THE FOUR HUNDRED AND THIRTEENTH SESSION OF THE BOARD OF ALDERMAN
VILLAGE OF ALAMANCE
NOVEMBER 26, 2012 – 7:00 PM

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

Absent:

Alderman Crouse gave the invocation.

Alderman Clemmons moved to approve the October 22, 2012 meeting minutes. Mayor Pro Tem Sharpe seconded the motion. The motion passed unanimously.

OLD BUSINESS

Plaid Day

This item was tabled until the January meeting of the Board of Aldermen.

Report on Cabin Pump Station Project

Mark Reich said he still needed to finish work on this and send the information to Allan Hart. Mr. Reich will let Clerk York know when this has been sent to Mr. Hart.

ORC Report

Arnold Allred reported that the collection system and pump stations are all running well. Everything is also fine with the distribution system. A really good report has been received on the THM/HA5; this is looking good also. Mayor Bundren asked if they would be able to reduce the number of tests. Mr. Allred replied this was on the lead and copper sampling, noting he had not yet seen these results. Clerk York observed the results of the lead and copper testing had just been received. There was not a single hit on the lead; there were some that were high enough to report. There was nothing approaching the NCL on the copper testing. Mr. Allred asked if two years of reporting were required before reduced monitoring could be requested. Clerk York replied there were a couple of cycles required. Mr. Allred suggested that, perhaps with the next cycle, they could request the reduction in monitoring of lead and copper. He does not see any problem with this. The THM monitoring is still required every quarter. They are getting some better numbers now. Mayor Bundren thanked Mr. Allred for his report.

Ordinance Requiring Permit to Discharge a Firearm

Mayor Bundren apologized for not being at the last meeting, but noted that she had listened to the audio recording of the discussion. An individual can obtain a permit because they have a right to have a permit; the question revolves around whether or not an individual has a criminal record. At this point, Clerk York passed out ordinance copies which addressed the questions raised at the last meeting. He said the Board had approved to have him issue the permits as the Town Clerk. The question is about doing some kind of background check on an individual. The first part of the question is about the possibility of doing a background check. Who could do the background check and how would it be done? The second part of the question is what kind of standard or

procedure would be used to determine whether or not to issue a permit. The Village of Alamance does have an ordinance that allows an individual to discharge a firearm inside the city limits, but only to shoot squirrels, or other varmints. A permit is required; it is only good for 30 days. The permit may be renewed, but only for 3 times in one calendar year. The permit allows shooting on weekdays, including Saturdays, during daylight hours only and only on your own property. Clerk York reported that he had checked with the Sheriff's Department. They will not do background checks for this. There are two options available, in regard to background checks. The first is to go to the Alamance County Courthouse and use a public terminal that provides criminal history searches. This would provide information about criminal convictions. This is the option that Clerk York recommends. The other option is doing a $25-$30 background check, as is done by the Alamance County Recreation Department for their youth coaches. If this option is chosen, Clerk York suggested a fee be added to the permit, equal to the cost of the background check. There is a 48 hour waiting period for the permit. This would allow Clerk York time to go to the Courthouse to check criminal history.

His suggestions, following conferring with Mr. Bateman, are: no permits issued for anyone who has a felony conviction, or a misdemeanor involving a firearms or assault violation. Mayor Bundren asked if this was what Mebane does, or if any local city had a firearms ordinance. Alderman Crouse observed that Burlington has a firearms ordinance. Mayor Bundren asked Clerk York if he had checked with the City of Burlington. Clerk York replied that Burlington does not do any kind of a background check. Mebane does do a background check but they don't have a standard written into their ordinance. Their Assistant Police Chief is assigned to this responsibility. Clerk York has spoken with him; as Assistant Police Chief he does a background check, using their CAD system and AOC system. Though Mebane does not have a specific standard, it would be along the same lines as the standard that was discussed a moment ago. As a trained Police Officer, he knows what to look for. Mayor Bundren asked if it would be possible to network with Mebane, and have them do the background checks for the Village of Alamance. Attorney Bateman responded that this would not be a possibility.

Alderman Tichy pointed out that the Village had only issued one Firearms permit in the last three years. Mayor Bundren asked if a Public Hearing was required to make changes to the ordinance. Attorney Bateman indicated this was not necessary. Alderman Gregory moved to accept the new wording to the Ordinance for the Control of Discharge of Firearms and Projectiles Within City Limits Ordinance. Mayor Bundren read aloud the proposed changes to the ordinance: "No permit shall be issued to a person who has been convicted of a felony, or has a misdemeanor conviction involving assault or firearms." Alderman Tichy seconded the motion. The motion passed unanimously. Mayor Bundren summarized that Clerk York would issue the firearms permit, do the background check, and the new language would be incorporated into the ordinance. She confirmed that there would only be 3 permits issued per year. Clerk York observed that this meant one calendar year.

There was no additional Old Business.

NEW BUSINESS

Audit and Financial Statements

1. Becky Loy; Cobb, Ezekiel, and Loy

Becky Loy thanked the Board for the opportunity to present the audit. She called attention to the financial statement, stating that she hoped to summarize the information and present key activity

results that have happened through the year. Mrs. Loy said this was an unqualified opinion; this is the best opinion that can be obtained. They did not find anything that would lead them to say that the financial statements are okay, except for some particular issue. It is a little confusing, but it is the best opinion that you can get. She began the presentation with page 13 of the audit report. This is the Balance Sheet, where the Village would be on June 30 if everything was collected that was due, and everything was paid that was due out and current. For the General Fund, this would not include any kind of debt. It is current resources, including accounts payable and accounts receivable. Right now, the cash position of the Village is $1,390,000 for the General Fund. Below that is "Restricted Cash," this is new, $155,000 for the Powell Bill. It is now required that this be shown as Restricted Cash. You are only allowed to keep up to 10 years in the Powell Bill. Mrs. Loy recommended that the Board keep an eye on this, as they are getting close to the 10-year limit. The Village is also receiving more Powell Bill monies as the population increases. The amount has increased by $10,000 over the last two or three years. These are the two main items in the total assets. The total assets for the Village are nearly $1,600,000. Looking at Accounts Payable, deferred revenue, these amounts did not change very significantly. In the Fund Balance section, the Powell Bill is also listed there as a restriction of the Fund Balance. The most important thing is the unassigned General Fund amount which is, $1,378,000. This increased by $208,000 last year. This is a pretty significant number for an entity the size of the Village of Alamance. There is actually $2.1 million in total assets if the infrastructure (streets, the building, all other assets) is added. On a modified cash basis, which is normally what you look at on a monthly basis, the Village is at $1.3 million, almost $1.4 million.

In 2010, there was a Water & Sewer restriction on the Fund Balance. That went away when the project was funded through the grant process. That is a change from the last two years and why you don't see that; the grant funded that and it went away. Right now, the Village is at $1.4 million. Looking at Page 14, Mrs. Loy addressed the activity for the Village—what is managed every month. They pick up the payables and receivables, but it is still very close to the cash basis. Looking at Ad Valorem Taxes, they've gone up by $800.00. This has leveled off. The Tax Rate was the same as last year; it went down 2 cents from the year before that. The value is at $90.1 million; last year it was $88.9 million. It went up over 1%. For every cent on the tax rate, that's $9,000.00 in taxes. The collection percentage is 99.02%. That is a good collection percentage. Taxes are relatively stable and the value and collection rates are trending in a positive direction. The local option sales tax increased by $54,000. Revenues from sales taxes have gone up over $100,000 in the past two years. If the economy improves, that is only going to go up for the Village. The revaluation and population growth have contributed to this.

The Revenues from Powell Bill were $25,000. This is an increase from $13,000 two years ago. Mayor Bundren asked how the amount required to spend from Powell Bill funds is determined. Mrs. Loy said that allocations for the past ten years are added up. If the Village's balance of funds exceeds the 10 year allocation number, the state will take away the difference. Total Revenue in the General Fund went up $65,000 and expenses went down by $32,000. The reductions in Expenses come primarily from engineering, capital outlay, and Transportation. The increased revenue and decreased expenses meant there was an increase in the Village's surplus of about $100,000. The surplus in the General Fund this year was $237,000. Last year it was $147,000 and the year before that it was $126,000. The State requires municipalities to have a fund balance of at least 8%. The Village has a fund balance of 811%. Mrs. Loy went on to say that a fund balance of this size raises the question of what level of fund balance is reasonable to have on hand. Mrs. Loy said that she couldn't say what amount would be reasonable. The fund balance is strong and could be used if there were any projects the Village needed to do. If the Village started to reduce its fund balance, the LGC would want to know why. Also, if there was an event that caused the Village to have to spend a lot of money, then the fund balance could be

used for that as well. Mayor Bundren asked if money could be transferred from the General Fund to the Water and Sewer Fund without it raising red flags with the LGC. Mrs. Loy responded that the Village was allowed to do that but that the LGC would not like it. The LGC will want to know why the money is being moved. They would be more agreeable to a one time transaction than they would be if the money was for operating capital. Mayor Bundren said that the Village may move funds for a one time project that the Board is considering. Mrs. Loy said that the LGC would not object to a transfer, but they will want to look at the fund if those transfers keep happening. Overall the General Fund is positive.

Mrs. Loy then went to page 17. This is the water and sewer fund. The cash balance is $172,000. This is an increase of $121,000. The Accounts receivable went down by $72,000. This is due to the CDBG project being completed. The capital assets are $3.8 million. This is down $71,000 from last year. This is due to depreciation. Last year the added valued of the completed capital projects caused the total balance in the capital asset account to increase. The Accounts payable is $31,000. Last year it was $25,000. There was an invoice from the City of Burlington that was paid in July. The normal amount in the Accounts Payable account is about $8,000. The ARRA Loan balance is $217,000. The net assets are $3.5 million. The debt must be backed out to determine the net assets. The unrestricted is $195,000, almost $200,000. That's an increase of $40,000 for this year. That's a positive trend. Ms. Loy then presented page 18, Activity. There was a $10,000 increase in revenue. This is due to a rate increase in charges for service; an increase of $14,000. There was a decrease in taps and impact fees, based on activity. Revenues still are strong. Expenditures only went up by $13.00. The operating income is minus $18,400. If depreciation were not included, the number would be positive. The LGC mainly looks at this number. They would like to see it positive. However, they know that deprecation is a factor. She asked if there were any questions. She said that the Village is in good financial shape. If the current trends continue and the Village manages its finances to show a positive net income, then the Village will continue to be in good financial shape.

Mrs. Loy then presented the internal control letter. The only comment is that the Board should have controls in place due to the fact that there is only one person in the accounting department. Alderman Clemmons has been good about working with the Clerk on Bank Reconciliations and looking at the activity on a monthly basis. The Audit did not find anything wrong. They just want the Board to be aware that there is more opportunity for problems with one person as opposed to multiple persons. Mayor Bundren said that she and Alderman Clemmons review and sign all checks that go out. Mrs. Loy said that the controls that the Village currently has in place are good. She encouraged the Board to always be looking at ways to strengthen the controls. As an example, the area of CDs could be strengthened. Currently, there is a monthly transaction, as they are renewing every single month. Ms. Loy recommended that the Board look at this process. Now, Clerk York is the only one involved in the process. From the perspective of controls, the Board would want some kind of control. This should strengthen the activity. Perhaps, have Alderman Clemmons sign off on the monthly paperwork. There should be something in place where there is knowledge of the transactions, from the Board's perspective.

Mrs. Loy observed that they do auditing under government auditing standards. Because the Village of Alamance has received grant money, they audit under these standards to strengthen controls. The government auditing standards are a little higher level of review. Controls specific for grant money have been reviewed. Accounting policies are also reviewed. The Local Government Commission has not required, but strongly suggested, that policies be put in place, that the Village of Alamance does not currently have. There is a fund balance policy, revenue spending policy, and the capitalization policy. They have not questioned this; the Board may look at them and decide not to put them in place. It becomes a requirement if the policies are put

into place. It can create some issues. Mrs. Loy said that she planned to meet with Clerk York and give him copies of the recommended policies. The Board can then review them and decide whether to put them in place. Mayor Bundren asked if the policies could be tweaked. Mrs. Loy replied that they could be tweaked; it would be the Board's policy, made the way they wanted it. The capitalization policy is very simple. It's a threshold of what is capitalized and what is not. Now, it's an unwritten policy. The other two policies are a little more complicated. Mrs. Loy stated she just wanted the Board to have the information in the event they wanted to put any of these policies in place. They use the Local Government Commission's Audit Manual. They are more comfortable with financial statements when they see disclosures that they wrote. Mrs. Loy noted they try to follow their example. There were no difficulties. They do journal entries, taking modified accrual and converting it to full accrual. Full accrual is required; these are the first two statements. If they have to correct errors, this is an indication there is a problem somewhere. They look for trends of issues in the journal entries, on the accounting side. They did not have any journal entries with which they were uncomfortable. There were no disagreements with management. They do receive a representation letter from both Clerk York and Alderman Clemmons stating that they have provided accurate and complete information. There were no other issues. This was a good audit. Mrs. Loy expressed her appreciation for the opportunity. She summarized that the results were good for the Village and the numbers look really good. Alderman Clemmons observed that Clerk York is doing a really good job with the Village finances. Every year, he sees growth and Clerk York understands the finances really well. Mrs. Loy commented that Clerk York has been very helpful to her. She expressed her appreciation to Clerk York. Mayor Bundren added that the entire Board could speak to that as well, and thanked Clerk York.

Tap and Meter Set Fees

Clerk York reported that Dr. Patterson is building a house behind his dental office building. It is a life estate; his in-laws will live there and when they no longer need it, it will be converted to commercial use. Dr. Patterson will run a water line out to the street. In the past, there has been a tap fee and a meter set fee charged. He would not pay an impact fee, because he has already paid for these lines to be put in. The question is whether to charge both a meter set fee and a tap fee. Historically, a meter set fee is something you see in a subdivision where the developer puts in the lines and then a separate fee is charged to put the meter in. A meter set fee is charged to give control over when the water service goes in. Of course, Dr. Patterson's house under construction is not in a subdivision. When water service is set up, there is a fee. The question is what to charge in this situation. The Village's water tap fee, for a ¾ inch line, is $500.00. Should the meter set fee be charged only in the subdivision or all the time? Mayor Bundren asked if a residential house could be constructed on that lot. Clerk York responded that it was mixed use. It does meet the zoning. Mark Reich commented on the two fees. The water tap fee is $500.00. Then, there is a meter only fee which is $175.00. Normally, a tap fee would include the meter. If the City has to go out and make a physical tap and run a line from the water main, that should be more than just the meter fee. You could charge both fees or just have one fee that would pay for both installation of the line and the tap and the meter yoke, setter, meter box, and the meter. Clerk York has been charging for both. Mr. Reich said he questioned this, because most municipalities have a fee for a water tap which includes the water meter with it. The meter fee is when a developer comes in, makes the corporation, runs the line over to the meter setter, sets the meter setter, and puts the meter box in. The Board has control once the developer has done what he wants to do. Most municipalities will have a meter only fee which will take care of that situation. Mr. Reich said he thought the other tap fee should include a meter, for just a residential situation, when a tap was run from the main to the right-of-way, and set the meter. That is

usually just one fee. Attorney Bateman commented that the issue at hand is whether the fees we are currently charging cover the cost of making the tap and setting the meter. Mr. Reich asked Clerk York if he had a quote or had installed a tap in this type situation. Clerk York replied that the only one he had done was on Elder Lane. He didn't remember what Jerry charged at the time. There was already a meter there, though. Mr. Reich said they should look at a cost. You should have one set fee. Jerry would probably give a price for the short side or on the long side. You may want to take an average of the two and this would be the fee. Clerk York noted that two years ago they ran something across NC 62 for Roy Glasgow. Jerry ran a line under the street. He did not recall the cost amount, but will go back and check. He will also speak with Jerry as to the charges for the short side and long side. He will bring the information back to the Board at the December meeting. He would like to have direction from the Board, regarding charges for Dr. Patterson. Alderman Tichy asked if a tap was being made for Dr. Patterson. Clerk York affirmed a tap was being made. Alderman Tichy asked if there was a quote. Clerk York said he did not yet have a quote. Mayor Bundren asked how soon Dr. Patterson wanted to do this, asking if there was time to do this at the December meeting. Clerk York noted that the next meeting would be on December 17th. Clerk York questioned whether he could charge anything different from what is already in the Village schedule of fees. There was some general discussion at this point. Mayor Bundren asked, if Dr. Patterson came in tomorrow, what would the charge be? She said they should do what they have been typically doing, in her opinion. If they find out something different by the next meeting, it can be addressed at that time. Clerk York said he would contact Jerry. Mayor Bundren stated that nothing precluded the Board from changing the fees if the rates go up.

Budget Amendment

Clerk York presented the Budget Amendment. It reduces the amount spent on Capital Expenses from $134,300 to $132,200. It reduces this by $2100 and increases the line item for Bank Charges from $100.00 to $2,200.00. The reason for the amendment is that bank charges had previously been adjusted off. There are no "free" accounts anymore with Wells Fargo. Sue can no longer make adjustments. Clerk York said he was trying to estimate, long-range. Fees have been as low as $140 or as high as $180, depending on the balance at the time. Fees are based on the average balance over the course of the month, and vary. The $2200.00 amount should cover the fees. Alderman Clemmons observed that the Board should explore other options for checking accounts. Wachovia-Wells has been a good bank for the Village. Sue has been very good to work with. He has talked with Attorney Bateman and Clerk York. He has a commercial loan that is maturing with a bank at the end of the year. He wants this bank to have an opportunity to bid on it. He would need to step away. Attorney Bateman agreed. Mayor Bundren expressed her appreciation to Alderman Clemmons. She asked if anyone wanted to step into Alderman Clemmons' place. Alderman Slaughter volunteered for this responsibility. Mayor Pro Tem Sharpe moved to approve the Budget Amendment. Alderman Tichy seconded. The motion passed unanimously.

Finance Report

Our CD that matured this month earned $443.81 in interest. Earnings for funds in the Capital Management Trust are very small. The amount of $100,000 has been moved out of that account and put into a CD. A new CD was purchased for $210,943.81. The rate is .45%. The Village is earning more in interest than we are accruing in bank fees.

December Meeting

Mayor Bundren reminded Board that the December meeting would be held on December 17th. She invited spouses to attend. Mayor Pro Tem Sharpe said she would get together with Clerk York to plan the refreshments for the holiday gathering.

OTHER BUSINESS

Mayor Bundren asked Clerk York about the website. Clerk York said it would be best to have someone do the website. It is complicated to update because of the code. Other websites can be set up, to make updating easier. Clerk York said he would have information ready for the next meeting. There is nothing wrong with the site itself, the hosting is the problem, with the need to update and make changes.

Mayor Bundren also asked about the Policies and Procedures Manual. She asked Clerk York if this was being updated. She said she would look at this later, with Clerk York.

PUBLIC COMMENT

Former Mayor Fred Hoy congratulated the Board on the audit report, saying it was incredible. He said this happens because of good people. He addressed the trash/recycle pickup. His trash is usually picked up between six and seven in the morning, and then the recycling is picked up later in the afternoon. This past Friday when they picked up both, they were both empty at 7:30am. The question is whether everything was dumped into the same truck. He doubts that two trucks came by. Clerk York said he would ask Mike about this. Mayor Bundren said she saw the recycling truck going down Birch Lane. It was early. Alderman Crouse said he can't recall if it was one truck; both of his bins were also empty. Mayor Bundren asked Clerk York to check on this. She thanked Mr. Hoy for bringing this to the attention of the Board and for his compliment.

There was no public comment.

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

_____Cathera R. Bundren, Mayor

_____Ben York, Village Clerk