THE FOUR HUNDRED AND TWENTY SIXTH SESSION OF THE BOARD OF ALDERMAN
VILLAGE OF ALAMANCE
NOVEMBER 25, 2013 – 7:00 PM

Present: Mayor Bundren, Mayor Pro Tem Sharpe, Alderman Clemmons, Alderman Tichy, Alderman Crouse, Alderman Slaughter, Alderman Gregory and Clerk York.

Alderman Gregory gave the invocation.

Alderman Tichy moved to approve the October 28, 2013 meeting minutes. Alderman Slaughter seconded the motion. The motion passed unanimously.

OLD BUSINESS

Report on Cabin Pump Station Project

Mark Reich provided a follow-up report to the last meeting, with more detailed analysis. The contingency is not as much as he would like it to be; however, he will wait to see how this ends up. He provided drawings for review. There have been more conversations with subcontractors. Mr. Reich called the Board's attention to the estimate of probable cost. He referred to Item #37, where funds have been added. In conversations with the City of Burlington, they may need to provide Protecto 401 liner for the ductile iron pipe. This cost is $15,000.00 which was not in the original estimate. Mayor Bundren asked about the liner. Mr. Reich explained that Burlington is one of the few communities in the state that lines all of their sanitary sewer ductile iron pipe with Protecto 401.

Alderman Crouse added that Winston-Salem also used to do this. Mr. Reich further added that this is becoming more common practice. It is done because you can get sulfuric acid in sanitary sewer waste. This sulfuric acid will attack concrete. Typically, the gas comes to the top of the pipe and causes corrosion. With duct liner pipe, the top portion is cement-lined. The top portion of the pipe could be attacked to make the line weaker. The Village has ductile iron lining in the system. Burlington has old cast iron lines throughout their system.

A lot of municipalities are moving to this 401 Protecto liner. Burlington will have to sign off on the permit, so this may be part of the permit. Burlington has said they would like for the Village to use 401 Protecto liner. This has not been finalized yet; the cost has been broken out. Mr. Reich explained that he may take an alternate bid, unless Burlington says this is what they need to do. Mr. Reich also pointed out the different depths that have been broken out, referring to the drawings. He has increased the size of the line from an 8 to a 10, for the grade. He pointed out 0.3% on the profile. This is not quite the minimum grade, but very close to the minimum grade of 0.28%. This means that for every 100 feet of fall, it is dropping .3 of a foot. Mr. Reich did some calculations, and noted that this is not a lot of fall. He also pointed out the siphon on the drawing and the locations of the bores. Some of the bores are directly on the line; others are off line. Mr. Reich has shifted the pipe to save more dollars. He pointed out, on the drawings, where he anticipated finding rock. He referred to Item #30 noting 500 yards of rock, and said he hoped it would be less than this amount. Mayor Bundren asked about the depth of rock at a particular point on the drawing. She asked if Mr. Reich expected to be in rock all the way down. He affirmed that this was correct, on the north side of the creek. There is some good news relating to Burlington putting in the sanitary sewer line. There is a little area there that will not have to be

excavated. Where they are proposing to terminate the bore is about 15 feet from the manhole. There is basically only a short distance where they will be in solid rock. Mayor Bundren asked about the location of the manhole, in relation to the pump station. Mr. Reich pointed out the existing pump station, across the creek. Mr. Reich summed up that they have accounted for the rock. He then addressed other items in the estimated cost. At this point, he said they are within budget. Once they obtain the bids, the cost could be a little more or it could be a little less. There is a big variance in cost from $325.00 per foot up to $450 per foot. Hopefully, when the bids come in, the cost will be less. Mr. Reich stated they were in the ballpark, as to where the costs would be. Alderman Crouse asked about the bids for the directional bores. Mr. Reich answered that this was from someone out of Kernersville. He will provide the name later. Mr. Reich added that they have worked with Roger Saunderson, with Yates. They also used some of Jerry's prices for the sanitary sewer. The next step is to start with the easement acquisitions. Mayor Bundren thanked Mr. Reich for the update.

ORC Report

In the absence of Arnold Allred, Mayor Bundren asked the Board if everyone had read the ORC Report. She commented that there was nothing out of the ordinary in the report. Alderman Tichy asked if the cabin pump was back. Clerk York replied that it is back. Alderman Clemmons noted that it was an expensive repair. Mayor Bundren asked about the cost. Clerk York answered that the repair cost was $3700.00.

Liberty Drive Paving

Mark Reich reported that the patch work for Liberty Drive has been completed. They are going to sub the paving out to Thompson & Arthur. This is good at this time of the year, as they have better equipment and more experience. Mr. Reich commented that he felt better about this being subbed out to Thompson & Arthur. Thompson & Arthur is the closest asphalt plant in this area. This time of the year, the timing of the asphalt is the most critical thing. They are not going to run a small job, which is what the Liberty Drive project is considered. Mr. Reich spoke with Bryan today. The temperature needs to be 50 degrees. Hopefully, this will be paved next week when temperatures are warmer. This project is weather-dependent; this is key.

There was no additional Old Business.

NEW BUSINESS

Audit and Financial Statements

1. Becky Loy: Cobb, Ezekiel, and Loy

Becky Loy began her presentation by thanking the Board and stating this was an unqualified opinion. Clerk York explained the difference between a qualified opinion and unqualified opinion. Mrs. Loy further explained what they do in an audit. They look at controls, policies and procedures. They make sure that they are testing data correctly. They don't look at every transaction. This is why it is never 100%. When there is a fraud issue, they go check by check. In an audit like this, they test and make sure that procedures are working correctly to capture the information. It is not 100%, because they don't look at 100%. They can't look at every single item. Mrs. Loy referred to Page 14 in the Audit document. She highlighted some of the numbers. Cash is at $1, 568,000.00 right now. That is a $173,000.00 increase from last year. Cash has gone up. Restricted cash is the Powell Bill money. It is $181,000.00 right now; an increase of $26,000.00. The other items are all relative to last year's numbers. The total fund balance is

almost $1,800,000.00. That's an increase of $210,000.00. That's pretty good for an entity this size. The Village has a very strong fund balance position. Mrs. Loy then referred to Page 15. She reviewed the activity, which was very comparable to last year.

Taxes were completely flat; there was just a few hundreds dollars difference. There was a $10,000.00 increase in Local Options Sales Tax, over last year. Hopefully, this is a reflection of some recovery in the economy. The increase is related to the increase in population. The other single item that really is different from last year is the $8,000.00 recycling grant. That is in restricted intergovernmental. Total revenue is $449,000.00; an $18,000.00 increase over last year. Looking at expenditures, General Government reflects an increase of $13,500.00, but the Village spent $18,000.00 on the recycling carts. There was a grant for part of it, but the full expenditure is in the General Government line item. Total expenditures of $205,000.00 went up by $11,000.00. If you subtract the $18,000.00, expenditures actually went down this year. That's maintenance and one-time expenditures that the Village didn't have this year. This is still a pretty positive position. The Village is managing expenditures, spending about half of what is coming in, as a rule. That's a pretty strong position. The Village is positioned to not have to go to debt market—a good position to be in.

The net change in fund balance, $205,000.00, is very positive. The Village is required to have 8% in fund balance. That amount would be $16,000.00. The Village is at 878%, well above where it needs to be, regarding the fund balance. Obviously, $16,000.00 would not be enough to do anything. The Local Government Commission would have an issue with a fund balance this low. Ms. Loy summarized that everything looks pretty good with the General Fund. She then referred to Page 44, the Tax Worksheet. Mrs. Loy observed there was not a lot to point out. There is $90,533,156.00 in valuation. This is the value of the property in the Village. Last year it was $90,053,000.00. This is an increase of $480,000.00. That is a pretty good increase. It is a .5% increase, but still a pretty good increase in the value.

Taxes overall are very flat. There was change in the type of taxes. Motor vehicles increased, but as far as the total taxes, everything is very flat. The value did go up, and the collection rate was 98.41, a good percentage. Everything was very comparable to last year. There is not a whole lot of change from this year to last year. There was a transfer of $40,000.00 into the Capital Project.

The Water and Sewer Fund also had a transfer back to the General Fund for $1390.00 for a transaction. That's why the total is not $40,000.00, rather $40,000.00 minus $1390.00. This will be the area where change will be seen next year. Mrs. Loy stated that she didn't remember seeing a negative in the General Fund. This will be seen, once all of the money goes into the project. Once the Village does the transfer, the full transfer into the Capital Project, if it is all done in this fiscal year, there will be a lot of money coming out next year. Clerk York added that they will transfer more money out of the General Fund than they will receive. Mayor Bundren noted that this will be for that one year. Mrs. Loy pointed out that the focus is on Operating Revenue and Expense. This is below that operating line. The Local Government Commission sees this all the time—these one time events and transfers.

Mrs. Loy then referred to Page 18, the Water and Sewer Fund. This fund also looks very good. Cash increased $70,000.00. The Capital Project is included on Page 18, so the activity from that is included here. Cash went up because cash came over from the General Fund ($39,000.00). Net operation income was $45,000.00. There was more money taken in, than spent out, from an operational standpoint this year. There were purchases of $8,000.00; $13,000.00 in loan payments, and a few miscellaneous increases that net to $70,000.00. In Capital Assets, there is $3,757,000.00. This is actually a decrease, because of system depreciation. There was a

$63,000.00 decrease in the value because the Village only added $8,000.00 but subtracted $71,000.00 in depreciation. Every year, the system is depreciated as it is less valuable as it deteriorates. Total net assets are $4,054,000.00. Looking at liabilities, the biggest thing there is the debt. Debt was at $231,000.00 last year. It is at $218,000.00 this year. Investment and Capital Assets are the assets minus the debt. This is $3,500,000.00. The unrestricted is $266,000.00. This is the number to really focus on. The Village has really worked hard to change the negative trend, from the past. Adding $71,000.00 is very positive. That puts the total to $266,000.00. It is very typical for water and sewer systems to not be money makers. There is a lot of maintenance, upkeep, and expenditures.

Mrs. Loy then referred to Page 19. Again, everything is just flat this year. Charges for service sent down by $1,700.00, almost the same as last year. Expenditures are very flat. On an accrual basis, there is a loss of $18,000.00. The transfer is what makes this positive. The total net position is $3,800,000.00, which is very healthy. The biggest item that stands out in the numbers is the transfer going from the General Fund to the Water and Sewer Fund. Ms. Loy asked if there were any questions. She encouraged the Board members to read the statement. There is a lot of good information there, with details on the General Fund and the Water and Sewer Fund.

Mrs. Loy then referred to Page 46, the Internal Control Letter. The only issue is the same one from year to year. For any small entity it is the segregation of duties. The Village has a small office, so the opportunity exists for a misappropriation of money. The Village does have a Finance Officer in place and a person on the Board who comes in and looks. It is critical to have this in place. If something were to happen, Alderman Clemmons would see it eventually. That comment is only to alert the Board that you are at a higher risk. As a Board, you want to eliminate as much opportunity as you can, with controls and policies in place. You can't have so many that it restricts the operations of the entity. You always have to go back to the cost-benefit analysis to determine if the cost is worth the benefit. She encouraged Board members to ask questions anytime they see something they don't understand or aren't comfortable with. Ms. Loy referred to the letter that states the audit was completed by the Governmental Auditing Standards that are required. The letter also discloses that the auditors have proper training, which is 40 hours per year in continuing professional education. This training all has to be in governmental accounting. It is pretty stringent. They also look at the journal entries that they do to make sure that the system in place is capturing the data. It would be a concern if they had to record a lot of data. The Village records entries on a cash basis and they convert that to an accrual basis. There were no issues in the audit and they did not have any disagreements with management. They appreciate the opportunity to perform the audit. Clerk York provides a lot of information and does a good job. Mayor Bundren thanked Mrs. Loy for her work.

Finance Report

The $210,943.81 CD purchased from Carter Bank matured on November 19, 2013. It earned $948.94 in interest. A new CD was purchased for $211,892.15. The new rate for this CD was .35%. The total value of all CD's deposited is $1,654,274.85. Mayor Bundren asked if the Budget was on track. Clerk York said that it was and that he had no budget amendments at this time. Alderman Tichy asked if the rate was higher or lower than before. Clerk York responded that it was lower.

OTHER BUSINESS

Mayor Bundren said that she would like to see the established date included on the village entrance sign. We are the oldest community in Alamance County. The national register of historic places lists the Village as the oldest community in Alamance County. The incorporation date matters to those of us in the Village but it does not mean anything historically. Mayor Pro-Tem Sharpe asked if both dates could be on the sign. Mayor Bundren said that she would be fine with that if it could be put on there. She said that our heritage comes from when we were established. If it is ok with the Board, she would like to find out what it would cost to change the sign to include the established date. It was the consensus of the Board that the Mayor obtain estimates.

Mayor Bundren asked Mayor Pro-Tem Sharpe if she would like to bring up a matter that she and the Mayor had discussed previously. Mayor Bundren asked if the Board was allowed to go into closed session to discuss a contractual employee. Clerk York said that he did not know. He said that the Board could discuss the matter in open session if they felt comfortable doing so. Mayor Bundren said that she was comfortable discussing the issue in open session. No one on the Board objected to remaining in open session. Mayor Pro-Tem Sharpe said that she believes the Village is second fiddle for Attorney Bateman. Mayor Bundren pointed out that he is the Attorney for both the Village and Burlington. These areas are contiguous and if there was a conflict between the Village and Burlington, then who would he advise. She said that he has missed the last two meetings because he had something to do in Burlington. She also said that he has a good background in the law and municipal government. Her concern is the loyalty. She asked the Board for their thoughts. Alderman Clemmons said that something like that is a big decision and cannot be made quickly. Mayor Bundren said that she was not calling for a vote tonight. She just wanted to know the Board's feeling on the matter. Alderman Clemmons said they should think about and consider the matter and what issues we may have with the attorney. If we have issues, is it possible to work with him on those issues? If not, we can look at someone else if we need to. Mayor Bundren said that there was an issue with a property owned by Ginger Bright. It was brought before him when he first came to the Village (January 7, 2001) and it only was resolved last year. Her concern is, will the Village always be second fiddle and that the towns adjoin. Mayor Pro-Tem Sharpe said that he is also the attorney in Mebane. Alderman Clemmons asked if we should get a sub committee of the Board together to discuss the matter and then meet with Attorney Bateman. Mayor Bundren said that it could be done if that is what the Board wants to do. Alderman Tichy said that if there was a spreadsheet of items that the Board wanted done; Attorney Bateman would know that Board is keeping track of what he has been asked to do. We should be keeping track of these things with anyone we have as Attorney. He said that we need to review how we deal with the Attorney and if we want to change. It bothers him when Attorney Bateman misses meetings. Alderman Gregory said that we may not be first fiddle with anyone. Mayor Bundren said that we have been first fiddle with the attorneys we have had in the past. Alderman Crouse concurred. Mayor Bundren said that that is just an issue that she and Mayor Pro-Tem Sharpe wanted to bring before the Board for them to think about.

Alderman Clemmons mentioned that Mr. Haywood King passed away recently and that he was an engineer for the Village. Mayor Pro-Tem Sharpe mentioned that Jr. Frye

would have surgery soon. Mayor Bundren said that she had a card from the Board for Alley, Williams, Carmen, and King. She also extended the condolences of the Board to Clerk York upon the passing of his grandmother. She also had a card from the Board for Clerk York.

Alderman Clemmons mentioned that a new auto plant could possibly be built in Randolph County. This may bring more residents to the Village.

Mayor Bundren invited Mark Reich and the folks at Alley, Williams, Carmen, and King to the December meeting.

There was no other business.

PUBLIC COMMENT

There was no other public comment.

Alderman Crouse moved to adjourn and Alderman Slaughter seconded. The motion passed unanimously and the meeting was adjourned.

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_____Cathera R. Bundren, Mayor

_____Ben York, Village Clerk