

CITY OF EDEN, N. C.

A special meeting of the City Council, City of Eden, was held on Wednesday, December 5, 2001 at 4:00 p.m. in the Council Chambers, 308 East Stadium Drive. Those present for the meeting were as follows:

Mayor:		Philip K. Price
Mayor Pro Tem:	(Absent)	John E. Grogan
Council Members:		Ronald H. Reynolds
		Ronald L. Janney
		Christine H. Myott
		Garry Tudor
	(Absent)	William W. Rorrer
		C. H. Gover, Sr.
City Manager:	(Absent)	Brad Corcoran
City Clerk:		Kim J. Scott
Deputy City Clerk:		Sheralene Thompson
Representatives from staff:		
Others:		Representatives from Rouse, Rouse, Penn and Rouse
News Media:		There were no news representatives

MEETING CONVENED:

Mayor Price called the meeting to order and welcomed those in attendance.

Consideration of radio bids for the Police Department:

Chief Benthin explained that this was the final step in getting the Police Department moved. He referred to his memorandum on page two where he had mentioned a “break before make, UPS switch for 12.5 kVA system at \$741.54”, he recently found that was no longer required, so that can be eliminated. He explained that he was asking the Council to approve \$2,400.00 minus the \$741.54.

Mayor Price asked if they took out the maintenance contract that would be the amount to which Chief Benthin replied yes for the first year.

Council Member Gover questioned the warranty agreement to which Chief Benthin replied that the warranty was for five years. He explained that the warranty paid only for hardware and damage done by nature. The maintenance agreement paid for labor, diagnostics and things of that nature.

Mayor Price added that everything was in line.

Council Member Gover asked him to explain on page two, the second paragraph, on the letter from Frederick G. Griffin, PC. He asked if he had researched it enough to where he was satisfied.

Chief Benthin replied that they have had people on top of the towers doing visual lines of sight and they did have the equipment that would do the job.

Mayor Price added for clarification that he thought the question dealt with the bands and the unlicensed shareware.

Chief Benthin replied that was for the option he was recommending, Option II.

Mayor Price asked if that necessary research had been done to which Chief Benthin replied that Mr. Watkins was a little bit behind them, they had already opted for that.

Council Member Gover asked him to explained the fourth paragraph on page three.

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Chief Benthin explained that their subcontractor was going to be Oregon Hill Communications, which was just a few miles away from here. They were the primary responder if there was a problem. If they could not handle it then Synergem was responsible for finding someone who could. He added that Oregon Hill has been doing the repair work all along and they should not have any problem with this.

Council Member Reynolds referred to a letter from the City Attorney, Tom Medlin, Jr., that said that the documents should be reviewed by the appropriate personnel. He asked if the City Manager had approved it.

Mayor Price replied yes and explained that he was referring to the legal documentation. He explained that the City Manager and the City Attorney, as well as Mr. Griffin have approved the documents.

A motion was made by Council Member Gover seconded by Council Member Myott to approve this request as presented. All Council Members present voted in favor of this motion. This motion carried.

Consideration of contract for new City Attorney:

Mayor Price explained that some discussion had been held and the contract was renegotiated.

Council Member Gover asked if the City Manager would be handling the time and expenses.

Mayor Price replied that the City Manager would be breaking the calls down. The City Attorney would be billing in ten-minute segments. The City Manager has indicated that he would be watching this very closely and working with the City Attorney to ensure where the expenses were and to have a good feel of which way they were going. He noted that he was interested in attending seminars. He stated that those were one or two day affairs that he could handle and expect the city to pickup his expenses, however if something came along where he would need more time, then he would have to negotiate some type of fee.

Council Member Janney pointed out that if all correspondence with the City Attorney did not go through the City Attorney, they could end up with a large bill. He encouraged the Council to set up their correspondence with the City Manager.

Mayor Price explained that they talked extensively about that and he noted that the City Attorney was cognizant of what the city could afford to do.

A motion was made by Council Member Gover seconded by Council Member Myott to approve this contract. All Council Members present voted in favor of this motion. This motion carried.

Presentation of 2000-2001 audit report:

The auditors had provided the Council with a copy of the City of Eden Financial Statements, June 30, 2000 prepared by Rouse, Rouse, Penn and Rouse, LLP, Certified Public Accountants. Mrs. Judy Rouse began the presentation by explaining that they have audited the accompanying general purpose financial statements of the City of Eden, North Carolina, as of and for the year ended June 30, 2000. Those general purpose financial statements were the responsibility of the City of Eden's management.

The audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Consolidated Balance Sheet:

Mrs. Rouse referred to Page 3 and pointed out that the last column was the financials of the ABC Board.

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General Fund:

She then began with the General Fund and referred to Page 44. She noted that the Fund Balance of the General Fund increased from \$ 4,157,472 to \$ 5,498,920, an increase of \$ 1,341,448. In addition, the information indicates that the Fund Balance Available for Appropriation or called the Undesignated Fund Balance equals \$ 3,033,515.

She then referred to Page 62, which indicated that, the total actual General Fund Expenditures amounted to \$ 9,540,045 plus \$ 160,300 which was transferred to other funds out of the General Fund for a total of \$9,700,345. She explained that one twelfth of that amount was \$ 808,362.

She asked them to recall, the City Council voted back in 1998-99 to keep a fund balance, undesignated, equal to at least three months of operating expenses. As such, three months operating expenses would be \$ 2,425,086. The amount undesignated at June 30, 2001 was \$ 608,429 above the three months operation expenses. According to 2000 statistics from the Local Government Commission the average statewide level of available fund balance maintained by comparable size municipalities was 34 percent of the General Fund expenditures, or in this case \$3,298,117. Eden's Undesignated Fund Balance as of June 30, 2001 amounted to 31.27 percent up from 28 or 24 percent that it was up the prior year.

She noted that on Page 47 they would find Revenues for the General Fund. The budget revenues were \$ 9,980,935 and the actual revenues were \$ 10,781,642 for a favorable variance of \$ 800,707. The Revenues were up from the prior years, which was \$ 9,566,545. She noted that Page 45 indicated that the budgeted Ad Valorem taxes were \$ 3,626,400 and the actual taxes received were \$ 3,730,750 for a favorable variance of \$ 104,350. She then pointed out the Unrestricted Intergovernmental Revenues; the Payments in Lieu of Taxes were budgeted as \$ 775,000 and the actual that came in was \$ 1,174,771. This created a favorable variance of \$ 399,771.

She then explained that the Payments in Lieu of Taxes from Duke Power was received after year-end in 2000 and before year-end in 2001. The payment in lieu of two of the industries were real late for the year ending June of 2000 and they were timely billed for the year ending June 2001. She explained that thus this year, they have two payments for three of the industries and that accounts for the variance between the budget and the actual. She noted that if they considered what was received last year which was \$ 446,000 and what was received this year, added together and divided by two, they would kind of be in line with their budget.

Mrs. Rouse continued to Page 46 and noted that in the Restricted Intergovernmental Revenues they would see School Resource Officers from Rockingham County. This item was budgeted for \$ 35,600 and \$ 72,824 was actually received. That created a favorable variance of \$ 37,224. She also noted that on that same page Community Block Grant – Rhode Island Mill grant, the city received a Community Development Block Grant. That item came in and was budgeted for \$250,000 and it was received, but of course there was nothing there in the prior year for that item.

Mayor Price questioned the Resource Officer as they always had two; he wondered why it was budgeted that way.

Mrs. Rouse replied that she had no idea other than it was probably just missed.

She continued to Page 47 and noted Investment Earnings. The General Fund was up from \$ 253,270 in the prior year to \$ 313,630 for the current year. This created a favorable variance over the budget of \$ 97,930.

Mrs. Rouse then referred to Page 62, which indicated that the Budgeted Operating Expenditures totaled \$ 10,119,324 and the actual expenditures were \$ 9,540,045 for a favorable variance of \$ 579,279. This compared with the prior year's expenditures of \$ 8,861,593.

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She noted that also this year the Water and Sewer Fund reimbursed to the General Fund for utility user fees in the amount of \$ 525,505. That was spread out in the General Fund and was treated as a reduction of expenditures in the various general government departments.

She continued on to Operating Transfers to Other Funds she noted that the actual transfers from the General Fund were \$ 160,300 and the prior year's was \$ 140,000.

Mrs. Rouse referred to Page 48 and noted that the Expenditures in the Administrative Department were \$ 11,603 more than budgeted and the biggest item there was Professional Services which was \$ 57,998 more than budgeted so there should have been a Budget Amendment made there and it did not get made. She explained that was where they paid their Interim Managers.

On Page 51 she noted that this was the Planning Department. She explained that Expenditures were \$ 148,698 less than budgeted. This was due to the fact that Contracted Services for Single Family Rehab Projects were budgeted in both the General Fund and the Single Family Rehab Fund, which made it look like a very favorable variance there when it was really just an error in the budgeting.

She continued to Page 55, and noted the expenditures in the Police Department were \$ 96,774 less than budgeted due primarily to salaries being under budget. She referred to Page 54 and noted that at the top under Salaries and Wages they would see a favorable variance of \$ 108,693, so that accounts for it.

She stated that on Page 56, the Fire Department, the budgeted amount was \$ 991,830 compared to the actual amount of \$ 1,116,717. This created a negative variance of \$ 124,887. This was due to a variety of factors that were in that group of expenditures. The Capital Outlay for Equipment was over. The Firemen and Rescue Squad Worker's Pension Fund was a problem there, the Insurance & Bond and Overtime, those things should have been corrected in budgeting.

She referred to Page 58 and noted that the Powel Bill Expenditures had a favorable variable of \$ 162,796 and she thought that probably the work did not get done so it did not get paid. She noted that the favorable variance was not necessarily good because of what needed to be done on the streets.

Special Revenue Funds:

Mrs. Rouse pointed out that the Special Revenue Funds were found on Page 63. She noted that The Single Family Rehabilitation Fund was the ordinance the Council adopted middle of 1999 and that was the balance sheet for that fund.

Next was the Flood Mitigation and Community Development Grant which was barely started at June 30. In addition she mentioned the Capital Reserve Fund and the Historic Preservation Commission.

Mrs. Rouse noted that the Single Family Rehab had a Fund Balance at the end of the year of \$ 11,041. This fund needed to be closed out shortly and she thought it would be. She noted that the Flood Mitigation and Community Development had a deficit of \$ 25,020 on June 30th. She noted that probably the reimbursement had not been received to replenish that on June 30th.

She noted that the Capital Reserve Fund had a balance of \$ 199,987 and the Historic Preservation Commission had a cash balance of \$ 6,415. She noted that the Capital Reserve Fund consisted of the following: Reserve for the City Park was \$ 23,996 and that was the interest that the City Park money earned while it was in the Capital Reserve Fund. She stated that would need to be transferred to that Capital Projects Fund. Reserve for Economic Development was \$ 167,166 and reserve for the Education Access Channel was \$ 6,954 and then reserve for City Hall Improvements was \$ 1,871.

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She referred to the statement of the Revenues and Expenditures in changes in Fund Balance for the Special Revenue Funds that was on Page 64. She stated that this was important and she noted that if they look at their Single Family Rehab, the city received in grant money in that fund this last year of \$ 207,482. She noted that in the Flood Mitigation and Community Development Fund the city received two different kinds of grants. She explained that one was a Hazardous Mitigation of \$ 453,225 and Community Development, \$ 314,976. She noted that the Municipal Park Grant was received into the Capital Reserve Fund and that was \$ 153,000. She stated that they received grant money last year that totaled \$ 1,125,683 in their Special Revenue Fund and in addition to that they received \$ 250,000 that was the Rhode Island Mill Project. So, all together the city received something like \$1.4 million in grant money. She noted that a lot of that money has gone to make housing better for the citizens in Eden.

She then continued to Page 71, they have the Capital Projects Funds. She noted that this year the city had created a Municipal Park Fund. She noted that on June 30th, 2001 the Fund Balance at City Hall was \$ 2,139 and the Fund Balance for the Municipal Park was \$ 363,398.

Proprietary Funds:

Mr. Rex Rouse began with the Proprietary Funds of the City and those consist of the Water and Sewer Fund, Garage Fund and the Self-Insured Insurance Fund.

He noted that the Comparative Balance Sheet of the Water and Sewer Fund was found on Page 78. Mr. Rouse noted that the Debt Service Fund was a sub-fund of the Water and Sewer Fund since all of the bonded debt of the city was related to the Water and Sewer Improvements. The Unrestricted Cash Balance increased from \$2,804,710 to \$3,154,987. The Cash Restricted for Retirement of Debt increased from \$ 59 to \$ 2,095. The Cash Restricted for Construction increased from \$ 926,066 to \$1,104,000.

Mayor Price asked for clarification to which Mr. Rouse replied that they really could eliminate that Debt Service Fund, but they still have an account entitled Restricted for Debt Service, \$ 2,095 in there and he thought the best thing to do would be to eliminate that fund altogether. He suggested that the next time they have a bond issue they should use that money up to pay off those bonds and then pay off the bond retirement directly out of Water and Sewer Funds from there on out.

Council Member Tudor asked if the Council would have to take action to do that to which Mr. Rouse replied that the Finance Director could do it. He explained that they could act on it when they adopt the budget next year.

The fixed assets, net of accumulated depreciation, decreased from \$32,161,000 to \$31,704,000. The total debt in the Water and Sewer Fund decreased from \$10,992,154 to \$9,709,734, so they brought it down below the ten million dollar mark.

The Water and Sewer income statement was found on page 79. The Water and Sewer Fund Operating Revenues amounted to \$ 7,836,478 this year compared to \$ 5,900,469 last year an increase of \$ 1,936,000 was primarily the result of bad debt recovery in the amount of \$ 713,000 and the increase of Water and Sewer Revenue of approximately \$ 1,300,000.

The following industries had significant increases in billing this year, the Santee Company, Miller Brewery, and Karastan each had an increase of over \$150,000 a piece.

He noted that also on Page 79, the Total Operating Expenses decreased from \$5,961,926 to \$5,556,000 and the Bad Debt Expense decreased from \$ 687,000 to \$140,665. Toward the end of the year the city got very concerned about the expenditures in the Water and Sewer Fund and it really reduced the Capital Outlay and repair expenses for the water and sewer lines and that accounts for the reduction in the Expenditures. In the year 1999-2000 additional billings to the large industrial consumed near the end of the year as a result of the Water and Sewer Study had not been collected until the last six months of this past fiscal year and they were written off last year and also the receivables remaining on the Gracie Street Project were written off. A lot of

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that came in during the last six months of the last fiscal year and that was why it was picked up as Bad Debt Recoveries this year.

The Non-operating Income decreased from \$282,000 to \$265,954 a decrease of \$17,937 due to interest income of the Water and Sewer Operating Expense. The Interest Expense increased from \$644,096 to \$659,006. There was an entire year of payments on the sewer vac that was purchased during 1999-2000. The Water and Sewer Fund realized a net income this year of \$1,813,785 compared to a net loss last year of \$443,826. Even though the net income was \$1,813,785 and would have been \$1,100,126 even without the non-recurring bad debt recovery, serious consideration needs to continue to be given to the required level of future water and sewer rates. The Debt Service requirements, principal only, would exceed \$1,200,000 for each of the next seven years. The city depended heavily on a single water and sewer customer, which accounted for over 30% of the Water and Sewer Revenues last year. The future of this customer was critical to the city's ability to make the required principal and interest payments on the bond and to fund the annual maintenance on the city's aging water and sewer lines. The city should continue to monitor a long-term plan of funding these principal and interest payments with and without this customer.

Council Member Gover questioned a letter from the State Treasurer's Office, sent to the city about the water and sewer. He asked if Page 79 was a reflection of that letter.

Mr. Rouse replied that Mr. Holliman wrote that letter in response to last year's Financial Statement.

Council Member Gover asked if they were getting in line with what he was talking about.

Mr. Rouse replied that if they looked at last year alone, if the city could continue this level of revenues, and if, last year they contributed \$400,000 each to both the Water Construction Fund and the Sewer Construction Fund, that was \$800,000 out of the Water and Sewer Operating Fund, he did not know what figure that should be. He said he received different answers to that question, depending upon who he asked, how much should they be contributing to the Water Construction Fund and to the Sewer Construction Fund each year. He noted that \$400,000 sounded like a pretty good amount as that was \$800,000 of annual maintenance, and yet because they have big problems coming up, he just did not know what that figure should be.

Council Member Janney commented that \$400,000 would not touch it.

Mr. Rouse agreed that it would not touch what needed to be done but over a period of years, he did not know what the figure was.

Council Member Janney replied that based on what he was talking about there, Mr. Rouse was right, it was last year's report. Now they were here with this year's report and he did not see where they have accomplished a whole lot between this year and last year in the Water and Sewer Fund and getting stable. He noted that Mr. Rouse made that comment earlier and that was a true statement, they needed to look at it seriously. He stated that he did not think they were near where they needed to be in order to be stable, and that was his opinion.

Mr. Rouse stated that he did not know how much information they had from Finkbeiner, as they made a study to tell them how much needed to be allocated to the Water Construction and Sewer Construction Funds and that was a question that he would like to see answered. He added that if he knew the answer to that he could probably determine what should be done with the water and sewer rates.

Council Member Gover explained that this was the second notice that the city had received since he had been on the Council and if they were doing something wrong they needed to address it during their budget session.

Mr. Rouse replied that he thought Mr. Holliman was responding to that loss of that \$443,000. He added that they have gotten the debt below the \$10 million dollars. When the first entered into this bond issue it looked like a \$23 million dollar bond issue. By the time they first decided

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on that they had \$4 million dollars in debt at the time so he was concerned that they might be looking at \$27 million dollars. He stated that as it was they had to borrow \$19 million instead of the \$23 million and they paid the other \$4 million all off by now and they have gotten the total debt down to less than \$10 million. If the outfall problems and the water and sewer require another bond issue, that was what they would decide after discussing it with the bond attorneys and they had to get the debt up to something like \$15 million, then he would feel comfortable with that if that was what they needed to do to get the water and sewer lines and the outfalls into the shape that they should be in.

Mr. Rouse continued on with the Comparative Balance of the Garage Fund shown on Page 94. He noted that the Fund Equity in the Garage Fund decreased from \$48,702 to a deficit of \$13,273 and as far as their books were concerned there was an overdraft in the Garage Fund of \$212,894 and operating transfers should be made from the General Fund and the Water and Sewer Fund to fund this overdraft balance.

The Statement of Revenues, Expenses and Changes was found on Page 95. The Operating Revenue amounted to \$612,000 compared to \$585,917 from the prior year. The Operating Expenses amounted to \$674,000 compared to \$644,436 last year. The City Garage reported a loss of \$61,975 this year, compared to a net loss of \$63,600 for the prior year. He stated that the losses indicate the need to increase the rates that the Garage Fund charges to the departments as this Garage Fund should break even and with the upcoming implementation of gas it was going to be even more important.

He noted that on July 1, 1995, the city began a self-insured insurance coverage program. The city carries a reinsurance policy for payment of all specific claims above \$35,000. The excess above \$35,000 claimed on any individual was reimbursed by the reinsurance carrier. The Self-Insured Insurance Fund was carried as an Internal Service Fund. He noted that the Balance Sheet at June 30, 2001 was found on Page 100. The fund ended the year with a deficit of \$134,000 compared with the deficit last year of \$108,952 last year. The Income Statement appeared on Page 101. Revenues total \$818,865 this year compared and Expenditures totaled \$844,115 so their net operating loss was \$25,250 compared to last year of \$279,286, so they did improve. They did not quite break even but they did improve in their billing for the funds on the Self Insured Insurance Fund.

Last year they transferred \$178,000 from the General Fund, Water and Sewer Fund and the Garage Fund to reduce the net loss for the year ending June 30, 2000. An operating transfer should be made from the General Fund and the Water and Sewer Fund to cover the deficit in the Self Insured Insurance Fund and that deficit was \$134,000.

He continued to Page 104, where the Combining Balance Sheet for the Trust and Agency Funds was shown. Those funds consisted of the Police Special Separation Allowance and the Runabout Travel Club. The Fund Balance in the retirement fund was \$335,578 and the agency fund, the Runabout Travel Club Fund was a holding fund for its members, contributing monies for scheduled activities and trips.

Mr. Rouse referred the Council back to Page 26, General Fixed Assets. At the beginning of the year, the General Fixed Assets totaled \$13,600,000 at the beginning of the year and they increased by \$1,890,000 to \$14,897,000 at the end of the year.

The details of the Long Term Debt appeared on Page 38 and they could see the total principal debt due at June 30, 2001 less than the \$10 million dollars, \$9,972,202 and most of it was in the Water and Sewer Fund, \$9,618,000 and \$353,000 in the General Fund. The total debt margin, the debt that the town was allowed to have was 8% of the assessed evaluation. He referred them to Page 109 and explained that the first column was the total assessed evaluation which was \$662,285,034 and 8% of that amounted to \$52,982,803, so they were down below 20% of the total legal debt margin.

He then asked them to turn to Page 121; they have a detailed schedule of the Cash Balances. The total cash for the city at the end of this year was \$9,239,527 and that compared to \$9,285,592 last year. He noted that turning back to Page 109 they would find an analysis of the current year's

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tax levy and the overall tax collection percentage was 95.33% and that was not very good. The property excluding registered motor vehicles, the collection rate on that was 97.06 and he thought the statewide average on that was about 98% so they were a little behind the State average. He noted that the collection rate this year was the worst it had ever been. He also noted that it was holding fairly steady from 1995 to 1998 and went down in 1999 to 95.49% and came back up in 2000 to 96.46%.

The total Interest Income (found in the supplemental schedule) totaled \$587,232 this year compared to \$602,695 last year. This generates the same amount of revenue as nine (9) cents of additional property tax.

Mr. Rouse stated that that was all he had on the financial statements and if there were no questions he would move on to the management letter.

Management Letter:

Referring to the management letter, Mr. Rouse stated that the first item was related to the Excess of Expenditures over Appropriations. For the fiscal year ending June 30, 2001 the expenditures made in the Administration, Fire and Solid Waste Departments in the General Fund, the Debt Service in the Water and Sewer and General Operating Fund and the city's Self-Insured Insurance Fund and Garage Fund, all of those places, the actual expenditures exceeded the Board's authorized appropriations in the budget and the budget needed to be amended. He noted that of course they had a lot of turnover in the City Manager's position and the Finance Officer's position last year, but that really needed to be monitored closely as that should not happen.

He stated that for the number of Audit Adjustments, of course again they had changes in the City Manager and Finance Officer and there have been gradual reductions each year since 1995 in the number of journal entries that they have had. He noted that there were 61 in 1995 and it gradually came down to 27 in 1999 and it was up to 33 in the General Fund in the year 2000 and it was up to 50 this year. He added that they were very hopeful that as Mrs. Ford (Finance Director) becomes familiar with the job and understood what those adjustments were, she should be able to reduce that number of adjustments back to where they should be.

Fixed Assets and Depreciation Schedule:

Mr. Rouse noted that the city as going to emphasize improving their fixed asset records and they should have a fixed asset program in place that was integrated with the general ledger to record fixed asset additions.

He added that even more importantly the infrastructure assets would become a required part of the fixed asset records due to GASB 34. In other words they were going to have to start recording the value of the streets on the city books. He stated that by the year 2006-2007 the City of Eden was going to have to implement this procedure.

The depreciation schedules in the proprietary funds should be updated by city personnel and provided to the auditors within a reasonable time period after year end.

Water and Sewer Fund:

Mr. Rouse stated that now that the audited financial statements for the City of Eden have been released, the Finance Department should adjust the current water and sewer rates for the industrial consumers based on the audited expenditures in the Water and Sewer Fund. He suggested that the engineering firm that performed the water and sewer study review those adjustments for completeness and accuracy.

Grants:

The Finance Director should be informed about all grant applications. He noted that they have Department Heads making grants and they record it the best that they can, but unless they know and have copies of the grant applications to know where those grants were coming from, it was

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very difficult for them to record them correctly. He noted that they had the \$250,000 from last year that went into the General Fund, well that should have gone into the Special Revenue Fund. He noted it was important that the Finance Office be involved with those grant applications. He stated that the Department Heads should be responsible for keeping detailed records of funds received by the city and how this money was spent.

Garage Fund and Self-Insured Insurance Fund:

Mr. Rouse noted that for GASB 34 the part on the infrastructure assets must be implemented by the year 2007, so they were going to have to start recording all of the current street improvements on the city's books. All the rest of GASB 34 was going to be effective July 1, 2002 for the City of Eden. He also noted that a lot of cities were no longer recording the Garage Fund as an internal service fund, they were charging the garage expenses directly to the departments. It was very important that the Garage Fund and the Self-Insured Insurance Fund break even. The difference between the profit and loss in those two funds would have to be allocated to the departments.

Actuarial Study:

It only cost somewhere between about \$200 and \$400 a year to have an actuarial study and he believed that the city's separation allowance for law enforcement, they have 330 some thousand dollars in that fund and they thought that because of the city's size it was important to have that study done every year. He noted that it had been several years since they have done one so they would really like to see another actuarial study done for the city.

Mr. Rouse thanked the city employees for their help and cooperation during the course of the audit. He then turned the floor over to Mrs. Rouse.

Mrs. Rouse noted that this was a difficult year for the employees, the Finance Department, and many other areas of the city, because of the problems with so many different City Managers and Finance Officers, but they could say that from all of the work that they did that deposits were timely made. Monies were deposited, they might not be deposited to the right line item, but bills were promptly paid. Water bills went out as they were supposed to and all payroll was paid promptly and payroll returns were filed. So, everything was not like they would have liked it but she would like to have had seen the budget in better shape with budget amendments done and line items, there would not have been so many adjustments, but they still thought that the Finance Department, the key people that they had up in that department, they did a good job and held the city together last year. She then went on to acknowledge Carol Ward, Becky Shelton, Margie Blackstock, and Dala Stanley for the job that they did. She noted that Mrs. Stanley was a tremendous help in helping them get the audit out. She did depreciation schedules and tried to work with adjustments, so she thought they all made a good effort to keep the city going.

As there were no other questions, a motion was made by Council Member Gover seconded by Council Member Tudor to approve the Audit Report. All Council Members present voted in favor of this motion. This motion carried.

Mayor Price thanked them for their report and noted that they were aware of the frustration level that there had to be for them as they went through all the personnel changes last year. He thanked them for their guidance. He also thanked Mrs. Ford and Mrs. Stanley for their wonderful job and also he recognized everyone in the Finance Department for their efforts.

Discussion regarding the Garage Fund:

Council Member Tudor questioned that when one department charge another department, how was it managed that one department head does not begin to argue with department head that he is being charged by, with prices and overcharges. He stated that in fact he had heard it said, "they sure do charge me a whole lot at the garage when they work on my..." He asked if the City Manager was going to have to have some type of pricing guidelines and maybe all department heads be schooled in what to expect when they were charged by the garage.

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Mr. Rouse replied that what he thought, back in the 70's, when this Garage Fund began getting popular, the theory was that the garage really needed to be competitive with outside rates. If they went out to various service stations or auto repair businesses, the garage needed to be competitive with those. If the garage operates efficiently enough that may be the case. He added that there may be all sorts of reasons why it was not, but he agreed that he felt that it should be competitive too.

Council Member Gover pointed out that their equipment would indicate that too and if they were pulling in older equipment from one department, then it would reflect that. As they replace the equipment it would bring that cost down.

Mr. Rouse questioned if that had happened when they replaced all the police cars.

Council Member Gover replied that he was not insinuating that, but if they have a piece of equipment that was costing a lot, then this was what was going to happen so they needed to get rid of that equipment.

Council Member Janney commented that when it was first set up, they set out and made comparisons to make sure that the shop would be competitive. They had to be competitive with the outside market. He noted that they never received a report on those police cars, so nobody would ever know whether they made money or not, but what has happened over the years, what really helped the garage was not to buy a bunch of different equipment. That was where the cost was.

Mayor Price asked how often they did inventory.

Mr. Rouse replied that they observed the inventory once a year on June 30th. They count what was there and some of it was obsolete and some of it was written off. He stated that they relied on the shop foreman over there and his judgement.

Adjournment:

A motion was made by Council Member Tudor seconded by Council Member Myott to adjourn. All Council Members present voted in favor of this motion.

Respectfully submitted,

Kim J. Scott
City Clerk

ATTEST:

Philip K. Price
Mayor