he wrote.

Craig continues to provide rationalizations that he has not prepared a plan and permit application which complies with the requests, requirements and guidelines that he has known since March 2008, at the latest. His continued refusal to prepare an adequate, well-documented plan indicates that he cannot justify the need for the project, and thus he continues to serve in his own best interest and not in the best interest of the County.

The news article continues by saying:

> ***District 3 Commissioner Nancy Schulz on Wednesday criticized the fact that not all of the data has been provided to commissioners on the reservoir project, particularly the August 28 letter that was not initially distributed to commissioners.***
>
> ***Craig said it was on his advice that the August 28 letter was not immediately shared with commissioners. Craig said he wanted to draft a response before the letter was disseminated. "I knew that if I provided the information, particularly to you, within hours it would be in the hands of the public...," Craig said to Schulz. "I thought it in the best interest of the County we should develop all of that information... so the community could get the big picture."***

Clearly, Tommy Craig was not transparent in his communication with the Newton County Board of Commissioners, as well as the taxpayers that funded the failed Reservoir project, which now appears to be a wasteful abuse of taxpayer funds. By his own statement, he intentionally withheld from Commissioners and taxpayers the August 28, 2015 letter from the USACE and did not want for it to be in the 'hands of the public.'

Craig said "I thought it in the best interest of the County we should develop all of that information... so the community could get the big picture." In context with the series of letters from USACE, EPA and U.S. FWS, this comment from Tommy Craig is both misleading and troubling, as he had plenty of time to 'develop' all information and provide 'the big picture,' because he had been 'developing' this project for the 'big picture' of more than fifteen years, since before 2000.

In summary, Tommy Craig concealed material facts and made misrepresentations about the Reservoir project that he knew were false. He also intentionally misled and deceived County leaders and decision makers, which enabled the continued hemorrhaging of taxpayer funds, in the millions of dollars, for a project that would ultimately be shelved.[87]

q. Misrepresentation / Delay 15

As late as April 2015, we see that information sharing between Tommy Craig and the BOC was at best, delayed and at worst, withheld altogether. In an e-mail dated April 28, 2015 from Commissioner Levie Maddox to Tommy Craig, Maddox inquires about the status of open items on the Reservoir project, which was expected from USACE following the February meeting in Savannah.[88] An expansive, 12-page table / listing was provided by USACE to Tommy Craig along with a three-page letter, dated April 2, 2015,[89] withheld from commissioners for nearly an entire month.

[87] Exhibit C27: October 19, 2015 news article from Newton Citizen
[88] Exhibit C28: April 28, 2015 e-mail from Commissioner Levie Maddox to then-County Attorney Tommy Craig
[89] Exhibit C31: April 2, 2015 letter from Edward B. Johnson, Jr. (USACE) to Chairman Keith Ellis

r. Misrepresentation / Rationalization 16

In his continuing rationalization, Craig continues to debunk the 2009 study by InfraTec Consulting as 'invalid,' 'using improper data' and / or 'not performed by a competent consultant.'[90]

It is notable that the studies below reflected similar safe yield results shown in the 2009 InfraTec study and report.

- Lake Varner Safe Yield Analysis by NCWSA (2015)

- Newton County Master Water Plan by Krebs Engineering (October 2014). This project was commissioned by Craig himself, at a cost of $240,000. We understand that while in draft form, the report for this project was shared by Tommy Craig with Board of Commissioners Chairman Keith Ellis, yet not shared with Commissioners for approximately eight (8) months. We also understand that the project is not complete.

CONTACT WITH U.S. ENVIRONMENTAL PROTECTION AGENCY

Facts Known / Should Have Been Known: September 19, 2014 [91]

In a letter dated September 19, 2014, from James D. Giattina, Director of EPA's Watershed Protection Division to Colonel Thomas J. Tickner of USACE, Giattina states the following regarding Tommy Craig's proposed Compensatory Mitigation Plan:

> ***Due to the lack of scaling factors in the impact calculations, the lack of data to support the net improvement factors used in the mitigation calculations and the unacceptability of some sites or particular actions at some sites, we find that the proposed compensatory mitigation plan will not compensate for the direct functional losses due to the project. The plan also does not address compensating for indirect and cumulative impacts.***

The letter goes to say:

> ***...we continue to find that the project does not comply with the Section 404(b)(1) Guidelines and thus the permit, as proposed, should be denied.***

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[90] Exhibit C20: April 19, 2015 news article from Covington News; Exhibit C30: February 24, 2015 Memorandum for Record prepared by Adam F. White (USACE)

[91] Exhibit C29: September 29, 2014 letter from James D. Giattina (EPA) to Colonel Thomas J. Tickner (USACE)

CONTACT WITH U.S. ARMY CORPS OF ENGINEERS

Facts Known / Should Have Been Known: February 24, 2015 [92]

In a memo dated February 24, 2015 from USACE Project Manager Adam White, concerns were expressed by the USACE Regional Director, regarding Craig's calculation, assessment or lack of documentation for:

a. Existing County Water Supply
b. Updated Population Projections
c. Project Need and Purpose
d. Alternative Analysis
e. Onsite Avoidance and Minimization
f. Compensatory Mitigation
g. Revised downstream impacts analysis

These USACE findings and comments were summarized in an April 19, 2015 news article by Meris Lutz of the Covington News[93] (excerpts below):

> *The Corps representatives questioned the County's assessment of existing water supplies, population projections, project need and purpose, and alternatives analysis, as well as onsite avoidance and minimization, and mitigation.*
>
> *The Corps' representatives inquired about several existing and pending studies, which had not been made available to them. These studies included the 2009 Lake Varner safe yield analysis prepared by Infratec, which found that the safe yield of the lake was unaffected by the most recent drought; the draft Water Supply Master Plan prepared by Krebs Engineering; the review of the Krebs plan by the Newton County Water [and Sewer] Authority, which was pending at the time; and the safe yield analysis commissioned by the Water Authority, also unfinished at the time of the meeting.*
>
> *The Corps also noted that the permit application utilized population projections based on census data from 2000, and that more recent projections were substantially lower. According to the notes, "The Applicant indicated that their projections were based on information provided to them by [the Governor's Office of Planning and Development] through Year 2050. "[The Corps representative] questioned this statement, as OPB staff specifically indicated that their office did not prepare projections beyond 2030.*

[92] Exhibit C30: February 24, 2015 Memorandum for Record prepared by Adam F. White (USACE)
[93] Exhibit C20: April 19, 2015 news article from Covington News

Based on the lower population projections, the Corps' representatives noted that he reservoir may not be needed by 2050. They also emphasized that the issuance of withdrawal permits and water quality certification is not sufficient to justify the continued need for the project. Moreover, potential commercial use and economic development were not included in the stated need within the permit application, and could therefore not be taken into account.

The Corps' representatives also expressed concerns that the County had not sufficiently explored all practical alternatives, including upgrades to existing infrastructure. "The Agent presented an estimated cost schedule for necessary system improvements, but did not fully elaborate on the factors informing the cost-benefit analysis sufficient for [the Corps] to understand why these measures were not viable means to offset some portion of the project need," the notes read.

...the Corps' representatives questioned the county's assertion that the revised plan, which moved the dam 600 feet upstream, represents the 'Least Environmentally Damaging Practical Alternative (LEDPA). [The Corps] explained that the analysis was flawed because the revised reservoir study did not have as its purpose the object of determining LEDPA or... avoiding and minimizing impacts to jurisdictional waters. Rather, the stated purpose of the study was... [to] reduce cost, improve resilience and operational performance and/or fewer impacts to roads.

Finally, the Corps' representatives clarified that because the project was revised significantly enough to warrant public notice when the dam was moved, project mitigation could not be "grandfathered" around compliance with the terms of a 2008 rule. Therefore, the Corps would be providing comments requiring mitigation plan revisions soon.

Facts Known / Should Have Been Known: April 2, 2015 [94]

In a letter dated April 2, 2015, USACE continues its position by stating:

> ***Our review of the subject (Mitigation) Plan has identified that it is incomplete in its current form.***

After Craig had been working on the plan for at least 15 years, the letter noted that Craig's plan still had the deficiencies regarding:

a. Baseline Information
b. Goals and Objectives
c. Site Selection
d. Mitigation Work Plan
e. Performance Standards
f. Project Success and Site Protection
g. Contingency Plan
h. Monitoring and Long-term Management
i. Financial Assurances

Facts Known / Should Have Been Known: August 28, 2015 [95]

Finally, in a letter dated August 28, 2015 from Edward Johnson, Chief of USACE's Piedmont Branch, to Commission Chairman Keith Ellis, USACE states that instead of correcting or curing the issues, concerns and deficiencies that had been communicated for years, Tommy Craig asked USACE for special leniency. Then, the letter goes on to say that the following issues remained still to be resolved:

1. Existing Available Water Supply
2. Project Purpose and Need
3. Alternatives Analysis and Onsite Avoidance and Mitigation
4. Compensatory Mitigation

The letter culminates by saying:

[94] Exhibit C31: April 2, 2015 letter from Edward B. Johnson (USACE) to Chairman Keith Ellis
[95] Exhibit C32: August 28, 2015 letter from Edward B. Johnson, Jr. (USACE) to Chairman Keith Ellis

Based on the above, the Corps is unable to continue its evaluation of your permit application and is therefore administratively withdrawing your application pursuant to 33 C.F.R. Section 325 d(5). You may submit a future written request for reopening the file when you are able to provide the requested information in its entirety.

CONTACT WITH U.S. FISH AND WILDLIFE SERVICE

Facts Known / Should Have Been Known: May 5, 2011 [96]

In a letter dated May 5, 2011, U.S. FWS states that Craig still had not obtained the necessary amount of stream and wetland credits. Of the required Stream mitigation credits, Craig had obtained only 312,303 (44.5%) of the required 702,016 (a deficit of 389,713); he had only obtained 142 (18.8%) of the required 754 Wetland mitigation credits (a deficit of 612).

Facts Known / Should Have Been Known: August 7, 2012 [97]

In an e-mail dated August 7, 2012, Robin Goodloe of U.S. FWS expresses concerns about Craig's mitigation plan for Bear Creek Reservoir and based on these concerns, recommended that USACE not accept Spears Farm, Palmer, Beaverdam (Bullard), Anderson Farm and the Alcovy River riparian site as mitigation for loss of the Bear Creek system. A more detailed discussion of these properties, as well as the financial impact from property acquisition costs, follows later in this report. As discussed later in Section D4, the Palmer, Hudson and Beaverdam (Bullard) tracts were dropped from Craig's 2014 Compensatory Mitigation Plan, resulting in the waste of approximately $1.1 million in taxpayer funds.

Facts Known / Should Have Been Known: August 7, 2012 [98]

In an e-mail dated August 7, 2012, Robin Goodloe of U.S. FWS states that Craig's May 11, 2012 submission of a Compensatory Mitigation Plan[99] was using outdated information and standards for mitigation, from about a decade earlier.

> ***The May 11, 2012 mitigation clarification letter from Wm. Thomas Craig referenced the Magnolia Swamp Mitigation Bank as justification for protecting only one side of a river as mitigation; we note that the Magnolia Swamp MB was approved in 2002, when stream mitigation was still in its infancy. We have learned much in the past 10 years about what makes a good mitigation project, and what was acceptable 10 years ago may not be acceptable today.***

[96] Exhibit C4: May 5, 2011 letter from Sandra S. Tucker (U.S. FWS) to Colonel Jeffrey Hall (USACE)
[97] Exhibit C5: August 7, 2012 e-mail from Robin Goodloe (U.S. FWS) to Mary Dills (USACE)
[98] Exhibit C5: August 7, 2012 e-mail from Robin Goodloe (U.S. FWS) to Mary Dills (USACE)
[99] Exhibit C33: May 5, 2011 submission by W.T. Craig of Compensatory Mitigation Plan

2. Findings: Financial Damage to Newton County Taxpayers

As provided by the Newton County Finance Department, the table below summarizes amounts expended for the now-defunct Bear Creek Reservoir project, which was under Mr. Craig's supervision. Because the Reservoir project ultimately failed, the direct financial damage caused to Newton County taxpayers was **$22,354,073**.[100] In addition, indirect financial damage of **$3,215,348**[101] was caused, as a result of foregone property tax revenue, over the life of the project, which spanned approximately 20 years. In summary, financial harm of at least **$25,569,421** was caused as a result of the failed Bear Creek Reservoir project, which was supervised and perpetuated by Tommy Craig.

Table C1
Bear Creek Reservoir
Summary Listing of Costs Incurred

Description	Amount	% of Total
a. Land Acquisition and Closing Costs	$ 16,436,825	73.5
b. Bond	1,722,888	7.6
c. Legal and Permitting	1,360,969	6.1
d. Environmental	963,087	4.3
e. Surveys and Mapping	515,164	2.4
f. Engineering	449,383	2.0
g. Other	370,233	1.7
h. Appraisals	260,163	1.2
i. Condemnation Costs	189,641	0.8
j. Miscellaneous	73,996	0.3
k. Title Work & Title Insurance	11,724	0.1
TOTAL	$ 22,354,073	100.0

[100] Exhibit C34: Summary of Bear Creek Reservoir Expenditures, from Newton County Finance Department
[101] Appendix C1: Analysis of Foregone Property Tax Revenue

3. Findings: Benefit to William Thomas Craig, Esq.

As discussed previously, Tommy Craig provided misleading information to the Newton County Board of Commissioners and taxpayers, regarding the timeframe and likelihood of success for construction of the Bear Creek Reservoir. While the largest component of expenditures (about 76%) for the Reservoir project was for land acquisition, Mr. Craig, along with family relatives and other related parties, also benefitted financially from the prolonged duration of the project, which ultimately failed.

For the life of the failed Reservoir project, Craig served as both County Attorney and Water Consultant. By its nature, the County Attorney should act as an advocate or fiduciary for the best interest of the County and taxpayers. In an apparent conflict of interest, Tommy Craig acted not only as County Attorney, but as 'Water Consultant,' whereby he could advise County leaders on both legal matters, as well as population growth estimates and the necessity for an additional water supply source. In essence, he supervised and brokered the work performed by consultants and engineers who were paid hundreds of thousands (if not millions) of dollars in Newton County taxpayer funds. He used his insider position as County Attorney to influence County leaders into purchasing land and services, which would ultimately be detrimental to the County, not only in terms of excess, wasted cash outflow, but also in foregone property tax revenue. This arrangement was financially beneficial for Tommy Craig, but certainly not for Newton County. As an additional near-term financial benefit, Tommy Craig has not paid Federal income taxes of more than $1 million (and possibly exceeding $2 million), according to most recent available data. This tax liability is partly driven by funds paid to his law firm and consulting business by Newton County.

By misleading key decision makers about progress of the permitting process, Mr. Craig continued billing and collecting legal and consulting fees for the Reservoir project. Mr. Craig became inextricably involved in a long-running project where he should have known and should have advised County leaders and taxpayers that the project would not and could not be approved, and was destined for failure, as a result of his actions or lack of timely action with regulators. Because Craig provided a false sense of hope to County leaders and taxpayers, they relied on his supposed expertise and legal advice, that he was an advocate for the County's best interest, and thus, prolonged his term as County Attorney. Instead, he continued wasting taxpayer funds for his own benefit and the benefit of his colleagues and family members.

The table below, prepared from summary expenditures compiled by the Newton County Finance Department,[102] summarizes payments that either benefitted Mr. Craig directly, or indirectly, through relatives, related parties or close business association. The discussion which follows highlights recipients of the most significant amount of funds, among which are Mr. Craig himself or parties related to Mr. Craig, either personally or professionally.

Table C2
Summary of Payments
Directly or Indirectly Benefitting Wm. Thomas Craig
Newton County / Bear Creek Reservoir Project
March 1998 – September 2016

Payee	Amount
Law Offices of Wm. Thomas Craig	$ 1,351,342
Eco-South, Inc.	467,765
Eco-Tech Consultants, Inc.	187,369
Subtotal	**2,006,476**
Schnabel Engineering	277,499
Childers Appraisal	144,238
Cook Noell Tolley	24,518
Subtotal	**446,255**
Total	**2,452,731**

a. Land Acquisition and Closing Costs ($16,436,825): In Section C4 of this report, a selection of significant land acquisition transactions, totaling $12,834,610 (78.1% of total land purchases), are discussed in more detail, along with the questionable circumstances surrounding those purchases.

b. Bond: $1,721,855. Kilpatrick Stockton, $1,033.

c. Legal and Permitting: The law office of William Thomas Craig was paid **$1,351,342** over the life of the project. All others in this category were paid $9,627.

In addition, we understand that Craig has an unpaid Federal Income Tax Lien of **at least $1.4 million and possibly more than $2.0 million.** We are in process of obtaining further documentation for confirmation of this amount.[103]

d. Environmental ($963,087): Eco-South, a business founded by Tommy Craig in 1992 and operating in the same address, building and P.O. Box as Craig's law office, was paid **$467,765**.

[102] Exhibit C34: Summary of Bear Creek Reservoir Expenditures, from Newton County Finance Department
[103] Exhibit C35: Documentation of Federal Income Tax Lien against W.T. Craig

Payments were also made to Eco-Tech Consultants, Inc. for **$187,369**. Eco-Tech Consultants, Inc. ("Eco-Tech") is an entity directly related, if not jointly owned, with Eco-South, Inc. ("Eco-South"). Eco-Tech and Eco-South use an invoice which also includes both companies, with identical typeface, in the letterhead. On the invoice, instructions are that payment should be made to Eco-South, then Eco-South will pay Eco-Tech (a 'pass-through'). In certain instances, it appears that Eco-South and Eco-Tech used the same Tax Identification Number (TIN) or Employer Identification Number (EIN), 58-2020360. This is an indication that the two companies may be closely related, if not one and the same entity and / or owned and / or operated by the same person(s).[104] See also further discussion in *Section D: Landfill and Recycling / Convenience Centers.*

Other payments include: Joe Tanner & Associates for $131,250; R.S. Webb & Associates for $121,936; Barber Forest Consultants for $41,675; all others, $13,092.

e. Surveys and Mapping ($515,164): Payments were made to Patrick & Associates for $461,706; M&D Patrick Engineering for $48,339. All others, $5,120.

f. Engineering ($449,383): Schnabel Engineering, a company that regularly works with Tommy Craig, was paid **$277,499**.

Infratec Consultant was paid $94,859 for a safe yield analysis water study.

Payments were also made to Welker & Associates for $39,298; Krebs Engineering for $25,004; all others, $12,723.

g. Other ($370,233): Payments were made to Philip Johnson for $333,822, Borders Real Estate for $23,900; all others, $12,511.

h. Appraisals ($260,163): Payments were made to Childers Associates for **$144,238** (55.5% of Appraisal Costs). Based on preliminary information, it appears that Childers provided appraisal amounts for Reservoir land acquisition that were far in excess of appraisal values calculated by other reputable appraisers, potentially causing financial harm to Newton County taxpayers. Please see Section **C4k,** for detailed discussion of land acquisitions from Nettie Mae Digby, Cynthia Digby and Douglas Digby.

Payments were also made to Georgia Right of Way for $79,610; Georgia Real Estate for $16,600; all others, $19,715.

[104] Exhibit C36: Documentation of relationship between Eco-South and Eco-Tech

i. Condemnation Costs ($189,641): Payments were made to Cook, Noell, Tolley (now, Cook Noell Tolley Bates or "CNTB") in the amount of $24,518. CNTB is a criminal defense and litigation law firm in Athens, Georgia. John S. Noell, Jr., a partner / owner in that firm, is married to Tommy Craig's sister.

Payments were also made to Schreeder, Wheeler & Flint for $107,184; Thomas Bowman for $52,955; all others, $4,984.

j. Miscellaneous ($73,996): Payments were made to Newton County Board of Commissioners for $37,280; reclassified debits and credits for $27,643; Miller Farm Service for $7,175; all others, $1,899.

k. Title Work and Title and Title Insurance ($11,724): Payments were made to Horace Johnson, Dan Greer, David Strickland, Tom Allgood.

4. Significant, Questionable and Wasteful Land Purchases

As noted previously, Newton County, at the direction and advice of then-County Attorney Tommy Craig, made land acquisitions accounted for at least $16 million of the cost for the failed Bear Creek Reservoir project. While hindsight shows that the entire $16,436,825 for land acquisition was wasted on the project, our analysis identified twelve (12) properties which were both individually significant in dollar amount and were purchased under questionable circumstances. These properties comprise $12,834,610, or 78.1% of the amount expended for land acquisition, and are discussed in more detail in Sections 4a through 4l that follow. Each and every transaction was facilitated under the supervision of Tommy Craig, acting as both County Attorney and Water Consultant. These real estate acquisition transactions are discussed in further detail below.

Table C3
Newton County / Bear Creek Reservoir Project
Significant Land Acquisitions / Questioned Circumstances

Name	Contract Price Purchase Agreement	Total Cost NC Finance – Cost Summary
A. Gaithers Plantation	$ 4,100,000	$ 4,100,000
B. Jones County / Frazier	2,000,000	2,007,090
C. Spears (3)		
a. Circle S	437,000	466,284
b. All Spears	660,825	660,825
c. Cattle Crossings	290,000	291,322
D. Anderson	900,000	900,012
E. Palmer	* 700,000	700,000
F. Bullard / Beaverdam Creek	235,000	235,815
G. Hudson	160,450	161,316
H. Dixon		
a. 2006	750,000	751,895
Option Price	2,500	2,714
b. 2007	340,000	340,620
c. 2008	360,000	360,912
I. Denby	* 888,000	888,556
J. Whatley	255,000	255,144
K. Digby (4)		
a. Douglas	253,627	253,665
b. Nettie Mae	130,000	130,152
c. Cynthia	95,000	95,234
d. Douglas	* 117,000	117,546
L. Price	100,000	100,000
Total	$ 12,774,402	$ 12,819,102

** No purchase agreement available. Estimated, based on best available information.*

Table C4
Summary of Foregone Property Tax Revenue

Significant Land Acquisitions / Question Circumstances[105], [106]

Name	FMV	Tax Value	Foregone Tax Revenue	Acreage
	Most Recent	40%	Tax Commissioner B. Dingler	
A. Gaithers Plantation				
a. Gaithers	3,798,900	1,519,560	$ 1,582,462	1,519.58
b. Gaithers	2,274,800	909,920	914,227	837.78
c. Lassiter Tracts	100,000	40,000	15,288	10.00
B. Jones County / Frazier			N/A	518.14
C. Spears	618,200	247,280	* 68,072	199.43
D. Anderson	412,500	165,000	* 55,860	120.00
E. Palmer	160,900	64,360	19,761	21.46
F. Bullard / Beaverdam Creek	Unable to locate			59.79
G. Hudson	64,600	25,840	* 15,219	21.56
H. Dixon				
a. 2006	165,000	66,000	* 24,434	50.00
b. 2007	74,000	29,600	* 10,021	20.00
c. 2008	74,000	29,600	* 9,084	20.00
I. Denby	To be determined			4.64
J. Whatley	106,500	42,600	26,657	32.30
K. Digby (4)				
a. Douglas	87,930	35,172	16,612	26.37
b. Nettie Mae	119,600	47,840	25,310	17.46
c. Cynthia	20,000	8,000	4,412	2.93
d. Douglas	50,000	20,000	8,536	6.67
L. Price	30,700	12,280	8,129	3.62
Total	$ 8,157,630	$ 3,263,052	$ 2,804,084	1,972.15

** Calculated based on best available information identified by F&D analysis.*

[105] Appendix C1: Analysis of Foregone Property Tax Revenue
[106] Exhibit C36: Supporting documentation from Newton County Tax Assessor's Office

a. Gaithers Plantation [107]

The Gaithers Plantation property was purchased in 1995, long before the permitting process for the Bear Creek Reservoir project took shape and not long after completion of Newton County's Lake Varner Reservoir, in 1986. Easily the largest and most expensive tract purchased for the project, the property is approximately 2,200 acres and was purchased for **$4,100,000** (or $1,863 per acre). The property was previously owned by Henry Lassiter, who died on May 9, 1994 in Thailand and was a known associate of Tommy Craig. In addition to the $4,100,000 in proceeds, the seller and the seller's estate also benefitted financially, by avoiding payment of property taxes on this large, undeveloped parcel. By purchasing this property, Newton County has foregone approximately **$2,511,977** in property tax revenue.[108]

[107] Exhibit C37: Supporting real estate documentation for Gaithers Planation acquisition
[108] Appendix C1: Analysis of Foregone Property Tax Revenue

b. Jones County / Frazier: Mitigation, Excessive Purchase Price [109]

The Jones County property was purchased for $2,000,000 on July 24, 2009 as potential mitigation property for the Reservoir project. The transaction closed on January 6, 2010. The property was purchased under the direction and supervision of Tommy Craig. Ultimately, this purchase was a waste and overpayment of taxpayer funds, because the Reservoir project failed. A diagram of the timeline depicting these transactions is included at Appendix C2[110] and is discussed in detail below.

On June 18, 2007, Plum Creek Timberlands sold the entire tract 1,555.67 acres to Southern Vision, LLC ('Southern Vision') for $4,510,863, or $2,900 per acre. In general terms, 2007 was the peak of a thriving real estate market, so this amount may serve as a benchmark.

On July 24, 2009, Southern Vision sold 518.14 acres of stream buffer on this parcel to Newton County for $2,000,000, or $3,860 per acre (markedly higher than the $2,900 per acre price paid by Southern Vision in June 2007 for the surrounding property). On a purely 'per acre' analysis, Southern Vison profited approximately $497,000 (or $960 per acre) on this transaction with Newton County. This is notable, because the real estate market was in a state of decline during the period around July 2009. It is also important to note that for mitigation property purchased, Newton County would likely be required to expend additional funds to improve, monitor and maintain these properties, to ensure compliance with regulatory and environmental standards.

On May 8, 2014, Southern Vision sold the remaining 1,037.33 acres to Timbervest LLC ('Timbervest') for $1,700,000, or $1,634 per acre. Again, a 'per acre' analysis shows that Southern Vision received $1,266 less per acre, than when purchased during the peak market in 2007. However, as the real estate market was rising in 2014, Timbervest paid $2,226 per acre less than did Newton County, when Newton County purchased the property in a receding real estate market. It is notable that Timbervest would also receive the benefit of owning land around a stream buffer that would assumptively be improved by Newton County if the 404 permit was granted by the U.S. Army Corps of Engineers.

As discussed previously, the original sales contract for the Jones County tract was executed on July 24, 2009, as signed by then BOC Chairperson Kathryn G. Morgan. Within Item 22(C) of the Special Stipulations paragraph, the contract states that the Seller will not remove any standing timber from the property.

[109] Exhibit C38: Supporting real estate documentation for Jones County / Frazier tract acquisition
[110] Appendix C2: Flowchart of Jones County real estate transactions

However, on May 7, 2014, Newton County entered into an agreement with the original sellers, Southern Vision, LLC and Timbervest Partners III Georgia, LLC, to grant an option to the original sellers, for repurchase the stream buffer property from Newton County. ("Assignment of Rights to Conversation Easement Property") This transaction was authorized by then-County Attorney Tommy Craig and Board of Commissioners Chairman Keith Ellis.[111] We understand that this transaction was executed, unbeknownst to other Newton County Commissioners and without their approval. At Item 2 of page 3 of this agreement, the document contains a modification to the original contract, to state that the:

> ***"...Assignee* [Southern Vision, LLC and Timbervest Partners III Georgia, LLC] *will not be bound by the prohibition on the removal of standing timber found in Section 22(C) of the Conservation Easement Purchase Contract. Accordingly, the parties hereby agree that Section 22(C) is deleted in its entirety."***

Importantly, this modification was made more than a year before the Reservoir project was shelved in late 2015, so there was no public knowledge that the Reservoir would not be constructed. Thus, there should have been no knowledge that the properties purchased for mitigation would be unused and unnecessary. We also understand that this modification was made without any compensation made to Newton County, conveying timber harvesting rights and resulting revenue (from a County-owned asset) to a private party. We also understand, but have not confirmed, that this property has been substantially harvested of timber.

In addition, it is assumed that cutting of timber from the stream corridors would likely make it more difficult and more costly for the County to restore the easement property in a manner to earn the necessary mitigation credits for the Bear Creek Project. Further, it is assumed that cutting timber from the easement appears counterproductive to the County's (and Craig's) plan to earn stream mitigation credits, by restoring the stream corridors to a more natural condition. A wetlands mitigation expert should be consulted to verify these assumptions.

In summary, former County Attorney Tommy Craig facilitated transactions that were detrimental to the taxpayers of Newton County, by paying excessive prices for real estate and conveying rights and revenue owned by the County to private parties, without compensation to the County. Ultimately, this property would be unnecessary, as the Section 404 permit and application for the proposed Bear Creek Reservoir was never approved.

[111] Exhibit C38: Supporting real estate documentation for Jones County / Frazier tract acquisition

c. Spears Farm (3 tracts): Mitigation, Excessive Purchase Price, Re-conveyance [112]

Because of the shortage of mitigation credits identified by EPA, Georgia EPD, USACE or U.S. FWS, Mr. Craig saw the need to begin purchasing tracts that might potentially serve as mitigation property. An example of this attempt is shown in three transactions involving purchase of land from Circle S Enterprises, JHS3 and Leakton Ltd. ('the Spears Group.')

Craig included these properties in his 2012 mitigation plan, with clear knowledge that EPA and U.S. FWS had deemed these properties unacceptable as mitigation sites.[113] These properties were rejected as mitigation land by the U.S. FWS, as well as USACE.

- On November 8, 2006, Circle S Enterprises, Inc., sold 79.66 acres to Newton County for $437,000, or $5,486 per acre.

- On October 7, 2009, the Spears Group sold 120.15 acres to Newton County for $660,825, or $5,500 per acre. These properties were purchased 'less and except' certain easements and breaches for cattle crossings across streams.

- In 2014, Craig realized that properties purchased from the Spears Group would not be acceptable for mitigation purposes, because the easements and breaches for cattle crossings were left in existence. In a 2014 transaction, Craig facilitated a transaction whereby Newton County paid $290,000 for ten (10) easements, then $7,650 for 3 taps and $20,000 for 1 well if the Section 404 permit was obtained. Even with the easements secured by the County, there was clear knowledge that this tract was unsuitable for mitigation purposes. In Section 3, Item 5 of the 2014 contract amendment and closing statement, Newton County agreed to assume all fees and costs of the seller's legal representation by Phillip A. Johnson. This contract was drafted by Tommy Craig, as legal representative for Newton County, with BOC Chairman Keith Ellis signing and executing the contract.[114] In a search of minutes from Newton County Board of Commissioners meetings, we were unable to located evidence to show approval by the BOC for this transaction.

In a letter dated May 5, 2011, to Colonel Jeffrey Hall, District Engineer for USACE's Savannah District, Sandra S. Tucker, Field Supervisor for the U.S. FWS[115], states that:

[112] Exhibit C39: Supporting real estate documentation for Spears Farm acquisition
[113] Exhibit C4: May 5, 2011 letter from Sandra S. Tucker (U.S. FWS) to Colonel Jeffrey Hall (USACE)
[114] Exhibit C39: Supporting real estate documentation for Spears Farm acquisition

[115] Exhibit C4: May 5, 2011 letter from Sandra S. Tucker (U.S. FWS) to Colonel Jeffrey Hall (USACE)

> *The Spears Farm* [emphasis added], *Palmer, Hudson, Beaverdam, Anderson Farm, and Factory Shoals tracts are not suitable mitigation for loss of interconnected waters of the United States. Additional stream and wetland mitigation (612 wetland credits; 389,713 stream credits) is needed to compensate for the proposed losses.*

Nevertheless, Tommy Craig included this property in his Compensatory Mitigation Plan, dated April 20, 2012 (and submitted on May 11, 2012), knowing it was questionable as a mitigation site.[116]

The property was included in Tommy Craig's Compensatory Mitigation Plan dated April 20, 2012, which was transmitted to USACE on May 11, 2012. However, U.S. FWS continued to express concerns that this property could be used as a mitigation site and shared feedback to Craig's May 11, 2012 letter, in an e-mail to USACE dated August 7, 2012.[117]

> *...streams on the Spears Farm and Palmer tracts will flow post-Bear Creek Reservoir construction directly into man-made lakes and are not suitable mitigation for loss of interconnected waters of the United States. Proposed restoration activities at these sites likely will benefit water quality and storage capacity in these lakes, but do little to replace lost functions and values of the 24 miles of unfragmented Bear Creek and associated wetlands to be impacted by the project.*
>
> *Based on these concerns, we continue to recommend that the Corps not accept the Spears Farm, Palmer, Beaverdam, Anderson Farm, and the Alcovy River riparian site as mitigation for loss of the Bear Creek system.*

In this example, it appears that this property may be re-conveyed to the Spears Group at a nominal cost, after the property was improved and made more valuable by mitigation measures. Such mitigation measures may include stream bank stabilization, planting of riparian vegetation and silt removal, to name a few.

From GIS mapping, it is clear that Newton County only purchased the stream buffer area in these properties, with the Spears Group retaining the surrounding property. Had the Reservoir been approved, Newton County would have been required to improve the stream buffer areas, thus resulting in a windfall to the Spears group, as the value of the property surrounding the improved stream buffer would presumably increase.

In 2016, the Newton County Tax Assessor placed a value of $247,280 on this property. Assuming that tax assessment value is 40% of 'fair market value,' the property's fair market

[116] Exhibit C33: Bear Creek Reservoir Compensatory Mitigation Plan submitted by Tommy Craig, May 5, 2011
[117] Exhibit C5: August 7, 2012 e-mail from Robin Goodloe (U.S. FWS) to Mary Dills (USACE)

value, per tax assessment estimates, would still only be $618,200 – less than half of what was paid by Newton County.

Under Tommy Craig's direct supervision, the purchase of these properties cost Newton County taxpayers not only cash flow for the purchase in the amount of **$1,415,475**, but also foregone property tax revenue of approximately **$68,072**.[118] We understand that the County has agreed to refund any property taxes paid by the Spears, after the County purchased these tracts.

[118] Appendix C1: Analysis of Foregone Property Tax Revenue

d. Anderson: Mitigation, Excessive Purchase Price [119]

Originally proposed as mitigation property in 2000, the 120-acre Anderson tract was purchased on August 7, 2007 for $900,000, or 7,500 per acre. In a letter dated April 2, 2015, it appears that only 24.04 acres of this purchase is being utilized for mitigation purposes. In essence, the 24.04 acres of buffer site was purchased for $37,438 per acre and was ultimately unusable as mitigation property.

In 2014, the Newton County Tax Assessor placed a value of $165,000 on this property. Assuming that tax assessment value is 40% of 'fair market value,' the property's fair market value, per tax assessment estimates, would still only be $412,940 – less than half of what was paid by Newton County.

In a letter dated May 5, 2011, to Colonel Jeffrey Hall, District Engineer for USACE's Savannah District, Sandra S. Tucker, Field Supervisor for the U.S. FWS, states that:

> ***The Spears Farm, Palmer, Hudson, Beaverdam, Anderson Farm*** **[emphasis added]**, ***and Factory Shoals tracts are not suitable mitigation for loss of interconnected waters of the United States. Additional stream and wetland mitigation (612 wetland credits; 389,713 stream credits) is needed to compensate for the proposed losses.***

Nevertheless, Tommy Craig included this property in his Compensatory Mitigation Plan, dated April 20, 2012 (and submitted on May 11, 2012), knowing it was questionable as a mitigation site.

The property was included in Tommy Craig's Compensatory Mitigation Plan dated April 20, 2012, which was transmitted to USACE on May 11, 2012. However, U.S. FWS expressed concerns that this property could be used as a mitigation site and shared feedback to Craig's May 11, 2012, in an e-mail to USACE dated August 7, 2012.

> ***...benefits of wetland mitigation on the... Anderson Farm [site] could be significantly compromised, long-term, by adjacent land uses. The majority of the ...Anderson Farm stream mitigation is on one bank only; benefits to water quality and aquatic resources would be reduced if the unprotected bank is developed, timbered, or otherwise altered in the future... The May 11, 2012, mitigation clarification letter from Wm. Thomas Craig referenced the Magnolia Swamp Mitigation Bank as justification for protecting only one side of a river as mitigation; we not that Magnolia Swamp MB was approved in 2002, when stream mitigation was still in its infancy. We have learned much in the past 10 years about what makes a good***

[119] Exhibit C40: Supporting real estate documentation for Anderson tract acquisition

mitigation project, and what was acceptable 10 years ago may not be acceptable today.

Based on these concerns, we continue to recommend that the Corps not accept the Spears Farm, Palmer, Beaverdam, Anderson Farm, and the Alcovy River riparian site as mitigation for loss of the Bear Creek system.

Referring to an even later version of Craig's Compensatory Mitigation Plan (submitted on July 24, 2014) USACE ultimately stated, in a letter dated April 2, 2015, that "Our review of the of the subject Plan has identified that it is incomplete in its current form" for a lack of baseline information, goals and objectives, site selection, mitigation work plan, performance standards, project success and site protection, contingency plan, monitoring / long-term management and financial assurances.

In this example, it appears that this property may be re-conveyed to Anderson at a nominal cost (e.g., via quitclaim deed / buyback or re-conveyance clause), after the property was improved and made more valuable by mitigation measures. Such mitigation measures may include stream bank stabilization, planting of riparian vegetation and silt removal, to name a few. These restrictions and special stipulations which benefit the landowner are clearly not in the public interest of taxpayers. We identified an unsigned 2009 quitclaim deed, whereby Anderson could repurchase the tract for an amount that was not negotiated at that time. Had that quitclaim deed been executed in 2009, Anderson would have then been responsible for property taxes due.

In 2014, the Newton County Tax Assessor placed a value of $165,000 on this property. Assuming that tax assessment value is 40% of 'fair market value,' the property's fair market value, per tax assessment estimates, would still only be $412,500 – less than half of what was paid by Newton County.

Under Tommy Craig's direct supervision, the purchase of these properties cost Newton County taxpayers not only cash flow for the purchase in the amount of **$900,012**, but also foregone property tax revenue of approximately **$55,860**.[120]

[120] Appendix C1: Analysis of Foregone Property Tax Revenue

e. Palmer: Mitigation, Excessive Purchase Price [121]

Originally proposed as mitigation property, the 94.6-acre Palmer tract was acquired via condemnation order dated August 6, 2002. Data obtained from Newton County Finance indicates that acquisition costs for this tract were $729,956, or $7,716 per acre. In a letter dated April 2, 2015 from USACE to BOC Chairman Keith Ellis, it appears that this property was not included in Craig's 2014 Compensatory Mitigation Plan. In essence, the expenditure for this property was a waste of taxpayer dollars, because it ultimately was not used for the intended purpose of serving as a mitigation site for the Reservoir, as it was unusable as mitigation property.

In a letter dated May 5, 2011, to Colonel Jeffrey Hall, District Engineer for USACE's Savannah District, Sandra S. Tucker, Field Supervisor for the U.S. FWS, states that:

> ***The Spears Farm, Palmer [emphasis added], Hudson, Beaverdam, Anderson Farm, and Factory Shoals tracts are not suitable mitigation for loss of interconnected waters of the United States. Additional stream and wetland mitigation (612 wetland credits; 389,713 stream credits) is needed to compensate for the proposed losses.***

Nevertheless, Tommy Craig included this property in his Compensatory Mitigation Plan, dated April 20, 2012 (and submitted on May 11, 2012), knowing it was questionable as a mitigation site.

The property was included in Tommy Craig's Compensatory Mitigation Plan dated April 20, 2012, which was transmitted to USACE on May 11, 2012. However, U.S. FWS continued to express concerns that this property could be used as a mitigation site and shared feedback to Craig's May 11, 2012 letter, in an e-mail to USACE dated August 7, 2012.

> ***...streams on the Spears Farm and Palmer tracts will flow post-Bear Creek Reservoir construction directly into man-made lakes and are not suitable mitigation for loss of interconnected waters of the United States. Proposed restoration activities at these sites likely will benefit water quality and storage capacity in these lakes, but do little to replace lost functions and values of the 24 miles of unfragmented Bear Creek and associated wetlands to be impacted by the project.***
>
> ***Based on these concerns, we continue to recommend that the Corps not accept the Spears Farm, Palmer, Beaverdam, Anderson Farm, and the Alcovy River riparian site as mitigation for loss of the Bear Creek system.***

[121] Exhibit C41: Supporting real estate documentation for Palmer tract acquisition

Referring to an even later version of Craig's Compensatory Mitigation Plan (submitted on July 24, 2014) USACE ultimately stated, in a letter dated April 2, 2015, that "Our review of the of the subject Plan has identified that it is incomplete in its current form" for a lack of baseline information, goals and objectives, site selection, mitigation work plan, performance standards, project success and site protection, contingency plan, monitoring / long-term management and financial assurances.

In this example, because the property was not used in the Compensatory Mitigation Plan, it appears that this property may be re-conveyed to Hudson at a nominal cost, or retained by Newton County for future sale or undefined purposes, with property tax revenue foregone.

From GIS mapping, it is clear that Newton County only purchased the buffer area near the streambed adjacent to the Palmer tracts. If the Reservoir was approved, this streambed would be flooded to become the Bear Creek Reservoir. The Palmers retained the surrounding parcels, which would have then become lakefront property on Bear Creek Reservoir – presumably more valuable to the Palmers and / or any future investors or land developers.

In 2016, the Newton County Tax Assessor placed a value of $64,360 on this property. Assuming that tax assessment value is 40% of 'fair market value,' the property's fair market value, per tax assessment estimates, would still only be **$160,900** – roughly one fourth of what was paid by Newton County.

Under Tommy Craig's direct supervision, the purchase of these properties cost Newton County taxpayers not only cash flow for the purchase in the amount of **$900,012**, but also foregone property tax revenue of approximately **$19,761**.[122]

[122] Appendix C1: Analysis of Foregone Property Tax Revenue

f. Bullard / Beaverdam Creek: Mitigation, Excessive Price [123]

Originally proposed as mitigation property, the 59.79-acre Bullard / Beaverdam Creek tract was purchased for $235,000, or $3,944 per acre. At this time, we have not obtained the exact date of purchase. In a letter dated April 2, 2015 from USACE to BOC Chairman Keith Ellis, it appears that this property was not included in Craig's 2014 Compensatory Mitigation Plan. In essence, the expenditure for this property was a waste of taxpayer funds, because it ultimately was not used for the intended purpose of serving as a mitigation site for the Reservoir, as it was unusable as mitigation property.

At this time, we have not obtained information from the Newton County Tax Assessor for fair market value, assessed value or property tax revenue foregone.

In a letter dated May 5, 2011, to Colonel Jeffrey Hall, District Engineer for USACE's Savannah District, Sandra S. Tucker, Field Supervisor for the U.S. FWS, states that:

> ***The Spears Farm, Palmer, Hudson, Beaverdam*** **[emphasis added]*, Anderson Farm, and Factory Shoals tracts are not suitable mitigation for loss of interconnected waters of the United States. Additional stream and wetland mitigation (612 wetland credits; 389,713 stream credits) is needed to compensate for the proposed losses.***

Nevertheless, Tommy Craig included this property in his Compensatory Mitigation Plan, dated April 20, 2012 (and submitted to USACE on May 11, 2012), knowing it was questionable as a mitigation site.

However, U.S. FWS continued to express concerns that this property could be used as a mitigation site and shared feedback to Craig's May 11, 2012 letter, in an e-mail to USACE dated August 7, 2012.

> ***The Beaverdam Creek site likely already is impacted by stormwater runoff from the densely-developed subdivisions that surround the tract.***
>
> ***Based on these concerns, we continue to recommend that the Corps not accept the Spears Farm, Palmer, Beaverdam, Anderson Farm, and the Alcovy River riparian site as mitigation for loss of the Bear Creek system.***

The property was included in Tommy Craig's Compensatory Mitigation Plan dated April 20, 2012, which was transmitted to USACE on May 11, 2012. However, U.S. FWS expressed concerns that this property could be used as a mitigation site and shared feedback to Craig's May 11, 2012, in an e-mail to USACE dated August 7, 2012.

[123] Exhibit C42: Supporting real estate documentation for Bullard / Beaverdam tract acquisition

> *...benefits of wetland mitigation on the... Anderson Farm [site] could be significantly compromised, long-term, by adjacent land uses. The majority of the ...Anderson Farm stream mitigation is on one bank only; benefits to water quality and aquatic resources would be reduced if the unprotected bank is developed, timbered, or otherwise altered in the future... The May 11, 2012, mitigation clarification letter from Wm. Thomas Craig referenced the Magnolia Swamp Mitigation Bank as justification for protecting only one side of a river as mitigation; we not that Magnolia Swamp MB was approved in 2002, when stream mitigation was still in its infancy. We have learned much in the past 10 years about what makes a good mitigation project, and what was acceptable 10 years ago may not be acceptable today.*
>
> *Based on these concerns, we continue to recommend that the Corps not accept the Spears Farm, Palmer, Beaverdam, Anderson Farm, and the Alcovy River riparian site as mitigation for loss of the Bear Creek system.*

Referring to an even later version of Craig's Compensatory Mitigation Plan (submitted on July 24, 2014) USACE ultimately stated, in a letter dated April 2, 2015, that "Our review of the of the subject Plan has identified that it is incomplete in its current form" for a lack of baseline information, goals and objectives, site selection, mitigation work plan, performance standards, project success and site protection, contingency plan, monitoring / long-term management and financial assurances.

In this example, because the property was not used in the Compensatory Mitigation Plan, it appears that this property may be re-conveyed to Bullard at a nominal cost, or retained by Newton County for future sale or undefined purposes, with property tax revenue foregone.

Under Tommy Craig's direct supervision, the purchase of these properties cost Newton County taxpayers not only cash flow for the purchase in the amount of $235,815.

g. Hudson: Mitigation, Excessive Purchase Price [124]

Proposed originally as mitigation property, the 21.564-acre Hudson tract was purchased on April 27, 2000 for $160,450, or $7,440 per acre. In a letter dated April 2, 2015 from USACE to BOC Chairman Keith Ellis, it appears that this property was not included in Craig's 2014 Compensatory Mitigation Plan. In essence, the expenditure for this property was a waste of taxpayer dollars, because it ultimately was not used for the intended purpose of serving as a mitigation site for the Reservoir, as it was unusable as mitigation property.

In a letter dated May 5, 2011, to Colonel Jeffrey Hall, District Engineer for USACE's Savannah District, Sandra S. Tucker, Field Supervisor for the U.S. FWS, states that:

> ***The Spears Farm, Palmer, Hudson [emphasis added], Beaverdam, Anderson Farm, and Factory Shoals tracts are not suitable mitigation for loss of interconnected waters of the United States. Additional stream and wetland mitigation (612 wetland credits; 389,713 stream credits) is needed to compensate for the proposed losses.***

Nevertheless, Tommy Craig included this property in his Compensatory Mitigation Plan, dated April 20, 2012 (and submitted to USACE on May 11, 2012), knowing it was questionable as a mitigation site.

Referring to an even later version of Craig's Compensatory Mitigation Plan (submitted on July 24, 2014) USACE ultimately stated, in a letter dated April 2, 2015, that "Our review of the of the subject Plan has identified that it is incomplete in its current form" for a lack of baseline information, goals and objectives, site selection, mitigation work plan, performance standards, project success and site protection, contingency plan, monitoring / long-term management and financial assurances.

In this example, because the property was not used in the Compensatory Mitigation Plan, it appears that this property may be re-conveyed to Hudson at a nominal cost, or retained by Newton County for future sale or undefined purposes, with property tax revenue foregone.

In 2016, the Newton County Tax Assessor placed a value of $25,840 on this property. Assuming that tax assessment value is 40% of 'fair market value,' the property's fair market value, per tax assessment estimates, would still only be **$64,600** – less than half of what was paid by Newton County.

[124] Exhibit C43: Supporting real estate documentation for Hudson tract acquisition

Under Tommy Craig's direct supervision, the purchase of these properties cost Newton County taxpayers not only cash flow for the purchase in the amount of **$160,450**, but also foregone property tax revenue of approximately **$15,219**.[125]

[125] Appendix C1: Analysis of Foregone Property Tax Revenue

h. Dixon (3 tracts): Possible Pumping Site, Excessive Purchase Price [126]

In three transactions, 90 acres were purchased by Newton County from Mary Jane Dixon, at a total cost of **$1,453,495**. Because the properties are located between the proposed site of the Bear Creek Dam and Reservoir and the Alcovy River, it is anticipated that a portion of this land was to be used for installation of a system to pump supplemental water supply into the potential Bear Creek Reservoir from the Alcovy River. It is unknown why the full 90 acres was needed, when an easement and / or partial land purchase may have sufficed. It is also possible that the pumping station could have been located at a different site. Below is a timeline and more detailed discussion of these three transactions.

On November 21, 2006, Newton County purchased 50 acres from Ms. Dixon for $750,000, when the assessed tax value of this tract was $233,700. Given that tax assessment values are typically 40% of an estimated fair market value (per Tax Assessor's records), an approximate appraisal would be $584,250. As such, an estimated calculation of overpayment for this parcel is $165,750.

On November 14, 2007, Newton County purchased 20 acres from Ms. Dixon for $340,000, when the assessed tax value of this tract was $150,000. Given that tax assessment values are typically 40% of an estimated fair market value (per Tax Assessor's records), an approximate appraisal would be $375,000. As such, an estimated calculation of underpayment for this parcel is <$35,000>.

On November 6, 2008, Newton County purchased another 20 acres from Ms. Dixon for $360,000, when the assessed tax value of this tract was $170,000. Given that tax assessment values are typically 40% of an estimated fair market value (per Tax Assessor's records), an approximate appraisal would be $425,000. As such, an estimated calculation of underpayment for this parcel is <$65,000>.

In 2016, the Newton County Tax Assessor placed a value of $125,200 on this property. Assuming that tax assessment value is 40% of 'fair market value,' the property's fair market value, per tax assessment estimates, would still only be $313,000 – roughly 20% of what was paid by Newton County.

[126] Exhibit C44: Supporting real estate documentation for acquisitions of Dixon tracts

Given that Newton County purchased 90 acres of undeveloped land for $1,453,495, the average purchase price per acre was **$16,150**, which is high in comparison to the average price per acre for other tracts purchased for the Reservoir project. From these estimated calculations, Newton County overpaid at least **$65,750** for purchase of these three properties. Under Tommy Craig's direct supervision, the purchase of these properties cost Newton County taxpayers not only cash flow for the purchases, but also foregone property tax revenue of approximately **$43,539**.[127]

[127] Appendix C1: Analysis of Foregone Property Tax Revenue

i. Denby: Condemnation, Dam Location [128]

On December 18, 2008, the Newton County Board of Commissioners exercised its right of Eminent Domain, and condemned property owned by Emmett and Rhonda Denby. This condemnation of the Denby's property occurred because the dam for Bear Creek Reservoir was to be located closely adjacent to the Denby property. A lawsuit between the Denby's and the County ensued, resulting in a payment of $888,000 for the Denby property and related expenses.

However, the site of the dam was re-located in 2014, making this purchase by condemnation apparently unnecessary. Since inception of the Reservoir project in the late 1990's, it is unfortunate for Newton County that this alternate dam location was not considered earlier, on multiple levels. First, the payment of $888,000 for the Denby property may likely have been necessary, along the inconvenience and emotional stress caused to the sellers of the property. Secondly, relocation of the dam site appears to have been a strategic planning blunder. Because the dam site was relocated, certain 'grandfathering clauses' for the project were removed, placing the project under more stringent, post-2008 regulatory guidelines by USACE, EPA and U.S. FWS. If the alternate dam site had been considered in earlier years, hundreds of thousands of dollars could have been saved for Newton County and the Reservoir may have had a better chance of actually being constructed. At this time, we have not obtained information from the Newton County Tax Assessor for fair market value, assessed value or property tax revenue foregone.

In a letter dated January 30, 2009 to then-Commission Chairperson Kathryn Morgan, Mr. and Mrs. Denby make the following reasonable request:

> ***Since the Bear Creek Reservoir will not be built for many years, we request that the new commission negotiate with us fairly and allow us to live in our home until the county is ready to begin construction [of the dam and reservoir]. Then we can move out of our home knowing that the proposed reservoir is actually going to be built and that our rights have been preserved.***

Looking back, the Denby's request was almost prophetic, not realizing at the time that the Reservoir project could and would not obtain the proper permitting in a reasonable timeframe and was shelved a little more than six years later.

Under Tommy Craig's direct supervision, the purchase of these properties cost Newton County taxpayers not only cash flow for the purchase in the amount of **$888,000.**

[128] Exhibit C45: Supporting real estate documentation for Denby tract acquisition

j. Whatley: Condemnation [129]

On November 2, 1999, Newton County entered into a contract with Charles Eugene Whatley (a minor) and Mary Elizabeth Benton Whatley (as trustee for Charles Whatley), to purchase 43.333 acres at a price of $255,000, or $5,885 per acre. The transaction was closed on January 11, 2000, and the closing attorney was Tommy Craig. The primary 32.303 acres of this parcel held a tax assessment value of $38,120 ($1,180 per acre) in 2014 and $42,640 (or $1,320 per acre) in 2015. The tax assessor's approximate market values for the same 32.303 acres were $95,300 in 2014 ($2,950 per acre) and $106,600 in 2015 ($3,300 per acre).

According to news reports for September 9, 1999 and September 14, 1999:

> ***Mary Whatley, an elderly woman living on a fixed income... was offered about $1,300 per acre for her land, even though the county purchased adjacent properties for about $6,000 per acre.***
>
> ***Whatley rejected that price. The county then doubled its offer [to $2,600 per acre], and when that also was refused, the county commission voted to condemn her land.***
>
> ***During the condemnation hearing, the county attorneys proposed another doubling of their offer [to $5,200 per acre, still less than $6,000 per acre]. Then that was refused by Whatley's attorney, [Tommy] Craig requested the case be dismissed.***

In 2016, the Newton County Tax Assessor placed a value of $42,600 on this property. Assuming that tax assessment value is 40% of 'fair market value,' the property's fair market value, per tax assessment estimates, would still only be **$106,500** – less than half of what was paid by Newton County.

Under Tommy Craig's direct supervision, the purchase of these properties cost Newton County taxpayers not only cash flow for the purchase in the amount of **$255,000** but also foregone property tax revenue of approximately **$26,657**.[130]

[129] Exhibit C46: Supporting real estate documentation for Whatley tract condemnation
[130] Appendix C1: Analysis of Foregone Property Tax Revenue

k. Digby: Excessive Purchase Prices, Inconsistent Appraisals [131]

Between 1998 and 1999, Newton County made a series of land purchases totaling 83.614 acres, from Douglas H. Digby, Nettie Mae Digby and Cynthia Digby. Newton County paid $596,597 in four transactions ($7,132 per acre). These transactions are summarized in the table below.

Table C7
Summary of Digby Transactions

Ref	Date	Seller	Sales Price	Acres	Price / Acre
1	12/14/1999	Digby, Douglas H.	$ 253,627	47.258	$ 5,367
2	12/17/1999	Digby, Nettie Mae	130,000	26.737	33,942
3	TBD	Digby, Douglas H.	117,546	6.667	17,631
4	09/11/1998	Digby, Cynthia	95,000	2.952	32,260
		Subtotal	**$ 596,407**	**83.614**	**$ 7,132**

According to interviews we performed, the Digby property was initially appraised for $1,960 per acre, by Ben Spencer and Eddie Phillips (Walton County). Later, Tommy Craig commissioned Childers Associates, an Atlanta appraisal firm, to perform a second appraisal, which showed an appraised value of $5,000 per acre. Because of the large disparity between appraisal values, the [Covington County Superior] Court appointed a third appraiser, which found the appraised value of the same property to be $2,100 – a value much similar to the original appraisal value found by Spencer and Phillips. We are still in process of obtaining documentation to corroborate this claim.

In 2016, the Newton County Tax Assessor placed a value of $111,012 on this property. Assuming that tax assessment value is 40% of 'fair market value,' the property's fair market value, per tax assessment estimates, would still only be **$277,530** – less than half of what was paid by Newton County.

Under Tommy Craig's direct supervision, the purchase of these properties cost Newton County taxpayers not only cash flow for the purchase in the amount of **$596,407**, but also foregone property tax revenue of approximately **$54,870**.[132]

[131] Exhibit C47: Supporting real estate documentation for acquisitions of Denby tracts
[132] Appendix C1: Analysis of Foregone Property Tax Revenue

I. Price: Pool Area; Excessive, Wasteful Spending [133]

On February 18, 1997, a settlement agreement was made with Timmy Glynn Price, to purchase 3.62 acres located in the pool area of the proposed Bear Creek Reservoir, for $100,000, or $27,624 per acre. In 2014 and 2015, this property had an assessed tax value in 2014 and 2015 of $12,320 or $3,403 per acre (market value of $30,880 or $8,530 per acre). The closing date of this transaction was February 21, 1997, at the law offices of Tommy Craig.

From the gross proceeds of the transaction, payoffs of liabilities were made, as follows:

Table C7
Summary of Price Transaction
February 21, 1997

Description	Amount
Gross Proceeds	$ 100,000.00
Tax proration	26.87
Bank of Covington Payoff	29,966.34
Farm & Home Supply	22,267.61
Federal Tax Lien	8,817.72
Total of Disbursements	$ 61,075.74
Net Proceeds to Seller	$ 38,924.46

Even after $61,075 in proceeds were used to pay off the liabilities of Mr. Price, the net amount to Price was $38,924.46, or $10,752 per acre, well in excess of the assessed and market values were in 2014 and 2015.

Ultimately, this property was not used for the proposed Reservoir, because the proper permitting could not be obtained.

In 2016, the Newton County Tax Assessor placed a value of $12,280 on this property. Assuming that tax assessment value is 40% of 'fair market value,' the property's fair market value, per tax assessment estimates, would still only be $30,700 – less than one third of what was paid by Newton County.

Under Tommy Craig's direct supervision, the purchase of these properties cost Newton County taxpayers not only cash flow for the purchase in the amount of $100,000, but also foregone property tax revenue of approximately $8,129.[134]

[133] Exhibit C48: Supporting real estate documentation for Price tract acquisition

[134] Appendix C1: Analysis of Foregone Property Tax Revenue

Summary and Observations

To summarize the pattern of circumstances and facts surrounding the failed Bear Creek Reservoir project, we observe the following:

1. Former County Attorney Tommy Craig engaged in a pattern of misleading the Newton County Board of Commissioners, about the need for a new reservoir and water supply, by making **misrepresentations and false statements about material facts**.

2. At the time these statements were made, Mr. Craig had **knowledge that these statements were untrue**, that the dam and reservoir would not be approved, primarily as a result of his flawed plan for need justification, mitigation, changes made to the plan.

3. Craig facilitated the purchase of unsuitable or unnecessary property at inflated prices, despite continued rejection of these properties by government regulators. He also made gross miscalculations of needed mitigation property.

4. Craig and his associates benefitted from the continued delays in this project, by charging legal and consulting fees on the project which he managed.

5. Because of his fiduciary relationship and responsibility to Newton County and its Board of Commissioners, the Commissioners and taxpayers **depended upon / relied upon** Craig's representations.

6. As a result of Craig's misleading actions, **financial loss, damage and harm of more than $25 million** to Newton County taxpayers resulted (including direct costs of land acquisition and services, as well as indirect costs of property taxes foregone).

While it is up to the Court system and a trier of fact to determine whether potential fraudulent activity may have occurred, the definition below is provided for reference. According to *West's Encyclopedia of American Law,* the components to the definition for fraud are as follows[135]:

- **False statement (or misrepresentation)** of a **material fact** with
- **Knowledge** by the person making the false statement **that the statement was untrue,**
- **Intent to deceive** the alleged victim,
- **Justifiable reliance** by the alleged victim and
- **Injury (or financial damage)** to the alleged victim as a result.

We recommend that further investigative steps be performed by law enforcement authorities, to determine whether or not criminal activity has occurred.

[135] Exhibit C49: Definition for Fraud, West's Encyclopedia of American Law

D. LANDFILL, CONVENIENCE CENTERS

Background and Overview

Our analysis of the Landfill documentation provided by the Newton County Finance Department, along with reading and analysis of relevant documents available on the County website, including but not limited to Newton County Board of Commissioners meeting minutes, audit reports and approved budgets, indicates findings with regard to three general areas:

- The Beaverdam Creek mitigation site reporting work performed by Eco-South, Inc. and Eco-Tech, Inc.
- The emergency response work performed by Harbin Engineering, P.C.
- The billings under the contract between Newton County and Junior Hilliard General Services.

Monitoring of Beaverdam Creek Mitigation Site

The Newton County Landfill ("Landfill") has been paying for a monitoring report on the Beaverdam Creek Mitigation site since at least February 12, 2013. The billings from February 12, 2013 through March 5, 2014 were from Eco-South, Inc., a company with direct connection to W. Thomas Craig. There is evidence of approval by the BOC in the minutes of the September 18, 2012 meeting.

After the billings from Eco-South, Inc. ceased, billings for the same work began to appear, on January 13, 2015, from Eco-Tech Consultants, Inc. of Louisville, Kentucky. There is evidence of approval by the Newton County BOC in the minutes of the November 17, 2015 meeting, approximately 10 months after Eco-Tech, Inc. began billing for services at the Landfill. It is possible that Eco-Tech, Inc. is also related to W. Thomas Craig. There is evidence that Eco-Tech, Inc.'s relationship with Newton County was terminated by the BOC in the minutes of the August 16, 2016 meeting.

Emergency Response Services by Harbin Engineering

Harbin Engineering, P.C. ("Harbin") is a civil and environmental engineering firm located in Forsyth, Georgia. Harbin is a contractor with the Newton County Landfill providing a variety of environmental monitoring, reporting and general consulting services.

On October 16, 2015, the landfill experienced a leachate spill, requiring emergency remediation. The landfill had been without a full time manager since the May 6, 2015 resignation of James Peters. Harbin, who had staff members on site performing monitoring / consulting services, provided services described as "emergency response" to the leachate spill.

Newton County Contract with Junior Hilliard General Services

On February 5, 2013, the Newton County BOC approved a contract with Junior Hilliard General Services ("JHGS") to provide staffing for the "operation and maintenance of the County's Recycling and Waste Collection Centers." The term of the contract was for twelve (12) months, with procedures to renew the contract for four (4) additional twelve month periods. The contract price was stated as $412,331 per year ("Contract Amount"), unless modified by procedures outlined in the contract.

We have analyzed the amounts invoiced by JHGS under this contract from February 5, 2013 through June 30, 2016. We have also read the documentation supporting the JHGS invoices, as well as other County documentation, to determine whether the amounts invoiced by JHGS exceed the amounts authorized.

Source Documents and Data, Provided and Relied Upon

In general, we were provided the following documents and data, which were used in this component of our analysis:

1. Newton County BOC meeting minutes, September 8, 2012, obtained from the County website.

2. Newton County BOC meeting minutes, November 17, 2015, obtained from the County website.

3. Newton County BOC meeting minutes, August 16, 2016, obtained from the County website.

4. Newton County BOC meeting agenda, October 18, 2016, obtained from the County website.

5. Invoices to Landfill from Eco-South, Inc., fiscal years 2012-2016, provided by Nicole Cross, Newton County Finance Department.

6. Invoices to Landfill from Eco-Tech Consultants, Inc., fiscal years 2012-2016, provided by Nicole Cross, Newton County Finance Department.

7. Articles of Incorporation for Eco-South, Inc., January 16, 1992, obtained from the Georgia Secretary of State website.

8. Articles of Incorporation for Eco-Tech Consultants, Inc., May 7, 1990, obtained from the Kentucky Secretary of State website.

9. Certificate of Authority for Eco-Tech Consultants, Inc., dated September 10, 2013, obtained from the Georgia Secretary of State website.

10. Newton County BOC meeting minutes for December 1, 2015, obtained from the County website.

11. Newton County BOC meeting minutes for January 21, 2016, obtained from the County website.

12. Newton County BOC meeting minutes for February 2, 2016, obtained from the County website.

13. Harbin Engineering, P.C invoice #'s 3311, 3335, 3348, 3373, 3384, 3395, 3436, 3533, 3542, 3588, 3667 and 3698, provided by Nicole Cross, NC Finance department.

14. Job posting for Solid Waste Manager, obtained from County website.

15. Contract dated February 5, 2013, between Newton County BOC and Junior Hilliard General Services, Inc. ("JHGS Contract"), as provided by Nicole Cross, Newton County Finance Department.

16. Invoices rendered by JHGS, along with supporting documentation, for fiscal years ended June 30, 2013 through 2016, as provided by Nicole Cross, NC Finance department.

17. Newton County BOC meeting minutes for February 5, 2013, August 8, 2015, May 31, 2016 and June 7, 2016, as available on the County website.

18. FY 2015 Approved Budget, as available on the County website.

A detailed listing of documents provided and relied upon is provided at the conclusion of this report, in the section entitled EXHIBITS AND SOURCE DOCUMENTS RELIED ON FOR REPORT.

Scope, Approach and Purpose of Analysis

In general, we performed the following steps for this component of our analysis:

1. Obtained invoices for services provided to Landfill by Eco-South, Inc. and Eco-Tech, Inc.

2. Obtained and read Newton County BOC meeting minutes to identify approval of purchase orders.

3. Analyzed invoices provided by Newton County Finance Department for Eco-South, Inc. and Eco-Tech, Inc.

4. Obtained and read Articles of Incorporation and other corporate documents for each Eco-South, Inc. and Eco-Tech, Inc.

5. Read select Newton County BOC meeting minutes to obtain background and understanding of Harbin emergency response.

6. Read and analyzed Harbin invoices to understand quantity, timing and categories of expenditures for emergency response.

7. Compared cost for interim landfill manager to job posting on County website.

8. Read the JHGS Contract.

9. Identified and scheduled JHGS invoices by fiscal year for the period February 5, 2013 through June 30, 2016.

10. Read JHGS invoices and supporting documentation to identify evidence of approved changes to JHGS Contract Amount.

11. Read Newton County BOC meeting minutes for the period February 5, 2013 through June 30, 2016 to identify evidence of approved changes to JHGS Contract Amount.

12. Read approved budgets for fiscal years 2014, 2015 and 2016, to identify evidence of approved changes to JHGS Contract Amount.

A detailed listing of work product prepared is provided at the conclusion of this report, in the section entitled APPENDICES AND ANALYSIS SCHEDULES.

Findings, Causes and Impact

Findings: Monitoring of Beaverdam Creek Mitigation Site

1. Eco-Tech Consultants began billing Landfill in advance of approval by the Newton County Board of Commissioners.

Minutes from the November 17, 2015 Newton County BOC meeting[136] indicate request for approval, submitted by Jenny Carter, of proposal for monitoring at Beaverdam Creek mitigation site by Eco-Tech Consultants, Inc. Motion was carried unanimously. The proposed cost was $15,400. Eco Tech Consultants, Inc. invoiced Landfill for this work on invoice # MA2015-006-5, dated February 22, 2016. This reference was the first time Eco-Tech Consultants, Inc.'s name appears in the Newton County BOC meeting minutes.

Prior to November 17, 2015, Eco-Tech Consultants, Inc. provided invoices for services performed at the Landfill, as follows[137]:

1. Invoice # MA2014-013-1, dated January 13, 2015, in the amount of $11,100.00.
2. Invoice # MA2015-006-1, dated April 14, 2015, in the amount of $1,401.25.
3. Invoice # MA2015-006-2, dated May 8, 2015, in the amount of $4,618.75.
4. Invoice # MA2015-006-3, dated July 19, 2015, in the amount of $470.25.
5. Invoice # MA2015-006-4, dated October 5, 2015, in the amount of $1,334.35.

The total amount of these invoices is $18,924.60. Prior to the involvement of Eco-Tech Consultants, Inc., this mitigation site monitoring project had been performed by Eco-South, Inc., an entity related to then-County Attorney Tommy Craig[138],[139]. Minutes from the September 18, 2012, Newton County BOC meeting indicate unanimous approval of the proposal from Eco-South, Inc. not to exceed $10,000 annually.[140]

[136] Exhibit D1: Minutes from November 17, 2015 Newton County BOC meeting
[137] Exhibit D2: Invoices from Eco-Tech Consultants, Inc.
[138] Exhibit D3: Invoices from Eco-South, Inc.
[139] Exhibit D4: Certificate of Incorporation and Secretary of State filing documents for Eco-South, Inc.
[140] Exhibit D5: Minutes from September 18, 2012 Newton County BOC meeting

2. Eco-South, Inc. is an entity related to former County Attorney W. Thomas Craig.

The articles of incorporation for Eco-South, Inc. clearly indicate that this company is related to former County Attorney W. Thomas Craig. Mr. Craig signed the document on January 15, 1992 as the Incorporator.[141] He is also identified, in article VIII, as a member of the initial Board of Directors.[142]

Eco-South, Inc. has been a service provider to Landfill since at least 2006. Analysis of Landfill records provided by County Finance Department indicate that Eco-South, Inc. invoiced for services at the Landfill for a total amount of $112,223.89 from fiscal year 2006 through fiscal year 2014,[143] when the relationship with Newton County appears to terminate. These billings include additional work beyond the scope of the mitigation site monitoring project that is the subject of this report section.

3. Eco-Tech Consultants, Inc. appears to be related to former County Attorney W. Thomas Craig.

Note: This finding should be read in conjunction with similar findings in Section C, Bear Creek Reservoir.

Eco-Tech Consultants, Inc. appears to have at least a tangential relationship to former County Attorney W. Thomas Craig. As stated previously, Mr. Craig was the Incorporator of Eco-South, Inc. and a member of its initial Board of Directors. Another member of the initial Board of Directors was Mr. Hal D. Bryan of Frankfort, Kentucky. Mr. Bryan is also listed, along with Mr. Craig, on the name reservation certificate for Eco-South, Inc. filed with the Georgia Secretary of State on December 5, 1991.[144]

Eco-Tech Consultants, Inc. filed its Articles of Incorporation with the Kentucky Secretary of State on May 7, 1990. Mr. Hal D. Bryan is identified as the Incorporator.[145]

County Finance experienced some confusion regarding the difference between Eco-South, Inc. and Eco-Tech Consultants, Inc. An e-mail dated March 19, 2015 between Brittany White and Tom Garrett indicates that the January 13, 2015 invoice from Eco-Tech Consultants, Inc. was the first time the County had been invoiced by that vendor, related to the Beaverdam Creek project. An e-mail dated May 12, 2015 between Jenny Carter, an attorney in Tommy Craig's office, and then-Finance Director Michelle Kelly indicates that the payment to Eco-Tech Consultants, Inc., which was originally coded to "legal services,"

[141] Exhibit D4: Certificate of Incorporation and Secretary of State filing documents for Eco-South, Inc.
[142] Exhibit D4: Certificate of Incorporation and Secretary of State filing documents for Eco-South, Inc.
[143] Appendix D1: Analysis of Eco-South, Inc. Invoices Amounts
[144] Exhibit D4: Certificate of Incorporation and Secretary of State filing documents for Eco-South, Inc.
[145] Exhibit D6: Certificate of Incorporation and Secretary of State filing documents for Eco-Tech Consultants, Inc.

was sent through the Law Offices of Wm. Thomas Craig, but was a forwarded invoice for environmental consulting provided by Eco-Tech.[146] As recent as February 22, 2016, handwritten notes on Eco-Tech Consulting Inc.'s invoice still reference "Eco South Inc."[147]

Findings: Emergency Response Services by Harbin Engineering

4. Total billings from Harbin for emergency response of $668,507.25 included $299,920.19 of subcontractor billings passed through by Harbin

Analysis of the landfill vendor files for FY 2016 identified thirteen (13) invoices from Harbin for "emergency response activities" from October 23, 2015 through June 30, 2016. These invoices totaled $668,507.25. Of this total amount, $299,920.19, or 44.9%, represented billings from subcontractors that were passed through by Harbin. Three of these subcontractors (Smith-Gardner, Inc., GEMS and Site Mowing & Repair) were established vendors with which the County had paid directly in previous years. [148], [149]

5. Subcontractor billings were passed through by Harbin with a 15% markup

In addition to the $299,920.19 of subcontractor invoices passed through by Harbin (see Finding #1), Harbin charged the County a 15% surcharge on these invoices. Per the February 2, 2016 BOC meeting minutes[150], this surcharge was "to process paperwork from subcontractors." Over the period October 23, 2015 through June 30, 2016, this surcharge totaled $44,988.03.[151] On February 2, 2016, the BOC, by unanimous vote, authorized the County Manager to separate four subcontractors (Smith Gardner, Site Mowing & Repair, Hydrospec and GEMS) from Harbin's purchase order. After February 2, 2016, an additional subcontractor, Intec Engineering, was billed to the County through Harbin's invoices. The total markup associated with Intec Engineering was $768.76 over the period February 2, 2016 through June 30, 2016.

6. Laboratory Fees were charged at cost plus 15%

[146] Exhibit D2: Invoices from Eco-Tech Consultants, Inc.
[147] Exhibit D2: Invoices from Eco-Tech Consultants, Inc.
[148] Appendix D2: Analysis of Harbin Engineering Invoices – Emergency Response
[149] Exhibit D7: Harbin Engineering Invoices – Emergency Response
[150] Exhibit D8: Minutes from February 2, 2016 Newton County BOC meeting
[151] Appendix D3: Analysis of Harbin Engineering Invoices – Subcontractors

Similar to the subcontractor charges, the Harbin invoices also reflect a 15% markup for laboratory fees. Over the period analyzed, this markup totaled $2,881.57.[152] A search of the BOC meeting minutes does not indicate that this markup was ever identified or mentioned by the County.

7. Harbin billed the County $144,225 for a temporary landfill manager

The landfill had been without a full time manager since the May 6, 2015 resignation of James Peters. Harbin billed the County $144,225[153] for supplying an interim landfill manager from October 16, 2015 through June 30, 2016, a period of approximately 9 months. The invoice detail indicates that during this period Harbin charged the County for 1,923 hours of work at $75 per hour from Environmental Technician Matt Roper. According to the job posting on the County website, this position is still open. The position offers an annual salary of $65,000 – $75,000, depending on qualifications.

8. Harbin billed the County $12,499.51 for mileage between October 16, 2015 and June 30, 2016

Analysis of the Harbin invoices for emergency response indicates charges of $12,499.51[154] for incurred mileage of 19,230 miles. As a point of observation, Harbin's main office in Forsyth, Georgia, is located approximately 50 miles from the Newton County landfill. The rate per mile of $0.65 is consistent with prevailing IRS regulations.

[152] Appendix D2: Analysis of Harbin Engineering Invoices – Emergency Response
[153] Appendix D2: Analysis of Harbin Engineering Invoices – Emergency Response
[154] Appendix D2: Analysis of Harbin Engineering Invoices – Emergency Response

Findings: Newton County Contract with Junior Hilliard General Services

9. JHGS invoiced amounts exceeded the JHGS Contract Amount in each fiscal year.

The Contract Amount, as stated in section four of the JHGS Contract, is $412,331.00 per year.[155] Since the JHGS Contract was not in force until February 5, 2013, the table below prorates this annual amount for the period February 5, 2013 until June 30, 2014. For the remaining fiscal years, the Contract Amount is as stated in the JHGS Contract, without any increases subsequently approved by the County.

Table D4
Summary of Contract Overruns by JHGS
Fiscal Years 2013 to 2016

Fiscal Year	Invoiced Amount	Contract Amount	Variance
2013	$ 189,489.16	$ 171,804.58	$ 17,684.58
2014	$ 458,420.25	$ 412,331.00	$ 46,089.25
2015	$ 463,362.27	$ 412,331.00	$ 51,031.27
2016	$ 456,848.99	$ 412,331.00	$ 44,517.99
TOTAL	**$ 1,568,120.67**	**$ 1,408,797.58**	**$ 159,323.09**

10. There is insufficient evidence of approved increases to the JHGS Contract Amount in fiscal year 2013 through 2015.

Evidence of approval for increases to the Contract Amount was as follows:

a. FY 2013 – Purchase order # 0012842 indicates the budgeted amount for the JHGS Contract to be $422,331.00, which is $10,000 greater than the Contract Amount.[156] This purchase order, however, was approved on August 2, 2012. The JHGS Contract, approved by the BOC on February 5, 2013, would appear to supersede this purchase order.[157] Thus, the additional $17,684.58 of invoiced amounts does not appear to have sufficient approval.[158]

b. FY 2014 – While there is no evidence of approval by the entire BOC for a change in the Contract Amount, purchase order #0013435, signed by William K. Ellis and dated August 1, 2013, indicates a budgeted expenditure of $422,331.00 for fiscal year 2014.[159] Since the total expenditure for the year was $458,420.25, this leaves an additional $36,089.25 of invoiced amounts without approval.[160]

[155] Exhibit D9: Contract for Services with JHGS
[156] Exhibit D10: Newton County Purchase Order #12482 for JHGS
[157] Exhibit D11: Minutes from February 5, 2013 Newton County BOC meeting
[158] Appendix D4: Analysis of Contract Payments to Junior Hilliard General Services

[159] Exhibit D12: Newton County Purchase Order #13435 for JHGS
[160] Appendix D4: Analysis of Contract Payments to Junior Hilliard General Services

c. FY 2015 – the FY 2015 Approved Budget indicates a budgeted expenditure of $416,682.00 for fiscal year 2015 for the JHGS Contract.[161] The remaining $46,680.27 of invoiced amounts does not appear to have sufficient approval.[162] This issue appears to have been discussed by the Newton County BOC at its August 18, 2015 meeting, but there was no evidence of an approved increase in the budgeted expenditure.

11. There is sufficient evidence of an approved increase to the JHGS Contract Amount in fiscal year 2016.

On June 7, 2016, the BOC approved a change order of $54,000 for the JHGS Contract. The change order is documented in the minutes of the June 7, 2016 Newton County BOC meeting.[163]

[161] Exhibit D13: Newton County Approved Budget, Fiscal Year 2015
[162] Appendix D4: Analysis of Contract Payments to Junior Hilliard General Services
[163] Exhibit D14: Minutes from June 7, 2016 Newton County BOC meeting

12. The cumulative amount of the unapproved amounts invoiced from February 5, 2013 through June 30, 2016 is $90,972.09[164]

The unapproved overages for the JHGS Contract were as follows:

Newton County, Georgia
Landfill / Recyclable Operations
Analysis of Contract Payments to Junior Hilliard General Services
February 5, 2013 through June 30, 2016

	Invoiced	Contracted	Approved Increase	Unapproved Overage	
FY 2013	$ 189,489.16	$ 171,804.58	-	$ 17,684.58	1
FY 2014	458,420.25	412,331.00	10,000.00	36,089.25	2
FY 2015	463,362.27	412,331.00	4,351.00	46,680.27	3
FY 2016	456,848.99	412,331.00	54,000.00	(9,482.01)	4
TOTAL	**$ 1,568,120.67**	**$ 1,408,797.58**	**$ 68,351.00**	**$ 90,972.09**	

1. Invoiced amount beginning on February 5, 2013; Contracted amount calculated as 5/12 of annual contract amount.
2. Increase represents difference between $422,331 approved expenditure reflected on P.O. #0013435 and annual contract amount.
3. Increase represents difference between $416,682 expenditure reflected on approved FY 2015 budget and annual contract amount.
4. Increase approved by Newton County BOC at June 7, 2016 meeting per meeting minutes.

[164] Appendix D4: Analysis of Contract Payments to Junior Hilliard General Services

Summary and Observations

1. Eco-Tech Consultants, Inc. billed the Landfill for services in advance of any evidence of approval in the Newton County BOC meeting minutes. Each invoice rendered and paid before November 17, 2015 (the date of BOC approval) was initialed by Chairman Ellis.

2. Eco-Tech Consultants, Inc. and Eco-South, Inc. have interlocking directorship, with apparent relationships with then-County Attorney Tommy Craig.

3. There appears to have been a hand-off of the Beaverdam Creek mitigation site monitoring project from Eco-South, Inc. to Eco-Tech Consultants Inc. sometime during the Summer / Fall of 2014, shortly before the dissolution of Eco-South, Inc.

4. By the time that the Beaverdam Creek mitigation site monitoring project was moved to Eco-Tech Consultants, Inc., Mr. Bryan was deceased.

5. Further inquiry is recommended regarding Mr. Craig's relationship with and between Eco-South and Eco-Tech. Such inquiry should also include any documentation / correspondence regarding the transfer of the project from Eco-South, Inc. to Eco-Tech Consultants, Inc.

E. SPLOST, IMPACT FEES

Background and Overview

Under state law, counties and municipalities in Georgia have access to multiple sources of revenue from taxes and fees. Two of these sources are:

- The Special Purpose Local Option Sales Tax ("SPLOST") permitted under O.C.G.A. 48-8-110 through 124

- Development Impact Fees permitted under O.C.G.A. 36-71-1 through 13

According to its most recently published financial statements, Newton county had two SPLOST funds (the 2005 SPLOST Fund and the 2011 SPLOST Fund), as well as an Impact Fee Fund. These funds are accounted for as governmental funds. In accordance with Georgia law, each SPLOST fund and the Impact Fee fund are accounted for separately. During our analysis, we noted certain interactions between these funds that merited further inquiry.

Source Documents and Data, Provided and Relied Upon

In general, we were provided the following documents and data, which were used in this component of our analysis:

1. Impact Fee general ledgers, fiscal years 2012 – 2016
2. SPLOST 2005 Fund general ledgers, fiscal years 2012 – 2016
3. SPLOST 2011 Fund general ledgers, fiscal years 2012 – 2016
4. Excel workbook titled "325 2005 SPLOST Balance of Projects"
5. Excel workbook titled "350 Impact Fee FY16"
6. Excel workbook titled "2005 SPLOST & Impact Fee Projects"
7. PDF file titled "Tom Garrett Memo 2.12.15"
8. Excel workbook titled "2005 SPLOST Bonds & Lease"
9. E-mails from Nicole Cross (Newton County Finance), in response to inquiries
10. PDF titled "2010 – What is a SPLOST_by Tommy Craig & Jenny Carter."
11. Publicly available documents from Google searches
12. Publicly available documents from searches of the Newton County official website

A detailed listing of documents provided and relied upon is provided at the conclusion of this report, in the section entitled EXHIBITS AND SOURCE DOCUMENTS RELIED ON FOR REPORT.

Scope, Approach and Purpose of Analysis

In general, the following steps were performed for this component of our analysis:

1. Made inquiry of County Attorney Megan Martin, regarding issues surrounding SPLOST and Impact Fee funds.

2. Obtained and read documentation provided by County Attorney Megan Martin.

3. Obtained and read relevant documentation from the County website, including but not limited to:
    a. Board of Commissioners meeting minutes
    b. Audited financial statements
    c. Annual Reports for SPLOST funds

4. Prepared a request for documents and information and transmitted to County Finance department.

5. Read and analyzed documentation provided by the Newton County Finance Department.

A detailed listing of work product prepared is provided at the conclusion of this report, in the section entitled APPENDICES AND ANALYSIS SCHEDULES.

Findings, Causes and Impact

In general, findings from this component of our analysis are as follows:

1. Funds are systematically commingled between the SPLOST 2005 fund, the SPLOST 2011 fund and the Impact Fee fund.

2. At least $4,123,474 of SPLOST 2005 fund monies was used for Impact Fee fund projects.

A detailed discussion of these findings is below.

1. Systematic Commingling of Funds

Of the Newton County Finance Department, we made the following inquiries:

1. Are there separate bank accounts for these funds?

2. How are cash receipts and disbursements reconciled at the fund level?

The response from Nicole Cross of the Newton County Finance Department was as follows:

> ***"Yes, there are separate bank accounts for these funds. Monthly bank reconciliations are completed for each fund. Beginning at the end of fiscal year 2014, with the transition to the new financial system, a Pooled Cash account was set up and is currently utilized. While the funds noted still maintain a separate bank account, the Pooled Cash system writes all checks. Weekly, a transfer is made from those funds' bank account to the Pooled Cash account to cover the A/P check run for that week. All deposits for SPLOST funds from the State are deposited directly into the SPLOST cash account. Impact Fee revenue is deposited into Pooled Cash and the revenue less Accounts Payable checks is transferred to the Impact Fee bank account from Pooled Cash."*** [165]

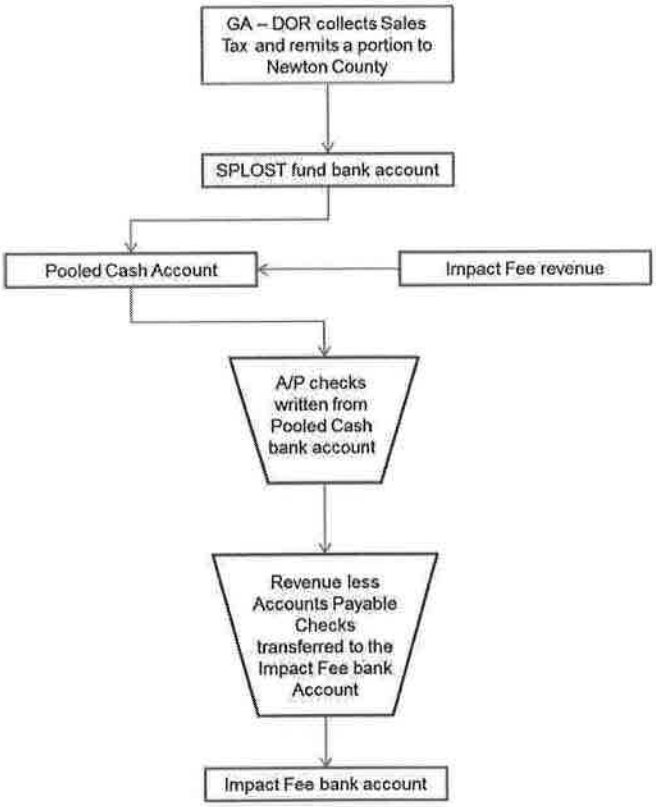
Issue: Potential commingling of funds

Given our question and Ms. Cross' response, the issue of commingled funds must be considered. The Newton County Board of Commissioners was given specific advice regarding this issue. A memorandum dated February 20, 2010, from then-County Attorney Tommy Craig and Jenny Carter to the BOC, states on page 5[166]:

> ***"SPLOST funds must be kept in a dedicated account, not commingled with other funds prior to expenditure." This advice is consistent with Georgia law, specifically O.C.G.A 48-8-121 (a)(1).*** [167]

Ms. Cross' response seems to indicate that such commingling may have occurred. Please refer to the chart below, which illustrates the receipt and flow of funds:

[165] Exhibit E1: September 28, 2016 e-mail response from N. Cross to D. Bernstein
[166] Exhibit E2: February 20, 2010, memorandum from then-County Attorney Tommy Craig to Newton County BOC
[167] Exhibit E3: O.C.G.A. 48-8-121



The use of the pooled cash account, as described by Ms. Cross, appears to create the risk for commingling of funds. For example, suppose that weekly check disbursements from the SPLOST account were less than the amount transferred into the SPLOST bank account. The remaining surplus SPLOST funds could then be transferred to the Impact Fee bank account. At the writing of this report, it is not known if such a transfer has ever occurred.

2. Use of SPLOST 2005 fund monies for Impact Fees fund projects

Of the Newton County Finance Department, we made the following inquiries:

a. "During FY 2014, the fund balance for the Impact Fee fund becomes negative. The balance sheet for governmental funds in the FY 2014 audit (page 4) reflects a due to / due from between the Impact Fee fund and the 2005 SPLOST fund. Note 5 to the financial statements states that this transfer was for 'additional costs of common projects.' Please provide detail as to the amount, timing and purpose of these additional costs incurred since inception of the common projects."

b. We queried whether the "common projects" are complete, and if not, then what future costs are anticipated.

The response from Nicole Cross of the Newton County Finance Department was as follows:

> ***"The specific costs are detailed in the attached worksheet named 2005 SPLOST & Impact Fee Projects. I have also attached the Memo from the County Manager at the time, Tom Garrett, detailing the reasoning of this transfer and the corresponding Board Minutes when this transfer was approved." ("Garrett Memo") The Response to [the request] indicates "all common projects are complete and no future costs are anticipated."*** [168]

Four documents, two provided by Ms. Cross and two available on the County website, appear to indicate that monies were borrowed from the SPLOST 2005 fund by the Impact Fee fund. The Garrett Memo[169], provided by Ms. Cross, describes a "reimbursement" of the SPLOST 2005 fund by the Impact Fee fund. Additionally, the Board of Commissioners minutes for February 17, 2015[170] indicate that the County's auditor reviewed the proposed reimbursement from the Impact Fee fund back to the SPLOST 2005 fund.

The Impact Fee Financial Report for the fiscal year ended June 30, 2015[171], provided by Ms. Cross, contains a footnote that reads, in part:

> ***"Impact Fees were involved in litigation when the ordinance was first approved. Because of this, roads on the original Capital Improvement Element (CIE) included in the original Impact Fee ordinance, were funded by the 2005 SPLOST road collections."***

The Impact Fee Financial Report is required by Georgia law, specifically O.C.G.A. 36-71-8(d)(1).[172]

Note 5 to the June 30, 2014 financial statements[173], available on the County website, states that the Impact Fee fund "owes" monies to the SPLOST 2005 fund. This term suggests that the Impact Fee fund borrowed from the SPLOST 2005 fund.

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[168] Exhibit E1: September 28, 2016 e-mail response from N. Cross to D. Bernstein
[169] Exhibit E4: February 12, 2015 memo from then-County Manager Tom Garrett to Newton County BOC
[170] Exhibit E5: February 17, 2015 minutes from Newton County BOC meeting
[171] Exhibit E6: Impact Fee Financial Report – Fiscal Year Ended June 30, 2015
[172] Exhibit E7: O.C.G.A. Section 36-71-8

[173] Exhibit E8: Newton County, Georgia Annual Financial Report for the Fiscal Year Ended June 30, 2014

Note 5 to the June 30, 2015 financial statements[174], available on the County website, changes the characterization, but not the amount of the borrowings. This document indicates that $250,000 of the total amount relates to monies that the "Impact Fee Fund owes the SPLOST 05 Fund." The remaining $3,873,474 is described as an advance from the SPLOST 2005 fund that is related "to working capital loans as additional funding sources for common projects." The Impact Fee fund general ledger[175] reflects the entire $4,123,474 as a "due to" liability.

These four documents, taken as a whole, lead to the conclusion that monies were borrowed from the SPLOST 2005 fund to pay for Impact Fee fund projects. This conclusion raises two additional questions: (1) what amounts were borrowed and (2) are such borrowings permitted?

In the County's financial statements, the SPLOST 2005 fund and the Impact Fee fund are accounted for as separate governmental funds[176], [177]. In order to account for a loan between two governmental funds, at the time of the loan, an asset, known as a "due from," is recorded in the fund that has loaned the monies. A corresponding liability, known as a "due to," is recorded in the fund that has borrowed the monies. Thus, the total amount borrowed from the SPLOST 2005 fund by the Impact Fee fund is reflected as a "due to" amount, or a liability, on the balance sheet of the Impact Fee fund. The amount of the "due to" reflected on the Impact Fee fund general ledger was as follows:

Fiscal Year Ended	Amount
June 30, 2014	$ 4,123,474
June 30, 2015	$ 4,123,474
June 30, 2016	$ 2,373,474

It is also noteworthy that no amounts are reflected as a "due to" liability in either the Impact Fund balance sheet or the Impact Fund general ledger prior to 2014. The Impact Fee Financial Reports for the years 2005 to 2013 reflect expenditures of $4,908,804.34 on roads projects by the Impact Fee fund during this time period.[178] [179] The disclosures in the Fiscal Year 2014[180] and 2015[181] financial statements suggest that these monies were "borrowed" from the SPLOST 2005 fund between 2005 and 2013 without contemporaneous disclosure.

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[174] Exhibit E9: Newton County, Georgia Annual Financial Report for the Fiscal Year Ended June 30, 2015
[175] Exhibit E10: Impact Fee Fund general ledger, Fiscal Year Ended June 30, 2014
[176] Exhibit E8: Newton County, Georgia Annual Financial Report for the Fiscal Year Ended June 30, 2014
[177] Exhibit E9: Newton County, Georgia Annual Financial Report for the Fiscal Year Ended June 30, 2015
[178] Appendix A1: Newton County, Georgia Impact Fee Fund Analysis of Roads Project Expenditures
[179] Exhibit E11: Newton County, Georgia Impact Fee Financial Reports, Fiscal Years 2005 – 2016

[180] Exhibit E8: Newton County, Georgia Annual Financial Report for the Fiscal Year Ended June 30, 2014
[181] Exhibit E9: Newton County, Georgia Annual Financial Report for the Fiscal Year Ended June 30, 2015

As to the question of whether such borrowings are permitted, there is specific guidance from the Georgia Attorney General's Office. In Official Opinion 2007-05[182], dated October 22, 2007, the Georgia Attorney General's Office opines that "a county may not borrow from county Special Purpose Local Option Sales Tax (SPLOST) proceeds to fund expenditures other than voter-approved capital projects authorized in the SPLOST statutes." Whether the actions of the County comport with Georgia law is ultimately a legal conclusion that is beyond the scope of our inquiry. However, we strongly believe it is advisable to seek further legal counsel on this matter regarding what further action should be taken.

Summary and Observations

Based upon our analysis, it appears that:

1. Systematic commingling of funds occurs between the SPLOST 2005 fund, the SPLOST 2011 fund and the Impact Fee fund. Systematic changes may be required to address this potential for commingling.

2. The Impact Fee fund borrowed at least **$4,123,474** from the SPLOST 2005 fund. Further inquiry should be undertaken by competent legal authority to determine the propriety of this inter-fund transaction activity.

[182] Exhibit E12: Official Opinion 2007-5 from State of Georgia Attorney General's Office, dated October 22, 2007

VI. CONCLUSION OPINION OF FINANCIAL DAMAGES TO NEWTON COUNTY TAXPAYERS

As discussed in this report, it is my opinion that a series of actions were taken by individuals in various different positions within Newton County government, which caused financial harm and damage to the taxpayers of Newton County, Georgia. A summary of these damages is presented in the table below.

Table
Newton County, Georgia
Summary of Financial Damages
Identified by Forensic Accounting Analysis

Functional Area	Amount
A. Recreation Commission	$ 11,853
B. Nelson Heights Community Center	$ 42,648
C. Proposed Bear Creek Reservoir	$ 25,569,421
D. Landfill and Convenience Centers	TBD
E. SPLOST and Impact Fees	$ 4,123,474

This the 28th day of November, 2016.

FRAZIER & DEETER LLC

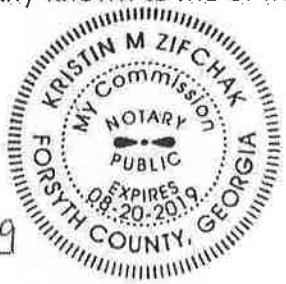
DTDSWYR

DAVID T. SAWYER CPA.CFF.CITP, CIA, CFE, CAMS
PARTNER, FORENSIC AND SPECIAL MATTERS

The foregoing affidavit was sworn to and subscribed before me this 28th day of November, 2016, by David T. Sawyer, who is personally known to me or has produced GA DRIVERS LICENSE as identification.

Kristin M. Zifchak

Notary Public
My Commission Expires: 8/20/2019



APPENDICES AND ANALYSIS SCHEDULES

SECTION A: NEWTON COUNTY RECREATION COMMISSION

SECTION B: NELSON HEIGHTS COMMUNITY CENTER

1. Analysis of Legal Services provide to NHCC
2. Analysis of NHCC operating expenses: Supplies
3. Analysis of NHCC foregone rent revenue.
4. Flowchart: NHCC real estate transactions.

SECTION C: PROPOSED BEAR CREEK RESERVOIR

1. Analysis of assessed property values and foregone property tax revenue
2. Flowchart: Acquisition of Jones County / Frazier Mitigation tract

SECTION D: LANDFILL, CONVENIENCE CENTERS

1. Analysis of Eco-South, Inc. Invoiced Amounts
2. Analysis of Harbin Engineering Invoices – Emergency Response
3. Analysis of Harbin Engineering Invoices – Emergency Response
4. Analysis of Contract Payments to Junior Hilliard General Services

SECTION E: SPLOST, IMPACT FEES

1. Excel workbook titled "325 2005 SPLOST Balance of Projects"

EXHIBITS AND SOURCE DOCUMENTS RELIED ON FOR REPORT

SECTION 0: REPORT OVERVIEW

1. CURRICULUM VITAE OF DAVID SAWYER

SECTION A: NEWTON COUNTY RECREATION COMMISSION

SECTION B: NELSON HEIGHTS COMMUNITY CENTER

1. Invoices for legal services provided by Wm. Thomas Craig, LLC

2. Documentation for operating expenses such as repairs, transportation and other expenses. Minutes from NHCC Board of Directors meetings.

3. Memo regarding foregone rental revenue re: Rising Son Christian Church.

4. E-mail from J. Smith to L. Kerr and M. Kelly dated March 31, 2016, regarding unpaid rental revenue from Rising Son Christian Church for use of Nelson Heights Community Center

5. Documentation from the office of Georgia Secretary of State:
Rising Son Christian Church

6. Documentation from the office of Georgia Secretary of State: Nelson Heights Community Services, Inc.

7. Motor vehicle bill of sale: 1993 Ford Super Wagon

8. Kelley Blue Book: 1993 Ford Super Wagon

9. Invoice from Team Sports & Signs: Painting and Decals for NHCC van

10. Documentation and invoice for replacement of broken window for NHCC van

11. Invoice from Gary Massey Agency for insurance: NHCC van

12. Real estate documentation: 1.91 acre tract

13. Real estate documentation: 2.09 acre tract

14. Real estate documentation: 7.94 acre tract

15. Real estate documentation: 0.63 acre tract

16. Documentation relating to tax lien for 0.63 acre tract

SECTION C: PROPOSED BEAR CREEK RESERVOIR

1. March 6, 2008 letter from U.S. EPA to USACE

2. April 3, 2008 letter from U.S. EPA to USACE

3. August 24, 2010 news article from Newton Citizen

4. May 5, 2011 letter from U.S. FWS to USACE

5. August 7, 2012 e-mail from U.S. FWS to USACE

6. August 4, 2012 news article from Newton Citizen

7. November 2, 2012 news article from Newton Citizen

8. July 24, 2014 submission cover letter of July 2014 Compensatory Mitigation Plan from Wm. Thomas Craig to USACE

9. November 25, 2012 news article from Newton Citizen

10. November 29, 2012 news article from Covington News

11. May 23, 2013 letter from Schnabel Engineering to Wm. Thomas Craig, Esq.

12. February 8, 2013 news article from Newton Citizen

13. April 17, 2013 news article from Newton Citizen

14. October 1, 2014 news article from Newton Citizen

15. January 20, 2015 news article from Newton Citizen

16. February 19, 2015 news article from Newton Citizen

17. February 16, 2015 Technical Memorandum (#1) from Scott Emmons, P.E. to Mike Hopkins, NCWSA Executive Director

18. October 6, 2014 news article from Newton Citizen

19. November 18, 2014 news article from Newton Citizen

20. April 19, 2015 news article from Covington News

21. October 8, 2015 news article from Newton Citizen

22. November 23, 2009 submission cover letter from Wm. Thomas Craig with Septmber 2009 Infratec Water Study to Mr. Ade Oake, Georgia EPD

23. Circa November 5, 2014 news article from Covington News

24. February 11 / 16, 2015 Technical Memorandum (#2) from Scott Emmons, P.E. to Mike Hopkins, NCWSA Executive Director

25. November 8, 2014 news article from Covington News

26. August 28, 2015 letter from Edward B. Johnson, Jr. (USACE) to Chairman Keith Ellis

27. October 19, 2015 news article from Newton Citizen

28. April 28, 2015 e-mail from Commissioner Levie Maddox to Wm. Thomas Craig

29. September 19, 2014 letter from James D. Giattina (U.S. EPA) to Colonel Thomas J. Tickner (USACE)

30. February 24, 2015 Memorandum for Record, prepared by Adam F. White (USACE)

31. April 2, 2015 letter from Edward B. Johnson, Jr. (USACE) to Chairman Keith Ellis.

32. August 28, 2015 letter from Edward B. Johnson, Jr. (USACE) to Chairman Keith Ellis.

33. May 11, 2012 submission cover letter of April 20, 2012 Compensatory Mitigation Plan from Wm. Thomas Craig to USACE

34. Summary of Bear Creek Reservoir expenditures, from Newton County Finance Department

35. Documentation of Federal Income Tax Lien against Wm. Thomas Craig

36. Documentation of relationship between Eco-Tech, Inc. and Eco-South, Inc.

37. Documentation for acquisition of Gaithers Plantation tract

38. Documentation for acquisition of Jones County / Frazier tract

39. Documentation for acquisition of Spears Farm tracts

40. Documentation for acquisition of Anderson tracts

41. Documentation for acquisition of Palmer tract

42. Documentation for acquisition of Bullard / Beaverdam tract

43. Documentation for acquisition of Hudson tract

44. Documentation for acquisition of Dixon tracts

45. Documentation for acquisition of Denby tract

46. Documentation for acquisition of Whatley tract

47. Documentation for acquisition of Digby tracts

48. Documentation for acquisition of Price tract

49. Definition for Fraud, West's Encyclopedia of American Law

SECTION D: LANDFILL, CONVENIENCE CENTERS

1. Newton County BOC meeting minutes, 9/18/2012, obtained from the County website.

2. Newton County BOC meeting minutes, 11/17/2015, obtained from the County website.

3. Newton County BOC meeting minutes, 8/16/2016, obtained from the County website

4. Newton County BOC meeting agenda, 10/18/2016, obtained from the County website.

5. Invoices to Landfill from Eco-South, Inc., fiscal years 2012-2016, provided by Nicole Cross, NC Finance department.

6. Invoices to Landfill from Eco-Tech Consultants, Inc., fiscal years 2012-2016, provided by Nicole Cross, NC Finance department.

7. Articles of Incorporation for Eco-South, Inc., 1/16/1992, obtained from the Georgia Secretary of State website.

8. Articles of Incorporation for Eco-Tech Consultants, Inc., 5/7/1990, obtained from the Kentucky Secretary of State website.

9. Certificate of Authority for Eco-Tech Consultants, Inc., dated 9/10/2013, obtained from the Georgia Secretary of State website

10. Newton County BOC meeting minutes for 12/1/2015, obtained from the County website

11. Newton County BOC meeting minutes for 1/21/2016, obtained from the County website

12. Newton County BOC meeting minutes for 2/2/2016, obtained from the County website

13. Harbin Engineering, P.C invoice #'s 3311, 3335, 3348, 3373, 3384, 3395, 3436, 3533, 3542, 3588, 3667 and 3698, provided by Nicole Cross, NC Finance department

14. Job posting for Solid Waste Manager, obtained from County website

15. Contract dated February 5, 2013, between Newton County Board of Commissioners and Junior Hilliard General Services, Inc. ("JHGS Contract"), as provided by Nicole Cross, NC Finance department.

16. Invoices rendered by JHGS, along with supporting documentation, for fiscal years ended June 30, 2013 through 2016, as provided by Nicole Cross, NC Finance department.

17. Newton County BOC meeting minutes for 2/5/2013, 8/18/2015, 5/31/2016 and 6/7/2016, as available on the County website.

18. FY 2015 Approved Budget, as available on the County website.

SECTION E: SPLOST, IMPACT FEES (EXHIBIT 4)

1. E-mails from Nicole Cross (Newton County Finance), in response to inquiries

2. PDF titled "2010 – What is a SPLOST_by Tommy Craig & Jenny Carter"

3. O.C.G.A Section 48-8-21

4. PDF file titled "Tom Garrett Memo 2.12.15"

5. Minutes from Newton County Board of Commissioners Meeting, February 17, 2015

6. Impact Fee Financial Report, Fiscal Year 2015

7. O.C.G.A. Section 36-71-8

8. Newton County, Georgia, Annual Financial Report, Fiscal Year Ended June 30, 2014, with Note 5 Disclosure

9. Newton County, Georgia, Annual Financial Report, Fiscal Year Ended June 30, 2015, with Note 5 Disclosure

10. Impact Fee general ledgers, fiscal years 2014 – 2016

11. Impact Fee Financial Reports, Fiscal Years 2005 – 2016

12. Official Opinion 2007-5, from Georgia State Attorney General's Office