

## MINUTES – FEBRUARY 5, 2007

The Caswell County Board of Commissioners met in regular session at the Historic Courthouse in Yanceyville, North Carolina at 9:00 a.m. on Monday, February 5, 2007. Members present: George W. Ward, Jr., Chairman, Jeremiah Jefferies, Vice-Chairman, William E. Carter, Nathaniel Hall, Larry G. Hamlett, Kenneth D. Travis, and C. Hester Vernon, III. Also present: Jeffrey H. Earp, County Manager, Robert V. Shaver, Jr., County Attorney, and Shannon White representing The Caswell Messenger. Wanda P. Smith, Clerk to the Board, recorded the minutes.

### MOMENT OF SILENT PRAYER

Chairman Ward opened the meeting with a Moment of Silent Prayer.

### APPROVAL OF AGENDA

Commissioner Jefferies moved, seconded by Commissioner Hamlett to approve the agenda as presented. The motion carried unanimously.

### PUBLIC COMMENTS

Chairman Ward opened the floor for public comments.

Mr. Melvin Butler, of the Cherry Grove community, came before the Board to commend them on the appointment of Ms. Sylvia Johnson as Interim County Planner and informed them that she is doing an excellent job. Mr. Butler requested that the Board consider her full-time appointment.

### AUDIT PRESENTATION

Mr. Jim Winston of Winston, Williams, Creech, Evans & Company, LLP came before the Board to present the Comprehensive Annual Report for Caswell County for the Fiscal Year ended June 30 2006.

Mr. Winston provided an overview of the audit completed for Caswell County for Fiscal Year 2005-2006. Mr. Winston reported that Caswell County has received an unqualified opinion on the June 30, 2006 financial statements with no findings. Mr. Winston commended Ms. Gwen Vaughn, Finance Officer, and her staff for receiving the Certificate of Achievement for Excellence in Financial Reporting for Fiscal Year ended June 30, 2005. Mr. Winston noted that only three percent of local governments in the United States and Canada receive this award.

Mr. Winston highlighted the following:

- Statement of Net Assets – Governmental Activities

- Statement of Net Assets – Business-Type Activities
- Statement of Net Assets – Primary Government
- Statement of Activities – Governmental Activities
- Statement of Activities – Business-Type Activities
- Statement of Activities – Total Primary Government
- Governmental Fund Revenues
- Governmental Fund Expenditures
- Proprietary Funds
- Fund Balance – All Governmental Funds
- Fund Balance – Other Governmental Funds
- Fund Balance – General Fund
- Unreserved Fund Balance – as a % of Expenditures
- Cash
- General Fund Revenues
- General Fund Expenditures
- Appropriated Fund Balance
- Adjusted Tax Levy
- Tax Collection Percentages
- Governmental Fund Debt

Mr. Winston provided the following financial highlights:

- The assets of Caswell County exceeded its liabilities at the close of the fiscal year by \$11,734,310 (net assets).
- The government's total net assets increased by \$351,550, primarily due to increased net assets in the Business-Type Activities.
- As of the close of the current fiscal year, Caswell County's governmental funds reported combined ending fund balances of \$4,674,944, a decrease of \$821,745 in comparison to the prior year. Approximately 63.6 percent of this total amount, or \$2,973,344, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,826,350 or 8.52 percent of total general fund expenditures for the fiscal year.
- Caswell County's total debt decreased by \$1,003,817 during the current fiscal year.
- Caswell County maintained its bond rating.

Mr. Winston informed the Board that the State average for Fund Balance for Unreserved Fund Balance for counties of similar size as Caswell is 28.69% and Caswell County is at 8.52%. Mr. Winston noted that State guidelines set 8% as the minimum for counties to maintain in Fund Balance and urged the Board to begin measures to increase the Fund Balance.

Commissioner Hall, Audit Committee Chairman, reported that they met and discussed at length the County's percentage of Fund Balance. Commissioner Hall stated that the County did receive a letter from the Local Government Commission and they computed the County's Fund Balance at 8.14%. Mr. Winston stated that he would check on this.

Mr. Winston noted that in the Year 2009 there will be a change in Employment Benefits that will affect the County and this will impact net assets. Mr. Winston added that new auditing standards became effective December 15, 2006.

#### LETTER FROM LOCAL GOVERNMENT COMMISSION

Mr. Jeff Earp, County Manager, reported that a letter from the Local Government Commission was received on January 17, 2007, stating that the staff of the Local Government Commission has analyzed the audited financial statements of Caswell County for the fiscal year ended June 30, 2006. Mr. Earp stated that as a result of that review, the Local Government Commission wanted to bring the following items to the Board's attention:

"In the General Fund, the percentage of fund balance available for appropriation relative to expenditures appears to be much lower than comparable counties across the State. As of June 30, 2006, the amount of fund balance was \$1,849,146 or 8.14% of total fund expenditures. Statewide, the average fund balance available for comparable counties was 28.69% of their total General Fund expenditures. We also noted that the County's level of fund balance available for appropriation has decreased from 11.31% at June 30, 2005, and from 22.26% at June 30, 2002. The primary reason for the decline this year is that General Fund expenditures exceeded revenues by \$730,850. For cash flow purposes local governments need to maintain adequate amounts of fund balance to finance their operations during periods of declining revenues. Also, fund balance represents a reserve that can be used for emergencies and other unexpected expenditures or to take advantage of financial opportunities that may unexpectedly arise. The Board should determine the appropriate level of fund balance needed in the General Fund, but at all times it should remain above 8% of total General Fund expenditures. If you determine that the level of fund balance needs to be increased, you should analyze the budget ordinance for the current fiscal year and determine which expenditures can be reduced and/or which revenues can be increased to begin building General Fund reserves.

Contributing to the decline in fund balance in the General Fund is the fact that revenues have fallen below budgetary estimates by a material amount for the year ended June 30, 2006. Once it becomes apparent that revenues will not be received as anticipated in the budget, the Board should review the budget and determine where it needs to make changes to reflect more realistic revenue expectations."

Mr. Earp informed the Board that the Local Government Commission has requested that the Board of Commissioners respond to this letter. Mr. Earp stated that the Board should include in this letter items which were included in the Fiscal Year 2006-2007 budget to address improving Fund Balance.

Commissioner Vernon suggested that the County Manager prepare a letter responding to the Local Government Commission's letter, to be presented to the full Board at its February 19, 2007 meeting. There was Board consensus that this action be taken.

#### AMENDMENT TO CONTRACT WITH DANVILLE REGIONAL FOUNDATION

Chairman Ward reported that he, along with Vice-Chairman Jefferies, County Manager, and County Attorney met with officials of the Danville Regional Foundation on January 23, 2007, concerning an amendment to the Grant Agreement between Caswell County and the Danville Regional Foundation.

Mr. Robert V. Shaver, Jr., County Attorney, reported that the purpose of that meeting was to clarify some details of the Grant Agreement. Mr. Shaver reviewed the following proposed amendments to the Grant Agreement:

1. Danville Regional Foundation will reimburse Caswell County for bills received prior to June 30, 2007, for expenses incurred on or after December 4, 2006. The balance of Grant funds will be transferred to Caswell County on or before that date, subject to the terms of the Grant Agreement as amended hereby.
2. Grant funds are to be maintained in a separate investment account so that interest income can be determined and used for the project.
3. Caswell County agrees to provide evidence of site certification, approved design, and substantial progress toward a construction contract by June 30, 2007.
4. Exhibit D of the grant agreement is amended to change the terms of grant condition #1 to conform to requirements set out in amendment #3 above.
5. The project completion date is September 30, 2008.

After further discussion, Commissioner Vernon moved, seconded by Commissioner Jefferies to approve the proposed Amendment to the Grant Agreement between Danville Regional Foundation and Caswell County, NC as presented. The motion carried unanimously.

#### REQUEST FROM FULL FLAVOR FILMS, LLC

Mr. Jeff Earp, County Manager, reported that he has received a request from Mr. John Carcieri, Executive Producer with Full Flavor Films, LLC, to use certain locations of County property in filming an independent film production in Caswell County. Mr. Earp added that Full Flavor Films, LLC will be filming an independent production entitled, *From Bubba With Love*. Mr. Earp noted that this film will be submitted in the Sundance Film Festival next March.

Mr. Earp reported that production will begin by mid-February and they will be using facilities at Carolina Pinnacle Studios, resources at Piedmont Community College, and other locations throughout the County in the process of filming. Mr. Earp stated that the film company has requested use of the following County locations:

- Historic Courthouse (courtroom)
- Farmer Lake (outside location)
- Agricultural Building
- Assistance from the Sheriff's Office

Mr. Earp requested that the Board give this request serious consideration and suggested that issues of liability and condition be taken into consideration and that the Board consider some formal agreement relieving the County of liability and assuring that County properties will be left as found.

After further discussion, Commissioner Hall moved, seconded by Commissioner Travis to approve the request as submitted by Full Flavor Films, LLC, with proper documentation, and that the Board formally welcome this group to the County. The motion carried unanimously.

#### RECESS

The Board took a brief recess.

#### RECOMMENDATION FROM SUBCOMMITTEE CONCERNING SCHOOL CAPITAL FUNDING REQUEST

The Board discussed a request by Caswell County Schools Superintendent Doug Barker at its January 22, 2007 meeting, that the Board appropriate \$100,000 to the School Capital Fund. At that meeting a subcommittee comprised of Vice-Chairman Jefferies, Commissioners Hamlett and Carter was appointed to review the budget with staff and make a recommendation to the full Board concerning the request.

Commissioner Jefferies moved, seconded by Commissioner Carter that the Board approve the appropriation of \$100,000 to Caswell County Schools for Capital Funding, with \$70,000 to come from Medicaid relief, and \$30,000 to come from the Economic Development budget.

Commissioner Travis referred to comments just made by the auditor concerning the County's financial situation and Fund Balance. Commissioner Travis stated that if the County pays the Schools \$100,000 and the Attorney processing tax foreclosures, it will be broke.

Commissioner Hall emphasized that Caswell County does not have \$100,000 and felt that at the end of this fiscal year, the County will fall below the minimum of eight percent for its Fund Balance. Commissioner Hall stated that the Board needs to be very careful in how it spends large amounts of money.

Commissioner Hamlett reported that the Subcommittee had requested that the County Manager review the current General Fund budget and present possible funding options.

Mr. Earp reviewed and identified the following funds which have been allocated in the 2006-2007 Budget and have not been used:

Non-Departmental/Insurance & Bonds	\$ 13,000.00
Economic Development (overall budget)	\$ 43,000.00
Planning (overall budget)	\$ 15,000.00
DSS/Medicaid relief	\$ 70,000.00
Ambulance payment balance	\$ 25,390.00
Total	\$166,390.00

Commissioner Hall questioned how much money was used this year from Fund Balance to balance the budget and Mr. Earp answered that the amount used was approximately \$550,000. Commissioner Hall stated that the County does not have surplus in the amount of \$166,390.00, because it has not repaid the \$550,000 it spent from Fund Balance.

Chairman Ward stated that he agrees with Commissioners Hall and Travis because he felt that at this point, the County just does not have the funds for this request.

Commissioner Travis questioned where the funds would come from if Medicaid monies come up short at the end of the year.

Commissioner Jefferies emphasized that education was the number one priority according to a recent survey conducted. Commissioner Jefferies stated that when the Board voted to pay \$137,000 which was not appropriated in the budget to a local Attorney for tax foreclosures, nothing was said, but today questions arise as to from where the money will come. Commissioner Jefferies noted that the Budget Ordinance only appropriated \$20,000 for tax foreclosures, but no one came before this Board before the money was spent, rather, the money was spent and then a budget amendment in the amount of \$137,000 had to be adopted.

Commissioner Travis stated that if the Board had taken his recommendation and not approved the \$100,000 which was appropriated for the Teachers' Supplement in the 2006-2007 Budget, then they could have appropriated that amount to the School Capital Fund. Commissioner Travis added that the Board does not have to fund Teachers' Supplement, but it is obligated to fund Schools' maintenance. Commissioner Travis stated that the Board did this the wrong way at budget time, and now they, along with the taxpayers, are paying for it.

Upon a vote of the motion, the motion failed by a vote of four to three with Commissioners Ward, Hall, Hamlett, and Travis voting no.

Commissioner Hamlett moved that the Board appropriate \$25,000 from Medicaid Relief and \$25,000 from the Ambulance Payment to the School Capital Fund, and that the issue be revisited in June. The motion died for lack of a second.

REQUEST FROM SOLID WASTE TO APPROVE LANDFILL MONITORING  
CONTRACT

Mr. Jeff Earp, County Manager, presented proposals from Dewberry & Davis and S&ME, Inc. to conduct the groundwater monitoring activities at the Landfill for the 2007 monitoring year required under the County's Landfill Closure Plan. The proposals were as follows:

Dewberry & Davis	\$9,088.00
S&ME, Inc.	\$7,066.00

Mr. Earp recommended that the Board strongly consider approving the proposal submitted by S&ME, Inc., since there would be a savings of approximately \$2,000.

Commissioner Carter suggested that proposals be obtained from R&A Laboratories of Kernersville, NC and Meritec of Reidsville, NC.

Commissioner Carter moved, seconded by Commissioner Hall to table this item in order to obtain additional proposals. The motion carried unanimously.

DISCUSSION OF OPTIONS CONCERNING FUEL SUPPLY FOR CASWELL  
COUNTY

Mr. Jeff Earp, County Manager, reported that he has been informed by Mr. Travis Williamson, Maintenance Director, that the County gas pump located at the Sheriff's Department has become unreliable. Mr. Earp noted that during budget discussions for the last two years, the Board has discussed replacement versus repair. Mr. Earp stated that the current gas pump has had several maintenance issues for the last six months due to age and the Finance Office has also had concern about the accuracy of the metering.

Mr. Earp requested that the Board consider options for replacement of the gas pump and other strategies that may meet their needs. Mr. Earp provided the Board with estimates on pump replacement from two vendors which would cost \$7,000 - \$9,000.

Mr. Earp stated that another option the Board may consider is using a third party vendor such as Huffman Oil and Wright Express to handle the County's fuel needs. Mr. Earp added that with a third party vendor, the County would use a card system and use local facilities to purchase gas and diesel fuel. Mr. Earp reported that in each case, the vendor would provide detailed reporting as to usage and cost, and in the case of Wright Express, they would also file the necessary documentation to ensure that the County's fuel tax refund was properly received. Mr. Earp noted that this would alleviate approximately two days of work in the Finance Office. Mr. Earp provided the Board with information from Wright Express for their review and noted that they hold the State contract for gasoline. Mr. Earp stated that this would be a considerable savings to the County in its purchase of gasoline.

Commissioner Hamlett questioned Mr. Earp as to whether he has talked to Thomas Brothers Gas Company, the current vendor. Mr. Earp answered that he has talked to them, but they are unwilling to do anything about the tank because it is hard for them to invest \$9,000 when they only make five cents per gallon. Mr. Earp noted that a contract is not required for this.

There was considerable discussion, after which Commissioner Carter moved to approve the County purchasing its gas from Wright Express. The motion died for lack of a second.

Commissioner Hamlett moved, seconded by Commissioner Travis to table this item until the Board's February 19, 2007, meeting in order to obtain additional information. The motion carried unanimously.

### TAX FORECLOSURES UPDATE

Commissioner Hall reported that the Audit and Finance Committee, consisting of Commissioners Travis, Vernon, and himself, met with Attorneys John Thomas and George Daniel on January 25, 2007, to discuss collection of delinquent taxes and the billing process.

Commissioner Hall reported that at that meeting Attorney John Thomas gave the following summary of collection efforts and activities:

Files Established	1147
Paid in full	529
Tax Sales	9
Tax Sales Pending	23
(these are ready to sell)	
Payment Plans	61
Payment Plans after filing	10
Bankruptcies	18
Bankruptcies after filings	4

Commissioner Hall reported that Attorney Thomas confirmed that the firm was notified to stop all collection activities.

Commissioner Hall reported that the Committee was directed to inquire if the firm would agree to be paid as collections were received and Attorney Daniel stated that based upon the actions they have to take and the time involved in the process, he would not be amendable to that.

Commissioner Hall presented the following recommendations from the Audit and Finance Committee:

1. Establish a contract for collection activities.
2. Develop and approve policies for what's referred outside for collection.
3. Have Tax Director develop, and get approved by the Board, policies for dealing with delinquencies. The policy should address payment plans and time frames allowed and the order of paying prior years' taxes.
4. Consolidate billing and advertising cycles to reduce expenses.
5. Require that the Finance Office develop the appropriate revenue and expenditure codes such that taxes and fees collected, and fees and other expenses incurred can be tracked separately for Board and management oversight and review.

Commissioner Hall reported that in addition to the above recommendations, the Board needs to take action relative to outstanding collection fees and to advise the legal firm as to whether or not to continue with collection activities.

Commissioner Travis stated that a contract needs to be entered into with this law firm before moving on any further and the County needs to stipulate what it wants in the contract. Commissioner Travis added that he wants the Tax Director to do all that he can to collect delinquent taxes before referring accounts to the law firm. Commissioner Travis stated that if a law firm is going to do all the tax collections, maybe the staff in the Tax Office needs to be reduced.

Commissioner Vernon stated that he agrees with the recommendation and felt that the Board needs to move quickly because there are 23 tax sales pending that are ready to sell. Commissioner Hamlett agreed that all of the legal work has been done on the 23 tax sales pending and they just need to proceed with the sale. Commissioner Travis questioned whether the legal work had been paid on the 23 tax sales pending and the Tax Director answered that he did not think the legal fees had been paid.

Commissioner Jefferies questioned Mr. Thomas Bernard, Tax Director about whether he understood that \$20,000 was appropriated in the 2006-2007 budget and before any work beyond this amount was done, he was to come back to the Board for approval. Mr. Bernard answered that he understood the \$20,000 appropriation, but it was his understanding that the amount appropriated was for new work, not work in the process.

Commissioner Jefferies reported that he has been very concerned about this situation and contacted the Institute of Government for clarification. Commissioner Jefferies stated that the Board was presented with legal fees in the amount of \$137,000 at its October 16, 2006 meeting and the \$20,000 in legal fees that had been appropriated in the budget had already been spent, so the Board amended the budget to pay these invoices. Commissioner Jefferies reported that the Attorney at the Institute of Government informed him that the Board of Commissioners had violated the law because it amended the budget after it had spent the money.

Mr. Bernard reported that when files are turned over to the private law firm that all means of collection have been exhausted in the Tax Office. Mr. Bernard informed the Board that from the period of July 1, 2006 through February 2, 2007, \$150,755 had been

collected in legal fees. Mr. Bernard reported that delinquent tax collections have doubled and the tax collection rate is averaging above 95%.

Commissioner Hamlett stated that the County is paying money out to the law firm before delinquent taxes are collected, but in the end the County will recoup all of its money.

Commissioner Vernon stated that he has had concerns about the reporting process and being able to understand it. Commissioner Vernon informed the Board that he has met with the Attorney and gotten a clearer understanding of the process. Commissioner Vernon reported that \$543,000 has been collected in Attorney fees and turned into the County Finance Office, while the County owes the Attorney \$555,820.71, with this being within \$10,000 of what the Attorney has billed the County.

After considerable discussion, Commissioner Carter moved, seconded by Chairman Ward to accept the recommendation as submitted by the Finance and Audit Committee and move forward with implementation of these steps as set forth by the Committee. The motion carried unanimously.

Commissioner Vernon stated that he felt it was important that the Board direct the law firm to continue with the 23 tax sales pending as quickly as possible.

Commissioner Vernon moved, seconded by Commissioner Carter to authorize the law firm of George B. Daniel to proceed with the 23 tax sales pending.

Commissioner Jefferies moved, seconded by Commissioner Travis to amend the motion to table action on this issue in order to determine how much money is owed on the 23 tax sales pending. The motion failed by a vote of five to two with Commissioners Ward, Carter, Hall, Hamlett, and Vernon voting no.

Upon a vote of the original motion, the motion carried by a vote of five to two with Commissioners Jefferies and Travis voting no.

In reviewing the recommendations made by the Committee, Commissioner Vernon moved, seconded by Commissioner Carter to refer these back to staff and that they meet with the law firm and negotiate a contract for tax collection activities.

Commissioner Travis stated that he wholeheartedly disagrees with Commissioner Vernon and that the Committee or Board needs to come up with a contract and not staff.

Commissioner Hall stated that in looking back over the recommendations, this is something that cannot be done in a short time. Commissioner Hall added that staff does not need to develop and carry out these recommendations, this is something the Board needs to be involved in because it was not involved in the process when it was initiated. Commissioner Hall stated that the Board needs to be involved in the policies and procedures.

Commissioner Jefferies agreed that the Board of Commissioners needs to set policies and procedures.

Upon a vote of the motion, the motion failed by a vote of five to two with Commissioners Ward, Jefferies, Hall, Hamlett, and Travis voting no.

Commissioner Hamlett moved, seconded by Commissioner Travis that this matter be referred to the Audit Committee, Attorney, and Tax Director and to bring a recommendation back to the full Board.

Commissioner Vernon stated that he felt the entire Board needs to be in on this discussion because everyone has different opinions.

Upon a vote of the motion, the motion carried by a vote of four to three with Commissioners Carter, Jefferies, and Vernon voting no.

Commissioner Hall requested that the Board provide a timeframe for recommendations. Chairman Ward directed the Audit Committee to report back to the Board on the status of the recommendations at the Board's March 5, 2007 meeting.

#### RECESS

The Board held a brief recess.

#### DISCUSSION OF COMMITTEES

Commissioner Jefferies stated that he has had concern over the appointment of subcommittees because the full Board did not receive all of the pertinent information and he felt that all seven members should have access to all of the information. Commissioner Jefferies added, however, that he has never received such a detailed report as the one tonight submitted from the Audit and Finance Committee and commended them for an excellent report.

#### COUNTY MANAGER'S REPORT

Mr. Jeff Earp, County Manager, reported that the Public Transportation Division, NC Department of Transportation, has scheduled a disbursement of FY2007 Rural Operating Assistance Program (ROAP) funds beginning January 29, 2007. Mr. Earp provided the Board with the amounts awarded to Caswell County for each individual ROAP Program.

Mr. Earp provided the Board with a memo from the North Carolina Housing Finance Agency denying the County's application for 2007 Urgent Repair Program Grant Funding.

Mr. Earp informed the Board that he received a letter from Ms. Cleo F. Smith concerning canoe/kayak type recreation and access to rivers.

ANNOUNCEMENTS

Commissioner Travis reported that Mr. Bo Sexton, husband of Ms. Sharon Sexton, Executive Director, Caswell County Chamber of Commerce is still at Moses Cone Hospital following heart surgery.

Commissioner Hamlett reported that he was informed that there may be cutbacks in the DMV License Office and they may be in the County only two to three times per month. Commissioner Hamlett requested that the County Manager obtain information on this.

Upon questioning from Commissioner Hamlett, the County Manager confirmed that Mr. Ted Davis, Environmental Health Specialist, recently had a heart attack.

Chairman Ward reported that the Clerk to the Board has informed him that Congressman Brad Miller would like to meet with the Board of Commissioners prior to its February 19, 2007 meeting at 5:30 p.m. – 6:30 p.m. in order that the Board may provide direct input to him regarding the target items that they would like him to address in the 110<sup>th</sup> Congress. The Board was agreeable to this and Chairman Ward directed the Clerk to the Board to inform Congressman Miller’s office of this.

CLOSED SESSION

Commissioner Hamlett moved, seconded by Commissioner Jefferies that the Board enter into closed session to consider the competence, terms of appointment, and performance of an individual public officer (NCGS 143-318.11(a)(6)), and to discuss matters relating to the location or expansion of industries or other businesses in the area served by the public body (NCGS 143-318.11(a)(4). The motion carried unanimously.

REGULAR SESSION

Commissioner Travis moved, seconded by Commissioner Hall to resume regular session. The motion carried unanimously with Commissioner Hamlett absent.

THE ADJOURNMENT

At 12:50 p.m. Commissioner Carter moved, seconded by Commissioner Hall to adjourn the meeting. The motion carried unanimously.

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Wanda P. Smith  
Clerk to the Board

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George W. Ward, Jr.  
Chairman

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