

TOWN OF BLACK CREEK
TOWN BOARD MEETING

Date: Nov 13, 2007

Time: 7:30 P.M.

Place: Black Creek Town Hall

Present: Mayor Howard Moore, Commissioners Seltzer, Smith, Godwin, Lucas, Franks

Absent: None

Minutes Taped Yes

Mayor Moore: Meeting for November 13, 2007 is now in session. First order of business is consideration of our October meeting minutes.

Commissioner Godwin: Sir, our first thing is the public hearing. You are always supposed to have your public hearing first. You can do like you want to, but I'm just telling you, go ahead. Mayor Moore states that you can do it either way. Well! this will be a first then. Mayor Moore asks, do you want to do it that way? You're the mayor go ahead like you want to. Mayor Moore states it can be done that way, because I went to a class in Rocky Mount on how to conduct board meetings.

Mayor Moore: Do I hear a motion to approve the minutes? Motion made by Commissioner Seltzer to approve the minutes, second by Commissioner Godwin, all in favor say I, all opposed. Motion carried unanimously. Do I hear a motion that we pay the October bills? Motion made by Commissioner Lucas, second by Commissioner Godwin, all in favor say I, all opposed, motion carried unanimously. In the old business section; motion made by Commissioner Seltzer to resend the corrections and approve the minutes as they were written, second by Commissioner Franks, all in favor say I all opposed, motion carried unanimously. Now we will go into public hearing. I declare this public hearing open. Notice of this public hearing has been posted at the town hall, and published in the newspaper as required. It is being held to hear comments from the public on a proposal to convert the house at 500 Church St to a multifamily dwelling. No one in the audience has any comments; we have not received any phone calls. Do I hear a motion to close the public hearing? Motion made by Commissioner Seltzer, second by Commissioner Smith, all in favor say I, all opposed, motion carried unanimously. Next thing would be the auditors report, but the auditor is not here. Go down to the proposal to issue a permit to Selby Bass to convert 500 Church Street to a multifamily dwelling. Do I hear any discussion? Motion to approve made by Commissioner Godwin, second by Commissioner Seltzer, all in favor say I, all opposed, motion carried unanimously. Is anybody here from Petway and Pearson Audit Firm?

Briggs Petway: Phyllis Pearson is the audit partner. She had about 3 other meetings tonight, so I told her I could handle this one. I brought you the booklet that went out to the local government commission and reported your activity. I flagged just a few pages I'm just going to point to you, just to tell you when you have time to review more thoroughly. I will say this is dense reading. If you get into it and have questions my phone number is on the letter head call me and I'll give you a good slow answer. Page 5 and 6 early in the book. That's the independent auditors report. This said we issued an unqualified opinion, which means that we did not in any way say, this stuff is right except for the items listed. As far as we can tell the material is fairly stated as your financial records are kept. This is a clean opinion as we call it in the accountant world. This is the best opinion I can write. The Town of Black Creeks financial statements are fairly presented. Page 8 and for about 8 more pages, I'm not going to read it to you. This is in narrative form, what your town did. If you don't like to read those financial statements with columns and charts, this is in narrative form. On page 8 it points out a few things like your net assets at the end of the year, which is the cost of your assets minus. During the year those net assets increased by 190 thousand dollars. Primarily because of your utility funds. Primarily because of the electric fund. There are just several more in there. Those are the two biggest numbers. This small page I just handed you I'll point those out to you in just a second. Page 18 is a balance sheet in a business like manner. You know town accounting is different from business accounting, very different. About 4 years ago our auditing standards people said you've got to write a business like balance sheet. So exhibit one on page 18 and 19 is it. For those of you who are business people this will look just like your statements you do for your business. I kind of condensed exhibit one into the top half of this little two piece sheet I gave you to point out a few things. Under assets, what you own, cash in the bank, you have got 2.2 million dollars cash in the bank or invested with cash management funds. Accounts receivable, primarily out of the utility fund, you've got 308 thousand dollars; that's what somebody owes you that you can reasonably expect to collect in the near future. Inventory in the utility funds for water and sewer and electric is about 67 thousand dollars at cost. Property and equipment at cost, net of depreciation is 3.6 million. Obviously at cost you've got a great deal more assets than that, but it's depreciated down over the years to 3.6 million. So your total assets, the things you own we've accounted for at 6.3 million dollars, that's pretty good for a small town, very good. The liabilities, what you owe, account payable 87 thousand dollars, that's what you can expect to pay out in 60 to 90 days after year ends. This number will roll; it will continue to be there. You've got utility deposits held for customers pending non collection of bills, or holding till the day they move out, 64 thousand dollars. And then long term debt, what you owe to banks or bond agency, or whoever you borrow money from is 995 thousand dollars. That's a lot of money, but it still represents the fact that ya'll paid off that electric sub-station loan. We applaud you for paying that off before the interest rates became punitive and that you managed your money well to do this. So you owed a million, 146 you owned up above 6.2 million, your net assets or your equity, terms we often talk about is 5.15 million dollars. For most of the small towns we work with, you are in better shape than a lot of small towns. Over the years ya'll have managed very conservatively, very cautiously, and very carefully, and you've accumulated a fair net worth. Back in the book over to page 19, the one that's printed sideways. This is basically an income statement. It is printed in reverse

from what we're used to seeing. It shows the expenses first. And just in the first column of this book, let me just point out what it cost. Your general government, which is you folks, cost 79 thousand dollars to run. Your public safety, your police department, your contributions to the fire department, 151 thousand. Streets and garbage collection 117 thousand, cemetery 18 thousand 600. parks library 71 thousand dollars, interest on the long term debt 10 thousand 196 in the general fund. If we came straight down that first column continuing, your water and sewer fund cost you 471 thousand dollars last year to run. That does not include the purchase price of assets; it does include depreciation on them. The electric fund cost you a million and 29 thousand dollars to run. If I added the expenses under the government activity the expenses under the business like activities, it cost you a million 939 thousand dollars to keep Black Creek running last year. So that's the cost you are basically looking at 2 million dollars a year to keep the doors open. The next column over we talk about charges and services and grants, and kind of an L shape down at the bottom we talk about some taxes. I pointed that out so you would see some specifics. If you'll look at the bottom of the first page of that little 2 page thing I gave you. I've summarized these things. Your total income from all sources during the year, which is charges for services, which is primarily out of the utility fund and everything else was 2.13 million dollars. Your utility services brought in 1 million 786 thousand dollars. They covered their cost. Your property taxes, which is what your constituents pay on the bills that they get every year, including vehicles it will stagger through out the year, was 128 thousand dollars. So as we come down to this the bottom line of this page, it says increase, decrease, and net assets come back to 190 thousand dollars. One line up is inner funds transfers. You had to transfer 62 thousand dollars out of the electric fund, to fund your general fund. And even then your general fund still showed a 57 thousand dollar deficit. Your general fund cost you about 120 thousand dollars. That's about the net cost, after all the things that came into it. So you supplement it with your utility fund, just like every other small town does. You just don't see any of them running on property taxes, and sales tax remissions from the state. I'm not telling you anything you didn't know, I just wanted to show you how it was coming out. So this exhibit 2 is the income statement. The twelve months ended June 30th so that's how everything kind of summarized out.

Commissioner Lucas: On the transfer of funds, is there any percentage amount that you might look down on, if you transferred a large amount.

Briggs Petway: The local government commission looks and they said, what would a public utility like Progress Energy, or Duke Power, what would they distribute in dividends to their shareholders. Generally speaking, depending on who and when you talk to local government commission, they don't want to see more than 3% to 6% of your profits coming out. Now, it's hard to do that in a small town. We're in the municipal power business for a good reason. But you have managed to maintain your level of transfers. That is so that we don't have to kill everybody with property taxes. I know that the local government commission always is more cautious on that than I am. If you've run your system efficiently I'm not terribly worried.

Commissioner Seltzer: Is there an average breakout in population where that does change over, and can support itself? Or is that not the rule of thumb.

Briggs Petway: Are you saying does any body's general fund support itself? We do a number of small towns comparable to Black Creek, and as I stand here right this second I can't think of any that year in and year out the general fund supports itself. I see the same letter you see, and if Phyllis were here she might be more cautious about it than I am, but I just don't worry too much about it. If you've managed as well as you can manage and your constituents feel like you are taking good care of their interest, it to me isn't that big of a problem. Your constituents will vote you out if they don't think you are taking care of their interest. Let me point to another page or so here. Page 23 this is the general fund. And this is just to illustrate one of the crazy rules we accountants make. The numbers I gave you on those first two statements we look at are considerably different on the bottom line than what I'm showing you on exhibit 6. Exhibit 6 is classic fund accounting. What you've always done up until about 4 years ago. The way it was always done was this way, and that was cash in, cash out. This exhibit 6 is really budget verses actual. And you know that you budget for things like, if you buy a garbage truck this year, the only portion of the price that is budgeted as an expenditure ultimately as it nets out is the portion of the debt that you paid in the current year. The balance financed out three to five years further is considered a netting process, and we don't record depreciation in here. But under law you have to have a balanced budget. You have to present one balanced, and I commend you all because you've always done that. You would be surprised at the small towns don't present a balanced budget. You'd think its second nature, but it's not. And then you have to amend as your facts and circumstances change during the year. If you realize you are going to have to borrow from something, you include the borrowing in the expenditure. If you look at all these exhibits several of them have reconciliations between exhibit one and two, and the budget base. This is just the first budget base one. No particular number on there that I really wanted to mention. Last page I've plugged here is page 26, exhibit 9. Exhibit 9 is just for your water and sewer fund, and the electric fund. They are called proprietary funds, or business like funds. They always require a statement of cash flow. A statement of cash flow simply explains where your money came from, and where it went. So that top section called cash flow from operating activity is really the business of running a utility system. Collection from customers minus the cost of providing the service. Out of that the water and sewer fund generated 140 thousand dollars. The electric fund generated 323 thousand dollars. If we look down in the next section you see transfers. And out of the electric fund brackets or negatives in accounting speak we transferred money out of the electric fund and into the general fund. Next section down cash flows from capital and related financing activities, this is when you buy something or borrow money. We generated out of the water and sewer fund positive cash flows of 53 thousand dollars. But I do want you to see we spent 653 thousand dollars but we borrowed 780 thousand dollars. So it all nets down to a positive 53 thousand. Out of the electric fund we go a negative because everything was an expenditure. You paid off that electric substation, and you paid interest on your debt. Finally, you earned some money in water and sewer fund. Those investment earned 34 thousand in dividends. The electric fund earned 35 thousand. So you earned 70 thousand dollars. You are being a pretty good steward of

your money with wise investments. This is explaining where you came up with things. This is explaining how we're ending up with 2.23 million dollars in the bank. Those are the big statements. If you look at those statements they will tell you in a nut shell more than probably any other section. I won't point it out but toward the back there are two more letters. They just explain that ya'll complied with all the governmental rules. The restriction on your money that was given to you by federal or state agencies was in fact complied with. On the back page is a little hand out. I just pointed out your cash in the bank increase, which is very good. I pointed out your general fund you bought a garbage truck, and put a roof on the library, extended a water line. The third item down, I wanted to point out that you did pick up 780 thousand dollars of new water and sewer debt. That's not chicken feed. Finally debt service, I wanted you to see how much you were going to pay. For example principle and interest for all your debt next year will cost 101 thousand 673 dollars. The following year it's roughly the same, and then it drops down 89 then 54. So it's falling substantially for a number of years. I talked to you about how much it cost to keep the doors open. Doors open or not, you've got to come up with 101 thousand dollars. Are there any questions about what we did?

Mayor Moore: It sounds like a good report to me. It sounds like our town administrator, Mrs. Aycock has been doing a good job. Do I hear a motion that we accept this audit? Motion made by Commissioner Lucas to accept the audit, second by Commissioner Seltzer, all in favor say I, all opposed, motion carried unanimously. Gene, we've already approved your thing, if that's what you are waiting for. We approved it as you were walking in the door. Next item concerns a possible expansion of our water treatment plant. Some money is becoming available for water and waste water products, and Barbara has been working on putting things together so we can get our application in. It's a complicated process with a lot to do and the time is short. Robert Masters of Carolina Opportunity, it's a non profit group out of Snow Hill. He has agreed to help us if the board decides to make an application. Mr. Masters, Barbara, and I have met a couple of times. He's here to give us some details on what we need to do to get an application.

Robert Masters: Thank you Mayor. My name is Robert Masters and I met your town administrator, Mrs. Aycock at a conference in Raleigh at the North Carolina Rural Economic Development Center. She was there and 500 other people were there to hear about this next years round of grants and loans for infrastructure to towns and counties. At that time she and I talked at length about some plans that she had working up in her mind for the town. The auditor, I was just listening to him talking about earning a little bit of money on utility funds and water. In just a second I'd like to give you a little demonstration on how you might be able to make a little bit more money. Which is a good thing for a town, I think. I believe in keeping property taxes as low as possible. One way to do it is run it like a business. The auditor pointed out that you are doing well at that already, but I might be able to show you a way of making a little bit more money. With a little bit more investment. In your package, like the mayor said, myself, the town administrator, and the mayor have met several times. We came up with a little bit of a scenario of a plan. I think everybody should have a copy of a document that looks like this. This kind of runs down what our little scenario would be. What it comes down to is, and this was all news to me until I came to town several times to talk. But I guess, what's

happening is, you are selling water, some of your water to Wilson County. I guess they are buying about 250 thousand gallons from you. This is generating about \$8300.00 a month in revenue to the town. What we're talking about doing is basically taking your water treatment plant and doubling its capacity and output. There's no absolute pressing need. It's not like you have a shortage of water, it sounds like you have enough water. But what you have is a great opportunity right now. A unique opportunity because of all this attention that's being placed on water supply throughout the state, and especially right in here with Rocky Mount, Wilson, Sharpsburg between and you are over here from Wilson, and the Governor coming out saying all of you need to work together to give each other water. They have come up with all the financing that we need, to make that not only a reality, but a good business decision. What we're kind of thinking about is this; we went to the rural center, Ms. Aycock, and me. We attended two days of information on these grants. What we would do is apply for a 400 thousand dollar grant from the North Carolina Rural Center. That would be basically step one. My agency would prepare that for the town. I've got to work with your staff and all that, but essentially that's what I would do. Then at the same time, last week we met with USDA Rural Development and they are very familiar with what the rural center is doing on their end with this 400 thousand dollar grant. And they sat here and said to us, if you were to go after the 400 thousand from the rural center, we can put 450 thousand dollars of additional grant money on the table to match up to the rural center. The only draw back to this at all really is that USDA cannot give us 100% of the entire project. Those days are gone from all the agencies any more. Nobody is getting anything funded 100% any more, because we found out the hard way if you do that then the local people don't have any money in it they don't tend to care about it, or keep it up. Somebody finally figured that out and said no, we're going to make them put some money in it. If you look down at my little budget here, you've got a USDA loan amount showing of 150 thousand dollars. You could make up that 150 thousand dollars by taking it out of your fund balance, and it appears on the audit that you have it to take out of there. However; that may not be a very wise business decision, because we can borrow that money from USDA at 4.5%, no fees, no nothing just 4.5 fixed for 40 years. Who wouldn't do that? We kind of have to jump all over that in my opinion. We can do better than that putting money in the investment side. Now the only thing I wanted to say is, and we are guessing at this point, we've got a feel for about how much this is going to cost, I think around a million, it might go up to 1.2 if it goes up to 1.2 just bear in mind that the USDA grant amount will go up. And the loan will go up too. But we can't imagine at this point even getting past 1.25 on the worst day is what we're thinking. We kind of took a million as being on the guess side. As far as I know we have engaged the engineer to commence to the preliminary required engineering and design estimate that we will need to put with the grant on both sides of the house. North Carolina Rural Center for the 400 and USDA over there. Commissioner Godwin asks who the engineer was. Herring and Sutton, I understand that's the same one that designed the plant and who has the most knowledge at this point to get the plans ready; which we're hoping saves us a little bit of money. That would be the hope. We've got some timing issues, the mayor pointed out. We're in deep troubles as far as time goes. When I say deep trouble I mean, usually putting ideas together will take months, and we've only got a month at this point. But we are basically taking advantage of an opportunity. It's obvious to everybody now that

water is finally going to become a valued commodity. Not something we just dig a hole in the ground and go get. Those days are gone. Water is going to end up being like oil coming out of the ground in Texas before it's all over with. If you have a chance right now to double your capacity at a cost of say 150 thousand dollars out of a million and you can get that 150 thousand for 4.5% for 40 years and then you know you've got enough water supply that will last for I don't know how long. And you've got the option of selling more of that water to Wilson County. Wilson, who's now giving water to Rocky Mount because of the shortage. It's hard to imagine a point where the debt service on that 150 thousand we've more than paid for by your water sales to Wilson County you've got a net asset sitting there on books, called a waste water treatment plant that's now doubled it's capacity if Black Creek does, you aren't never going to have to worry about supplying water to whatever came out there. That is the Readers Digest condensed version of what we are trying to do. USDA, I think the mayor will agree with this; he sat here at the table and things very encouraging. Mayor Moore states that he was urging us to do this. He understands that we're under the gun to as far as time goes. I just think it was a good idea, the timing is right, the money is there. All we've got to do is kind of push a little bit to meet the deadlines and I am willing to do that. I can work with you people and get that thing out of here by the 17th of December. At least it won't screw up Christmas. Commissioner Godwin asks, you have not started on it yet? No sir, you give me the word tonight, we will.

Mayor Moore: If we're going to do this we need to approve the resolution of intent.

Commissioner Smith: I have one question. In other words you are fairly confident if we apply for it we are going to get it. You'd say 95%. Mr. Masters responds that it would probably be closer to 97 or 98%.

Mr. Masters: When USDA sat here they brought something up. Your water rates before were pretty low and you did not qualify for grant money. Because you didn't qualify you for certain programs you had to pay the full price. Now you've got all those little issues rectified. You are sitting there with Wilson, and Rocky Mount all over the newspaper dying for water, and you've got not only water, you've got Black Creek water. That's good water. You hardly have to do anything to it to use it. And with your critical location to Wilson, it's going to be a strong application no doubt about it. And I don't believe a lot of people are going to be ready to react quickly enough for this December deadline. They do have another deadline coming, but what our collective thinking was, let's get there first with the most and try to get it done by December 17th. I'm super confident actually.

Mayor Moore: Will there be any more discussion? Do I hear a motion to approve the intent to apply for the grant. Motion to approve by Commissioner Smith, second by Commissioner Seltzer, all in favor say I, all opposed, motion carried unanimously. Now we've got to approve this service agreement with Mr. Masters. Motion made to approve the contract with Carolina Opportunities to assist with the grant, second by Commissioner Franks, all in favor say I all opposed, motion carried unanimously. That is

all the items on the agenda, we'll go to commissioners business now. Roland do you have anything?

Commissioner Lucas: They've got a public finance education seminar in New Bern on December 12th. It's a public finance education seminar for finance officers and so forth. It's free. Barbara said she would like to go, so I make a motion that she go to the New Bern location.

Mayor Moore: Motion made by Commissioner Lucas for Barbara to go to New Bern in December, second by Commissioner Seltzer, all in favor say I, all opposed, motion carried unanimously.

Commissioner Lucas: The other thing is employee Christmas bonus. I make a motion that we issue as we did in 2006.

Mayor Moore: Motion made to keep bonuses the way they were last year made by Commissioner Lucas, second by Commissioner Seltzer all in favor say I, all opposed, motion carried.

Commissioner Lucas: The only other thing is the Christmas party is going to be at Griffs on the 14th of December at 7:30 no children, just spouses. That's all I have.

Mayor Moore: Elton do you have anything? Mr. Godwin, Mr. Smith. Mr. Seltzer.

Commissioner Seltzer: Don't forget about Hunter's Landing. And thanks for the excellent job on the sidewalk, it looks nice. And a plug for Heritage Day, it was awesome.

Mayor Moore: Ellen, if you are not going to give a heritage day report then I'm going to take this opportunity to thank you and all the volunteers on the committee. Especially you; everything went off very smoothly. We will move on to Department Head business. Greg do you have anything? Greg states that he has been working on the water lines on Mercer Street, and all the services are in. The only thing we like is about 100 foot of pipe. We can't complete that until we switch people over because the line that is there now is where we've going to tie our line in. We can't kill it until everybody switches over. Do you have anything else? I know ya'll have been busy. Commissioner Godwin asks Greg if he has talked to Robert about the duties on this housing and junk and things. Greg states that we are going to have to have some policy changes. Mayor Moore states that Ms. Aycock is supposed to be printing out the ordinances so we can try to go through these things. Greg states, before we start getting into the nitty gritty of this stuff you better have the policies right or somebody will be calling their lawyer. Candy, do you have anything? Joe , do you have anything? Does anybody in the audience have anything? Mr. Jimmy Holland has called and asked about buying 50 feet of property next to the water tower on Yank Rd. he wants to discuss it, but I believe we said no in the workshop. We've told him in the past, he is welcome to use that 50 feet, and if we ever have to use it he will have plenty of notice. We've got some notes down here. Upper

Coastal Plains annual banquet is November 20th, you have to register to go to that. Barbara is going to be at Rural water and Wastewater project the 14th and that's going to give us 10 points on this grant that we are putting in for by her attending that. Commissioner Godwin says he has one more thing. I have actually received, I don't remember where it's came from. I got a 20 year pen. Anybody who has been serving on the board got one. Mayor Moore states, if you've been here for 20 years you deserve one. Motion to adjourn made by Commissioner Godwin, second by Commissioner Lucas, all in favor say I, all opposed, motion carried unanimously. **Meeting adjourned**

Barbara Aycock
Secretary to Board

Howard Moore
Mayor