



**TOWN OF AYDEN
GOVERNING BOARD MEETING
MINUTES**

March 14, 2016 – 7:00 pm
Ayden Town Hall – Second Floor Boardroom

I. CALL TO ORDER

- A. Call to Order
Mayor Tripp called the meeting to order at 7:00 p.m.

- B. Roll Call
Present:
Mayor Tripp
Commissioners Davenport, Harris, Mewborn, Ross and Skinner

Absent:
None

Also Present:
Leonard Barefoot – Interim Town Manager
Sherri Scharf – Town Clerk
Phillip R. Dixon –Town Attorney

C. Approval of the Agenda

Mayor Tripp asked Interim Town Manager Leonard Barefoot if there were any changes in the agenda. Mr. Barefoot responded that he recommends changing “Action Items” by swapping Item “F: Comprehensive Annual Financial Report FYE 2015” for “Item A: Application for Funding Sewer Infrastructure Needs” to allow the auditor from Martin Starnes to make her presentation first.

Mayor Tripp called for a motion to approve the revised agenda.

Motion: Commissioner Skinner

Second: Commissioner Harris

Discussion: None

Approved: 5-0

The motion to approve the revised agenda passed as presented.

II. PRESENTATIONS/PUBLIC COMMENTS

Public Comments

Mary Dail, 313 Garris Street, addressed the Board by stating that she had shared with Commissioner Ross her concern that certain renters were leaving one neighborhood and relocating into her neighborhood and “bringing their troubles with them.” Commissioner Mewborn stated that he knows “criminals are aggressive” and that a proactive approach is needed. He will personally speak to Police Chief Barry Stanley about the situation. After a brief discussion, Mr. Barefoot referred the concern to Police Chief Barry Stanley who offered to meet with Ms. Dail after the meeting to try and address her concerns.

III. CONSENT AGENDA

- A. Open Session Minutes of January 11, 2016
- B. Order for Advertisement of Unpaid 2015 Property Taxes
- C. Ayden Housing Authority Charge-Offs
- D. Ordinance No. 15-16-16 Budget Amendment for BBQ Festival Funding
- E. Ordinance No. 15-16-15 Budget Appropriation to Capital Reserve Fund

Interim Manager Barefoot stated that he wanted to add clarification to some consent agenda items explaining that for Item “D” the Ayden Main Street Committee voted to appropriate its own funding for the BBQ Festival. He also stated that the Ayden Community Theatre previously pledged its assets to the Town to be used for a specific purpose, and the Town is now allowing for the proper accounting of that money via Item “E,” Capital Reserve Fund.

Mayor Tripp called for a motion to approve the consent agenda.

Motion: Commissioner Davenport

Second: Commissioner Mewborn

Discussion: None

Approved: 5-0

The motion to approve the consent agenda passed.

IV. PUBLIC HEARINGS

Interim Manager Barefoot stated that Planner Stephen Smith gave him a letter that the petitioner requested a continuation of the scheduled public hearings until May.

V. ACTION ITEMS

- A. Comprehensive Annual Financial Report for FYE June 30, 2015
KoTang Moses from Martin Starnes presented the Town’s Comprehensive Annual Financial Report for FYE June 30, 2015 stating that it was considered a draft until the Local Government Commission (LGC) approves it.

Highlights include the following:

- The Town of Ayden received an unmodified or “clean” opinion
- Total Fund Balance – General Fund - was stated as \$2.49 million
- \$1.69 million available, which would pay for 5 consecutive months of expenditures
- Water-Sewer Fund was stated as \$8.2 million, down \$312,000 from the previous year due to an increase in operational costs and a new accounting standard that changes how retirement contributions are reported

- Electric Fund was stated at \$8.5 million a increase of \$1.34 million, with an operating income of \$1.9 million which can be attributed to decreased costs for purchasing wholesale power and lower rates charge to the Town. Interim Manager Barefoot added that a large percentage of this revenue is money spent on the electric substation repair project.

Mayor Tripp stated that this is the first year the Board has been given a presentation without having a copy of financial statements in front of its members. Ms. Moses stated that she doesn't like to give draft financial reports and promised that once the LGC approves what has been submitted, the Town will be notified. In response to questions by Mayor Tripp and Commissioner Davenport, Ms. Moses asked for two weeks to get the final, bound copy.

Interim Manager Barefoot stated that he knows the Town is late in getting the audit done, but the trial balance numbers are sufficient to start working on the Town's new fiscal year budget. He added that he intended to have the Board officially approve the final audit report/financial statements as soon as the Town receives it. He anticipates the Board will have 2 weeks to review the final audit report before the next Board meeting on April 11th.

Melonie Bryan, the finance consultant hired by the Town, stated that the Board need not take action right now, and that it is a formality to wait on approval for the LGC. She stated that Martin Starnes had findings for Ayden, but that they are a part of every audit, and not unusual especially given the staff turnover and other circumstances that the Town has been dealing with for some time. Since the audit dates back to July 1, 2014, all findings must be reported, even though many corrective actions have been taken so that issues will not be replicated moving forward.

Ms. Moses stated that, likewise, the Town's internal controls were examined for the entire period. With that in mind, she listed findings related to internal controls:

1. Town of Ayden did not have direct staff/employee draft the financial statements; instead relying on a consultant under contract (Melonie Bryan)
2. When the final compilation of data received management review, significant adjustments were needed
3. There is no segregation of duties, only one staff person handling all financial areas and data entries (e.g., payroll, general ledger control, cash receipts, etc.); the Town needs more than one staff person to handle these duties

Mayor Tripp and Commissioner Harris asked why this had not seemed to be a problem in previous years and inquired whether it was the Town's system or a change in the auditing process.

Ms. Bryan admitted that internal controls are stricter, but stressed that Finance Director Alicia Simpson is doing all duties, including journal entries, with no management review/approval. She stated that prior to the Town's staff transition; the town manager had financial expertise to provide management oversight/review for the finance director's activities. Four months after their departure, it shifted to just one staff (the current finance director) and no oversight. She added that the Town relies on Ms. Simpson too much because "nobody else assumes responsibility."

Commissioner Harris asked if just one more staff person would help, and Ms. Bryan answered that the additional person would need financial expertise to provide oversight/review. This role could be accomplished by the new town manager if he/she has the financial background.

Mayor Tripp asked if the financial review process could be "contracted out," and Ms. Moses replied that it could, but it was rare, since there actually needs to be a "sign-off process."

4. General Ledger had not been balanced in a timely manner because bank reconciliations took too much time to finalize
5. Some funds received were never deposited or not deposited in a timely manner in accordance with general statutes. Ms. Bryan noted that Sherry Howell does make daily bank deposits, while Ms. Moses stated there was approximately \$15,000 listed as "cash on hand." Commissioner Harris wondered if it was an "outlier" or "rare," and it was acknowledged that it was money gifted to the Town when the former Ayden Community Theatre dissolved.
6. Cash balances had not been reported in a timely fashion.
7. Disbursements for a multi-year project (CDBG Grant Fund) had not been keyed into the system even though checks had been issued to contractors. Corrective action has been taken and disbursements will be pre-audited for FY 2016-17 as explained to the current Finance Director.
8. The accounting information system is obsolete; there are no more software updates available, and technical support from the current vendor is untimely at best (since the company is not familiar with Ayden's software). It is strongly recommended that the Town purchase a new system as soon as possible to avoid the possibility of future financial mistakes.
9. Unused checks had been post-dated and held for future expenditures so that they were no longer in sequential order. It was noted that this occurred during the 4-months that the Town was without a finance officer.

Ms. Bryan emphasized that none of the 9 findings led to financial losses, and that there was a direct correlation to the staff turnover and vacant finance officer position. She added that the Town's finances are stable, the Fund Balance did not "take a dip," and that all could "take a deep breath" and move forward with the new fiscal year budget planning.

Stating that basic accounting principals had been mismanaged, Mayor Tripp emphasized the importance of corrections being made and said he believed that the lessons learned will "make us a better organization." He then asked Interim Town Manager Leonard Barefoot if he was "okay" with the findings, to which he replied, "yes."

Mayor Tripp and Board members thanked Ms. Moses, Ms. Bryan, and Finance Director Alicia Simpson for all their work on the Town's financial statements and audit.

B. Relocating Ayden Utilities (NC 11/SW Bypass Project)

Interim Manager Barefoot explained that the Town recently received a letter from The Wooten Company President Bucky Moore regarding the relocation of the Town's existing underground utilities in the NC-11 Right-of-Way for the SW Bypass Project. Although the design/build team of Barnhill/HDR was selected by NCDOT, out of concern expressed by owners, NCDOT allowed The Wooten Company to represent the interests of the owners (Town of Ayden, CMSD and NRWASA). Both CMSD and NRWASA have agreements in place

with The Wooten Company to provide design and inspection services for the project and with NCDOT to receive reimbursements for such expenditures. For the latter agreement they contracted with Don Eglinton, an attorney with Ward and Smith, to negotiate the above referenced NCDOT agreement. According to Bucky Moore he was successful in getting all expenses designated reimbursable including the cost of legal fees. In order to expedite the process, staff recommends the Town retain Mr. Eglinton to negotiate the same agreement with NCDOT for Ayden.

Mr. Barefoot stated he is seeking authorization from the Governing Board to enter into contracts for legal services with Ward and Smith and for preliminary engineering review of the proposed utility relocations and construction administration and observation for the project with The Wooten Company. Copies of the Wooten contracts were previously presented to the Governing Board for review.

Mayor Tripp called for a motion.

Motion: Commissioner Skinner

Second: Commissioner Harris

Discussion: None

Approved: 5-0

The motion to approve contracts with The Wooten Company and enter into a contract with Smith and Ward was approved as presented.

C. Ayden Housing Authority's (AHA) Annual Contributions Contract

Interim Manager Barefoot reminded the Governing Board members that they also act as the AHA Board of Directors, and then had Interim Executive Director for the Housing Authority, Al Butts, step forward to address the Board. Mayor Tripp asked how the \$220,643 grant funds from HUD would be spent. Mr. Butts responded that AHA does not have to designate the purpose right now, but that the AHA Accountant expressed concern about meeting the March 31st deadline to request the allocation from HUD. If need be, the AHA budget can be adjusted up or down to reflect actual grant funds received.

Mayor Tripp called for a motion.

Motion: Commissioner Davenport

Second: Commissioner Ross

Discussion: None

Approved: 5-0

The motion to adopt Resolution No. 15-16-16 to amend AHA's Annual Contributions Contract to qualify for a HUD Program Capital Fund Grant was approved as presented.

D. Approve AHA's FYE March 31, 2016 Budget

Interim Manager Barefoot addressed the Board by stating that, as the resolution before them states, AHA has met all regulatory requirements related to its March 31, 2016 annual budget, and, therefore, he recommends it be approved.

Mayor Tripp called for a motion.

Motion: Commissioner Skinner
Second: Commissioner Davenport
Discussion: None
Approved: 5-0

The motion to adopt Resolution No. 15-16-17 to approve AHA's FYE March 31, 2016 budget was approved as presented.

E. Approve AHA's FYE June 30, 2017 Budget

Mr. Barefoot stated that AHA funding comes from HUD who approved the broad parameters of the FYE 2017 budget. Checks will now be approved by the Town Manager. One the Town goes through its first consolidated budget with AHA, the goal will be to analyze expenditures and determine whether there might be some cost-sharing opportunities with the Town. He added that Chapel Hill has had an "in-house" Housing Authority and that the Town of Ayden can learn from them.

Commissioner Harris inquired that if AHA is now a Town Department, why were salary increases already incorporated into the AHA new fiscal year budget, when the Town has not yet considered salary increases for its employees? He wants to make the determination for all employees at the same time. Mr. Barefoot explained that AHA only has 7 employees and that only a 1.5% pay increase was factored into the budget for accounting purposes only; an actual decision/approval has not yet happened.

Mayor Tripp agreed stating that "a budget is a living document that changes." He then stated that there used to be a police officer funded in AHA's budget. Finance Director Alicia Simpson stated that it was removed since AHA's police function merged with the Town. Al Butts stated that he had not been involved in the decision (referring to former Executive Director Gray Matthis who resigned on March 1st). Mayor Tripp cited this action as an example of reducing budget redundancies and streamlining the budget, which he reminded the Board is the Town Manager's responsibility.

Interim Manager Barefoot stated that they did not have the luxury of 3 months to ponder AHA's budget. He recommends adopting the budget and working through the transition.

Addressing Al Butts, Commissioner Skinner asked whether he felt the police officer position was needed for the AHA residents. Mr. Butts replied he felt it necessary for public safety, but he did not support duplication in the budget.

Chief Stanley stated that he had thought about having Town police officers rotate shifts instead of having just one officer dedicated to the AHA grounds.

Mayor Tripp called for a motion.

Motion: Commissioner Mewborn
Second: Commissioner Harris
Discussion: None
Approved: 5-0

The motion to adopt Resolution No. 15-16-18 to approve AHA's FYE June 30, 2017 budget was approved as presented.

F. Application for Funding Sewer Infrastructure Needs

Project Engineer Rich Moore from McDavid Associates addressed the Board by stating that imbedded within the Connect NC Bond currently on the ballot is more than \$100 million in water-sewer infrastructure funding. If the voters pass the bond, the state wants to accept grant applications until April 29th. If awarded, this grant (not to exceed \$3 million per recipient) would not require a local match of funds.

Mr. Moore stated that even though eligibility requirements have made it more difficult for applicants to qualify, the Town of Ayden qualifies due to its economic situation being worse than the state average on 3 out of 5 indicators (median household income, poverty rate, and population change). After eligibility is determined, the Town must then prove it is not "making money" on its water-sewer system – which he feels final audited financial statements will prove.

Furthermore, after a cursory review of the Town's sewer rates and gallons of use, Mr. Moore believes that Ayden qualifies for a 75% grant; potentially being eligible for a \$2,250,000 grant matched at a \$750,000 0% interest, 20 year loan, for total funding of \$3 million.

To state intent to apply for financial assistance, the state needs a resolution authorizing such from a local governing body, which he has provided to the Governing Board.

Commissioner Davenport asked how much \$3 million would cover, and Mr. Moore replied that it could replace 1940's era piping and also "put a dent in the I & I problem." Commissioner Davenport then stated that the Town still needs help with the "ditch" on Hines Drive which she said the Board was told "would be addressed by D.C."

Mayor Tripp called for a motion.

Motion: Commissioner Mewborn

Second: Commissioner Harris

Discussion: None

Approved: 5-0

The motion to adopt Resolution No. 15-16-19 authorizing application for financial assistance from the Division of Environmental Quality was approved as presented.

VI. DISCUSSION ITEMS

Mayor Tripp mentioned that NCDOT now has a mechanism for reporting potholes on state routes, and that it has made a commitment to fix the pothole(s) within 48 hours of being reported. He encouraged sharing with our citizens – details are on NCDOT's website. It was suggested that the Town include this information in the citizen newsletter and post on the Town of Ayden's website.

VII. INFORMATION

Manager's report

Staff reports

VIII. BOARD MEMBER COMMENTS

All Board members thanked the citizens for coming to the meeting.

Speaking to Ms. Mary Dail, Commissioner Mewborn stated that he and Police Chief Stanley had a long conversation last Friday to try and take a more proactive approach to enforcing the law so that “thugs” stay out of Ayden neighborhoods. Commissioner Ross stated that safety is very important and that Chief Stanley should get whatever he needs to take care of Ayden’s citizens.

Commissioner Skinner stated that strict code enforcement should stop tenants from shifting to one neighborhood after another. He also commented on police cars with peeling paint and asked that they be fixed.

Commissioner Davenport asked if the Board might consider giving a donation to the Ayden Arts & Recreation Foundation. After a brief discussion, Interim Manager Barefoot stated that he has reviewed the Foundation’s founding documents and feels it would be appropriate for the Governing Board to decide how to appropriate funding from the Town’s budget. It was decided that Commissioners Harris and Skinner would act as ex-officio Board representatives for the purpose of meeting with the Foundation to discuss funding needs.

Mayor Tripp stated that the Foundation doesn’t need “seed money” to start fundraising. It was suggested that the Town revisit the engineering design drawings of the District Park. The Arts & Recreation Foundation members want to have a current drawing to use as marketing collateral materials they plan to distribute to potential donors/sponsors.

IX. CLOSED SESSION

Mayor Tripp asked Town Attorney Phil Dixon to cite the reason for entering Closed Session, to which Mr. Dixon responded: “pursuant to NCGS 143-318.11 (a) (3) – to consult with an attorney employed or retained by the public body in order to preserve the attorney-client privilege between the attorney and the public body, which privilege is hereby acknowledged; and NCGS 143-318.11 (a) (6) – to consider the qualifications, competence, performance, character, fitness, conditions of appointment, or conditions of initial employment of an individual public officer or employee or prospective public officer or employee; or to hear or investigate a complaint, charge, or grievance by or against an individual public officer or employee.”

Mayor Tripp asked the Board for a motion.

Motion: Commissioner Harris

Second: Commissioner Skinner

Discussion: None

Approved: 5:0

The motion to enter closed session at 8:45 p.m. passed.

X. RETURN TO OPEN SESSION

Mayor Tripp asked the Board for a motion.

Motion: Commissioner Harris

Second: Commissioner Mewborn

Discussion: None

Approved: 5:0

The motion to return to open session at 9:15 p.m. passed.

XI. ADJOURNMENT

Having completed the business before them, Mayor Tripp announced that without objection the Governing Board would stand adjourned at 9:15 p.m.

CERTIFICATION

Minutes from March 14, 2016 meeting were adopted and certified this 11th day of April 2016 in Ayden, North Carolina.

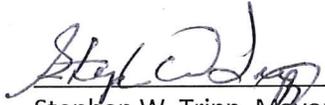


ATTEST:



Sherri Scharf, Town Clerk

AYDEN, NORTH CAROLINA



Stephen W. Tripp, Mayor