



**LUCAMA BOARD OF COMMISSIONERS
REGULAR MEETING
MONDAY, APRIL 1, 2024
LUCAMA TOWN HALL
BOARD ROOM**

MINUTES

1. Call to Order

Mayor, Matthew Creech, (hereinafter “Mayor Creech”) called to order the regular meeting of the Town of Lucama Board of Commissioners (hereinafter “Board”) at 6 pm on April 1, 2024.

2. Roll Call

Mayor Creech conducted roll call – by use of sign-in. The following were present:

Commissioner, David Johnson (hereinafter “Comm. D. Johnson”)
Commissioner, Jeff Johnson (hereinafter “Comm. J. Johnson”)
Commissioner, Kim Joyner (hereinafter “Comm. Joyner”)
Commissioner, Jody Teague (hereinafter “Comm. Teague”)
Interim Town Administrator, Ralph Clark (hereinafter “Admin. Clark”)
Town Clerk, Dena Owens (hereinafter “Clerk Owens”)
Utility Billing Clerk, Ashleigh Hooks (hereinafter “Clerk Hooks”)
Town Attorney, Gabe DuSablón (hereinafter “Attorney DuSablón”)

3. Call for Prayer

Mayor Creech called for Rev. Joe Stallings from the Lucama Global Methodist Church to open in prayer.

Comm. Joyner mentioned that she had spoken with Attorney DuSablón regarding parameters for including prayer in the Town meetings. She stated that there should be parameters before starting the Town’s meetings with prayer because of the diverse community, and not everyone holding the same beliefs.

Mayor Creech said there would be discussion regarding parameters and called for Rev. Stallings to pray.

Attorney DuSablón interjected and pointed out that the agenda is up to the Board’s discretion as to what is placed there. On the agenda, prayer is included before the

approval of the agenda. Prayer should be included after the approval of the agenda.

After much discussion, Attorney DuSablou stated that it is legally permissible to have prayer before the meeting if it follows certain guidelines. It can also be a violation of people's rights if there is a prayer before the meeting that is not pursuant to those guidelines.

Attorney DuSablou stated that there should be a vote to approve the agenda with prayer or to approve the agenda without prayer.

4. Approval of Agenda

Mayor Creech asked for a motion to approve the agenda without prayer.

MOTION: Comm. J. Johnson made motion to approve the agenda without prayer inclusion; seconded by Comm. Teague. Motion passed by unanimous vote.

5. Approval of Minutes of Last Meetings

Mayor Creech gave the Board an opportunity to review the proposed minutes from the March 4, 2024, regular meeting, the March 7, 2024, special-called meeting, and monthly financial report.

MOTION: Comm. Joyner made motion to approve the March 4 and March 7, 2024, meeting minutes and financial report; seconded by Comm. J. Johnson. Motion passed by unanimous vote.

6. Danna Layne – Nunn, Brashear, and Uzzell – 2021 Audit Report

Mrs. Layne briefly spoke through the financials of the Town from the 2021 Audit Report. Bound copies of the report were not available as there had not been approval yet from the LGC. She concentrated on the findings and the responsibility as a Board to follow up on the findings and offered suggestions. Because of the timeliness, the numbers she was sharing will not have value since they are so old.

Mrs. Layne stated that she was happy to present an unmodified opinion. That is the highest level of assurance she can give as an audit that means the statements are fairly represented for the Town. There is various audit evidence, bank statements, investment statements, LGC and Department of Revenue provided information. They also evaluate supplementary information, such as the LGERS retirement numbers, tax receivables.

Mrs. Layne stated that governmental financial statements are complicated. The ones that provide value are the ones she shared and included in her presentation. She mentioned when getting to FY Audit 2023, she will spend more time on the financial statements because it is important for the Board to understand how the statements work together, and what numbers are valuable to them for financial making decisions.

Exhibit 3 shows the assets, liabilities and what is known as fund balance. The total assets as of 6/30/21 was \$1,563,638.

Exhibit 5 shows the comparison to budget. A budget is important, and the Town is required by law to operate under budget. There should be an original and final budget. There were no budget amendments made during FY 2021, therefore the original budget and final budget are the same. That is not what is expected. The budget was severely overspent for the year. That will be a finding. Both revenues and expenditures exceeded the budget.

Exhibit 6 shows proprietary funds. Those funds are the business type funds. The Town has an electric fund and a water/sewer fund. Each of the funds stand alone. They are to operate alone. You cannot transfer monies from the electric fund to operate the general fund, you cannot take general fund money to operate the water/sewer fund. They are expected to earn a profit and be run as a business. The assets for the electric fund were \$7.8 million. There were liabilities of nearly \$350,000 and equity of \$7.6 million. Electric funds make money and are strong in cash. In the water/sewer fund there is about \$2 million in assets and about \$1 million in liabilities, and about \$1 million in equity.

Exhibit 7 is basically a Profit and Loss Statement. The Electric Department had nearly \$2.3 million in revenues and expenses of \$1.7 million, having operating income ending the year of about \$630,000. The electric fund is not an issue. The water/sewer fund had about \$430,000 in revenues and \$730,000 in expenses, creating an operating loss, not supporting itself, along with some interest ending the year in a \$250,000 deficit.

Mrs. Layne mentioned that she expects the LGC to approve the statements within the next week.

Because the Town receives governmental funding, a report is issued on internal controls. There were several findings issued. One is statutory violations, being the 2021-2022 budget was late for adoption, no budget amendments were made, and the expenditures exceeded budget. The current management was not employed during this time. This is merely a way to keep you informed to prevent the same from happening. A timely audit is required per State statute. Danna

mentioned that there is a goal to complete two more audits during the summer, which is up to having a timely trial balance delivered to her. She'd like to see 2022's numbers by the end of April to do FY 2022 in the month of May and then get 2023 in July, being on track to finish 2024.

Mrs. Layne also spoke about segregation of duties. This is a repeat finding. Segregation of duties can go away. People can be hired. The Board can be involved. As Mr. Overton backs out, and he should, the staff should be able to stand on their own. Jimmie should only come in once a month for two to three hours to look over shoulders and that would be all that is needed. As staff stand on their own, it is too much work for two people. Someone should be separating those duties. Good segregation of duties has one person in charge of revenues, one in charge of expenses and a third in person in charge of reconciliation. Concentration needs to be made on the segregation of duties, unless the Board wants to get involved and have a lot more functions. There would need to be commitment to a lot of hours and come to work for free. There is cash available, so there is no reason not to hire a third person to make sure the responsibilities take place and have good segregation of duties.

The third was the trial balance being non-existent. This was due to software issues and the software was not being used. It is her understanding that most of FY 22 has been keyed, and software was being used. Therefore, a trial balance should be turned around faster.

A new issue reported was a prior period adjustment. One is non-negotiable for her. She and Mr. Overton do not agree on how the trial balance should be set up, but it is State Statute for a Town to operate on the modified accrual basis. The transactions in the General Fund do not meet the basis of accounting. Therefore, the software's fund balance should reconcile to the prior year audited financial statements. The general fund should match 6/30/21 for fund balance. The proprietary funds operate during the year on modified accrual and then at the end of the year the entries are made to convert it to full accrual. The trial balance that she received for 6/30/21 did not tie, the fund balance did not tie to the 6/30/20 audit. There was a prior-period adjustment that she did not expect to have. The third-party person in her firm that was used to write the statement had to spend nearly five hours trying to find the mistakes to the fund balance because of a journal entry that was made. She will not accept a trial balance for 6/30/22 that does not tie to the prior year's financial statements.

She mentioned other reports that were issued and performance indicators of concern. The Board has 60 days to respond to the Performance Indicators of Concern, as noted to the findings in the financial statement audit by May 31, 2024.

It should be submitted through the electronic portal on the NC LGC website and signed by the governing Board members.

Again, Mrs. Layne mentioned to the Board about consideration of the segregation of duties. Comm. Joyner questioned three people in the office, asking if the third was the administrator. Danna stated that she doesn't see the administrator as being in the financial process. She said ideally there would be three employees and an administrator.

Comm. Joyner asked for clarification of when the next budget must be adopted. Mrs. Layne stated that it must be adopted by June 30, 2024, realizing that Admin. Clark is currently working on the next year's budget due to conversations they have had.

7. Public Comments

Gladys Martinez, 306 Boulder Drive, was concerned that the Board did not allow Rev. Stallings to pray at the beginning of the meeting. She said that it seems everything that Mayor Creech brings before the Board, they question and will not vote for it. She asked why there wasn't a pledge to the flag at the beginning of the meetings. She reprimanded the Board on their earlier actions regarding prayer. She stated that prayer and the pledge were at meetings many years ago and questioned where the documents are located that specified their allowance to take place.

8. Old Business

Clerk Owens shared answers to questions from the previous month's meeting regarding the Town's website. Specifically, if someone is trained in the office to add minutes or such, there will be a \$350 cost for the training and then there would be a monthly cost of \$75.

If the company made all the updates to minutes, etc. it would need to be catered to what the Town's needs. There would need to be a call to discuss what a payment plan would be.

Mayor Creech suggested that the website be brought up for a vote once final changes had been made. The site has been delayed for quite some time. He asked for a motion to allow Clerk Owens to move forward to have the website published. Comm. Teague suggested it be done once Clerk Owens had been trained.

MOTION: Comm. Teague made motion that once Clerk Owens has been trained and the corrections have been made as requested that the website be published; seconded by Comm. D. Johnson. Motion passed by unanimous vote.

MOTION: Comm. Joyner made motion that Clerk Owens be trained at a cost of \$350, and then a monthly cost of \$75 to Clayton NC Web Designs for other updates; seconded by Comm. Teague. Motion passed by unanimous vote.

9. New Items of Business

Admin. Clark mentioned that he had received a letter from Comm. Michael Best resigning from his position and shared the letter with the Board.

Mayor Creech asked for a motion to accept the resignation.

MOTION: Comm. D. Johnson made a motion to accept the resignation of Comm. Michael Best; seconded by Comm. Joyner. Motion passed by unanimous vote.

Attorney DuSablón mentioned that being there was a vacancy on the Board, he would like to share the process for filling the vacancy. The Board is to decide to fill the vacancy. The person must be eligible to be on the Board. It can be anyone if they are a resident of the Town of Lucama. There are two ways of going about filling the position. There is motion or by a nomination method. If there are multiple people interested in the position, ballots can be used. There can be different sources, such as people who ran in the last election or anyone who shows interest. He stated that there was no set time to fill the vacancy. However, the expectation would be that since there are five Board member positions, that there would not be one allowed to be vacant. Anyone who is nominated or elected by the Board would only fill the remainder of the term.

Much discussion was rendered regarding the subject of filling the vacancy.

Attorney DuSablón mentioned that it would be prudent to chose what method would be used to fill the vacancy, motion versus the ballot method.

MOTION: Comm. J. Johnson made a motion to use the motion process to fill the vacancy; seconded by Comm. D. Johnson. Motion passed by unanimous vote.

MOTION: Comm. J. Johnson made a motion to fill the vacancy with James Parker. There was no second. Motion failed.

MOTION: Comm. D. Johnson made a motion to fill the vacancy with Judy Mason. There was no second. Motion failed.

MOTION: Comm. Teague made a motion to table the decision of filling the vacancy until a special-called meeting on April 9th at 6 pm to bring a slate of nominations; seconded by Comm. Joyner. Motion carried by unanimous vote.

Admin. Clark shared Budget Amendments 3 for the General Fund, 4 for the Electric Fund, 5 for the Water/Wastewater Fund and 6 for an Electric Capital Project Fund. He mentioned that he had spoken with the Public Works and Utility Committee. The capital project is for the electric system and incorporates the replacement of poles, in addition to some linework that is badly needed to make the system operate better. There will be a study done that will also identify pole attachments, being cable tv and telephone, that typically share in the cost of the poles. Other than Greenlight, there is no other company currently paying for use of the Town's poles. Mr. Clark stated that it is unfair for the Town to allow any company to attach to the poles and not pay some sort of fee to pay for the pole and the right of way. The pole inventory incorporates a menu of items that will be done. Identify the size of pole and condition, the birth date and users of the pole, the transformer sizes, streetlights, if there are places on the pole that different utilities have space for, based on safety requirements, and will assist developing a pole attachment agreement. Mr. Clark asked the Board to approve a "Not to Exceed Contract" with Osmose Utility Service if the Capital Project Budget Amendment is approved. The Fund must be approved before work can begin or contracts made with companies.

Mr. Overton, Town CPA, mentioned that other than the Capital Project Budget, other things that are corrected with the amendments include adding money to the audit fee, because of trying to get the next two year's audits completed by the end of the fiscal year. Other increases are in the salaries which came from the turnover of employees being replaced with new employees being paid a higher salary. The budget in the electric fund was decreased in the purchase of electricity as the cost has come down from their previous state. The large amendment is a transfer from the electric fund to fund the capital project. This fund will be spread over a couple of years.

MOTION: Comm. Teague made a motion to approve the recommendation of Mr. Clark, Budget Amendments 3, 4, 5, and 6; seconded by Comm. D. Johnson. Motion passed by unanimous vote.

Mr. Clark reported that he had been in contact with Osmose Utility Service, a pole inventory service company. It is estimated that there are 850 poles that need to be inspected. They have given a not-to-exceed price of \$25 per pole to complete the inspection. The cost is less than usual due to being able to tie on to a contract that the City of Wilson currently has. If approved, the work will begin on May 1st. Using another company to come and do the work the estimated cost would be \$60

per pole. Using Osmose and tying in the contract with the City of Wilson is a more cost-effective plan.

MOTION: Comm. D. Johnson made a motion to allow Admin. Clark to enter into a "Not to Exceed" Cost Agreement with Osmose with a per pole price of \$25, with estimated cost of \$21,250; seconded by Comm. Joyner. Motion passed by unanimous vote.

10. Town Administrator's Report

Admin. Clark mentioned that he had begun the budget prep process and should be well on the way by the end of the month. He reiterated that it is critical that the budget be adopted by June 30, 2024. Some of the things that deserve consideration are:

- Adding an additional employee for the office for segregation of duties, allowing for the staff to have more time of focus on weening from the need to use Mr. Overton less, bringing payroll back in house, having someone specific to work on the six grants that the Town currently is working through.
- Adding an additional employee for the water and wastewater system – hiring a certified operator.
- One of the employees in the street department will be retiring at the end of the year. There will need to be a few months of having the new employee training with the current.
- With the electric capital project fund, some of the pieces were segregated out, but there will be a need for an additional employee to help supplement during the capital project.
- Hiring a cleaning service for the office building.
- The cost for the auditor (Layne) and fee accountant (Overton) needs to be separated out in the budget.
- The Wilson County Sheriff's contract is still under discussion. Admin. Clark plans to meet with the Public Safety committee to determine how to approach it.
- COLA raises for the upcoming year. Admin. Clark has seen some numbers across the State between three and five percent. With the solid employee base that the Town currently has, the Town is fortunate. He mentioned that

there are other Town's that would steal them, and it is important to take care of them.

Admin. Clark mentioned that he has received seven applications for the town administrator position and plans to start sharing them with the group in mid-April.

Tom Goff, Public Works supervisor reported to Admin. Clark that during the month of February there were 17 poles replaced and 13 during March. There are still 250 to replace and they are making plans to get the work done.

The AIA contracts were approved last month, and the work is underway. This will include the rate studies that are needed.

11. Adjournment

Mayor Creech adjourned the meeting at approximately 7:40 pm, April 1, 2024, upon motion of Board.

MOTION: Motion was made to adjourn by Comm. D. Johnson; seconded by Comm. Joyner. Motion passed by unanimous vote.

Respectfully Submitted: Dena Owens, Town Clerk