

TOWN OF BLACK CREEK
TOWN BOARD MEETING

Date: Nov. 11, 2008

Place: Black Creek Town Hall

Present: Mayor Howard Moore, Commissioners Smith, Lucas, Franks, Dawson.

Absent: Commissioner Godwin

Minutes Taped Yes

Mayor Moore: Meeting for Nov. 11, 2008 is now in session. First item on the agenda is to pay the bills. I'm sure everyone has had a chance to look at them. If there is no discussion, do I hear a motion to pay the bills? Motion made by Commissioner Lucas to pay the bills, second by Commissioner Smith, all in favor say I, all opposed, motion carried unanimously. The next thing is to approve our October minutes. Do I hear any discussion on this? If not, do I hear a motion to adopt the minutes? Motion to adopt the minutes made by Commissioner Franks, second by Commissioner Dawson, all in favor say I, all opposed, motion carried unanimously. Does anybody have any old business? If not we'll get right to the first thing on the agenda, which is an auditors report from Petway, Mills, and Pearson.

Petway: We issued an unqualified audit opinion, which is what the town has received for a number of years. We found the financial statements to be fairly stated in conformity with generally accepted accounting principles. If you would look at page 18 of the audit report; this is the financial statement. You will see that you had assets of \$2.9 million dollars. \$2.6 million of that is in cash investments. Your next largest current asset is utilities receivable which is \$180,000.00. You had total capitol assets of \$3.5 million, which left you with total assets at the end of the year of \$6.5 million roughly. You had total liabilities of \$1.1 million. Most of that is in long term debt category. There are some notes that are owed on some water and sewer projects. You ended the year with \$5.3 million dollars worth of total net assets. \$2.6 million dollars of that is invested in properties. The Powell bill required you to reserve \$89,000.00 of your assets for use for that program. You also have \$36,000.00 in reserve assets related to the water and sewer fund, and unrestricted assets of \$2.6 million dollars. If you will look at page 19 this shows you you're expenses and revenues based on the method of revenue recognition. You spent in your governmental activities \$435,000.00. You had charges for services of \$58,000.00. You have Grants that are directly related to a functional category of \$68,000.00 and total general revenues and transfers largely property taxes, interest income and local options sales tax of \$309,000.00. This left you with an end of the year change of \$803.00. There is also a prior year adjustment in these financial statements to correct some recording property and equipment of \$70,000.00. Over time there have been corrections that have needed to have been made to the financial statements and this is just a recording error, which left you at the end of the year with \$5.3 million dollars in

net assets. In the business type activities; which are your water and sewer, and electric funds, you spent \$502,000.00 in water and sewer and charges for services of \$642,000.00. In the electric fund you spent \$1.1 million dollars, and your charges for services were \$1.2 million dollars. There was some unrestricted investment income as well as a transfer to the general fund of \$80,000.00, which left a net income in business type activity of \$286,000.00 and ending net assets of \$4.9 million dollars. If you look at page 20; this is your fund financial statements. The main difference being that these statements do not show property and equipment and debt, if you were to compare them to the government wide financial statements. You will note that you had total fund balances of \$255,000.00; \$154,000.00 is available for carry over and appropriation by the council. You had \$263,000.00 in general fund cash, taxes receivable of \$15,000.00, accounts payable which is the garbage charges of \$7,000.00 due from other governments, and \$4,000.00 accounts payable. You owed roughly \$19,000.00 and the taxes receivable or deferred revenue because they are available for future use under North Carolina general statutes. You have the government wide financial statements that are recognized as revenue so that's one of the variations in the recording process. If you will look at page 21 and at the same time, this page interacts with page 23; page 21 is showing your actual revenues of \$354,000.00. Your actual expenditures of \$462,000.00, which was a deficiency of revenues over expenditures of \$107,000.00 until the \$80,000.00 transfer, plus there was some capitol lease obligations which left you with ending fund balance of \$255,000.00. Page 23 is a comparison of the budget to Asheville and the main significant area with regard to this statement is that there are no over expenditures in the expenditure category. That would be a statutory finding if you had had that situation. If you were to look at pages 24 and 25 these are the proprietary fund statements. In revenue and expenditures they are exactly the same as the statements in the government wide. Most of your cash is invested in your proprietary funds of \$2.4 million dollars of your total cash. They also own \$3.3 million dollars of the total fixed assets. They again have the largest amount of the debt, in that they owe roughly \$900,000.00 of long term debt. They have net assets of \$4.9 million dollars. The unrestricted net assets of \$2.4 million dollars to some extent can be used by the council for purposes other than maintaining it in this fund. You can reallocate some of that to the general fund, and you can use it for other projects or unexpected expenditures that being the main issue in the current year. We have 2 management letter points in the letter of performing our audit in two matters. One of which is pretty standard. The town has roughly 3 people in the administrative capacity, so you will never have adequate segregation of duties, that's not possible given the size of the town. The other item we noted is there is some difficulty in reconciling the write off of bad debts, like utility receivables from the accounts receivable module to the general ledger. We have given Barbara some reconciliation sheets and we've worked with her on how to handle this problem. You have a number of old utilities receivables that need to be written off. If you write them off by making a note in the general ledger, it throws out the reconciliation to the accounts receivable module. So she's working on that. We made adjustments to bring it to the correct balances as of June 30th; she's posted those journal entries. Last week she and I had a meeting and went through some more difficulties she was having with that. The main thing is that you do the monthly reconciliations and try to bring it back into balance. I gather that you are aware that there is a write off problem that needs to be addressed. The town has always used the direct

write off method rather than the allowance method. You might want to start using the allowance method going forward and recognizing some bad debt and establish a historical trend as to what that percentage would be and you have to have some statistical information to do that. We also provided you with a second letter. And what that second letter is that this year we have been under twelve new auditing standards and this is the letter we are required to communicate to the board, auditing standard 114. Basically it said we conducted a financial statement audit under accepted auditing standards. There were no changes in the application of accounting policies and procedures. There are accounting estimates in these financial statements and they deal with the bad debts. We have provided you with the disclosures written in the manner that is required by the LGC, and those disclosures are considered neutral, and clear. The most significant ones are your capitol assets and your long term debt and future obligations. We had no difficulties in dealing with your staff. There were no uncorrected mistakes. We had no disagreements with management. We were provided with access to all the information that we needed to conduct the audit. And that there were no restrictions placed on us. There were no consultations with independent accountants. We did have some discussions about the towns needs in terms of the audit; you are in the process of going into a capitol project. I have assisted Barbara in how that ordinance would be set up.

Mayor Moore: Does anybody have any questions? It was a pretty good audit all in all. Barbara has been doing a good job for us. Do I hear a motion to accept this audit? Motion made by Commissioner Lucas to accept the audit, second by Commissioner Dawson, all in favor say I, all opposed, motion carried unanimously. We've got two budget amendments, one and two for grant loan project they are attached to this and everybody has a copy. Do I hear a motion to accept these amendments into our budget to set up the projects? Motion made by Commissioner Lucas, second by Commissioner Smith, all in favor say I, all opposed, motion carried unanimously. The next thing is to approve this grant and loan project ordinance for \$999,650.00 dollars, that's this one right here on top. Is there a motion to approve this grant? Motion made by Commissioner Smith, second by Commissioner Franks, all in favor say I, all opposed, motion carried unanimously. The next thing on the agenda is to appoint a library board member to replace Edith Daniels. Does anybody have any candidates? Do you want to table this? Motion to table this made by Commissioner Lucas, second by Commissioner Franks, all in favor say I, all opposed, motion carried unanimously. Now it's time for commissioners business. Commissioner Lucas do you have anything?

Commissioner Lucas: The bonuses. I figured it would be issued as a bonus, next pay period. It's basically an extra paycheck for everybody.

Mayor Moore: Motion made by Commissioner Lucas to approve these bonuses, second by Commissioner Smith, all in favor say I, all opposed, motion carried unanimously. Commissioner Franks, Commissioner Smith do you have anything?

Commissioner Smith: The water line route and the water line filtration plant. We had a few alternatives, one coming down the driveway turn right go down Mercer Street, at Central Avenue take a right and head on down to Aycock Street. The other one is to

cross a lot owned by Donald Batchelor on Central Avenue come right on out there and hook and go down Aycock. Greg called me on the phone and floated that idea, sounds like we should investigate. So I contacted Donald Batchelor to see if he wanted to sell it. He indicated to me that he would take \$30,000 for it. Based on comparisons based from Herring and Sutton if we come out on Mercer Street, go down Central it will cost approximately \$56,000. If we buy the lot and cross it, it's going to cost \$68,000. Pretty much the way I see it is we'll be buying that lot for \$11,000. If we decide we don't want it we can sell it. It's not a bad deal if we can get it. I would make a recommendation that we try to pursue the purchase of it. Call the lawyer to write down the agreement in thirty days so it will be bought. My motion would be to purchase the lot for \$30,000.

Mayor Moore: Motion made by Commissioner Smith to buy this lot for no more than \$30,000, second by Commissioner Lucas all in favor say I, all opposed, motion carried unanimously. Commissioner Dawson do you have anything? We will not charge a fee for the use of the gazebo, but people will have to reserve it and sign a form that if they do any damage they would have to pay for it. Motion for this made by Commissioner Dawson, second by Commissioner Franks, all in favor say I, all opposed, motion carried unanimously. I want to thank you for Heritage day. You put a lot of work into it. Now on to department head business, Joe, do you have anything? Greg do you have anything?

Greg Gates: The truck that is 9 years old needs tires. I've got two prices. White's handles the state contract on big tires like that. We can do brand new tires for \$247 a piece but if we do recaps there is a guy in Greenville that is cheaper. Poythress Tire is the name of it.

Mayor Moore: Motion to buy recaps made by Commissioner Smith second by Commissioner Lucas, all in favor say I, all opposed, motion carried unanimously. Candy do you have anything? Does anybody in the audience have anything? The Christmas party is December 5th at 7pm at the community building. Barbara is going to be out the rest of this week for Chapel Hill budget class, she is also scheduled to have minor foot surgery on the 25th and 26th, so she might be out for some days after that. Meeting adjourned.

Barbara Aycock, Town Administrator

Howard Moore, Mayor