

**TOWN OF UNIONVILLE
TOWN COUNCIL
REGULAR MEETING MINUTES**

The Town Council of the Town of Unionville held a meeting on Monday, March 20, 2023, at 7:30 PM at Town Hall located at 1102 Unionville Church Road. Mayor Baucom, Andrew Benton, Jaren Simpson, Jeff Broadway, Chad Simpson, and Attorney Ken Helms were present. Absent was Gene Price.

Everyone stood and recited the Pledge of Allegiance to the United States flag, after which Commissioner Jaren Simpson led the prayer invocation.

Mayor Baucom welcomed everyone in attendance and called the meeting to order at 7:30 PM and opened the floor for public comments. There were no public comments.

Upon motion duly made by Jaren Simpson, seconded by Andrew Benton, the Board unanimously approved the minutes of the February 20, 2023, regular meeting.

Mayor Baucom recognized Finance Office Darrell Baucom, who reviewed the Financial Statement, a copy of which is appended to these minutes. In reviewing the balance sheet, Finance Officer Baucom pointed out that the CD would mature that coming Thursday. He advised Council that he would be looking for better CD rates to reinvest. On the following page, Finance Officer Baucom covered the budget. This year, the Town has collected roughly \$448,500 in income, largely due to franchise and ad valorem taxes. This year's expenses are currently at \$211,000, in comparison to the budgeted expenses of \$349,000. In the past month's activity, major expenses include payment to Wolfe Trail Engineering for progress billing. Finance Officer Baucom advised the Council they posted a request for bids for contracts, which will open on April 19th. In addition, the Town made a \$60,000 donation to the Fire Department during the last meeting. Pending bills to be paid include paying JB Watson for the annual audit. Upon motion by Andrew Benton and seconded by Chad Simpson, the Council unanimously agreed to the payment of pending bills.

Mayor Baucom then recognized Deneal Bennett for the Audit Presentation, a copy of which is appended to these minutes. Bennett stated that Jimmy Hanna, who typically presents the audit to the town, was needed for taxes, but she would review the presentation and point out things that are new. She stated that audits require an independent partner review, and she is that acting partner, so she was familiar with the report prepared. Bennett then introduced the Independent Auditor's Report, which was in a new format. She advised the Council that the Auditing Standards Board reorganized the look of the report and reworded it for clarity. She stated that the town still has a clean audit, there is just new verbiage. Based on the audit's findings, the town's financial statements were considered correct. Bennett then reviewed each element within the report. Exhibit 1 outlined the accrual basis using the monthly reports with assets and liabilities. Exhibit 2 covered revenues and expenses. She noted that the town operated in a deficit, with expenses being more than revenue, which is how all governments operate. Governments are paid by property taxes, they are paying for the services provided, typical for municipalities of this size. She noted that there were new columns added for the grant funds. In

Exhibit 4-1, the report covered revenues and expenditures in a summary form, reflecting a positive change in fund balance. Exhibit 5 outlined the general fund and described the two grant project funds that started this year. One grant included assets classified as restricted funds for the fire department. Next, there is a description of the town's ARPA grant, which includes the usage and intentions of the funds. Page 11 denotes assets classified as restricted because there is a grant received on behalf of the fire department and it was not expended by June 30th. The top of page 12 includes a paragraph describing the ARP Grant and explaining that it will be received in two installments, one in the audited year and another in the upcoming year. On page 14, the report includes the detail notes about deposits, capital assets, and disclosures required for pensions. These are the same as the town has had in the past. On page 21, there are two new notes. Note four explains that because there were multiple funds and a transfer of funds from a grant into the general fund for salaries. The State Capital Infrastructure Fund grant disclosure is in note six. The required disclosures for pensions can be found on page 23. Pages 24-25 include the detailed general fund, both budgeted and actual; page 26 covers ARP Grant funds, both budgeted and actual; page 27 details the fire department reimbursement project fund balance, both budgeted and actual; and pages 28-29 detail disclosures for property taxes.

There is a new section that the town has not had in the past, which requires a Compliance Section. Ms. Bennett went on to explain that there are three tiers to an audit, in accordance with the general auditing standards. This year, the town required a yellow book audit to meet government standards since the town spent more than \$100,000 in grant money. This means that in addition to the financial statements, the audit also looks at the financial controls in place. This is typically a separate letter, but this year it is included in the report. The only finding noted is the lack of separation of duties, which the town cannot help but have since there is only one full-time employee. The last page covers the grant schedule, which is required to disclose federal and state grant money. Currently, the only money spent has been the ARP Grant money, which is included in the disclosure.

Ms. Bennett told the Council that the report included a loose letter in the back, which is a required piece of communication to indicate which audit tier was performed. This audit was completed using generally accepted and governmentally accepted auditing standards, this letter also discloses any changes in accounting practices and significant estimates in the town's financial statements, which are the depreciation and pension liabilities. If there were difficulties in performing the audit or disagreements with management regarding how they should disclose things, they would be formally reported in this letter, but there were none to report. The only significant journal entries were to adjust the books from a budget basis to an accrual basis, and Darrell provides all of that. The audit shows financial statements over just one year, and they would like to make a comparison over the past three years to show how the town is doing from one year to the other. She showed a comparison from the audited financial statement over the last three years. There is also data from the state, LGC provides data each year, grouped by population, year behind. The town is grouped with municipalities of the same size based on general fund expenditures, not populations. Unionville is grouped in the \$100,000-\$999,000 in

general fund expenditures. This offers a comparison of Unionville over the past three years to municipalities of a similar size. Ms. Bennett pointed out one thing on the sheet. LGC looks at your fund balance, which is calculated by the fund balance available, and they take that as a percentage of general expenditures. The minimum requirement by the state is 8% fund balance available, which would mean that there is enough money on hand to pay one month's bills. In the past, while that was a minimum, LGC recommended 25%, which would give three months' cash on hand to pay bills and could have money on hand in the event of an emergency. They have revamped that and now look at general fund expenditures and group municipalities by how much they think you should have in fund balance. For a town this size, the recommendation is to have 71% general fund balance available, which would mean the town would have enough money on hand to cover 8 ½ months. She said that was very conservative, but if looking back at LGC, it was formed after the Great Depression to make sure that municipalities in the state of NC are fiscally sound, and they want municipalities to have a strong fund balance. In looking at Unionville's fund balance available as a percentage of the general fund expenditures, it is 980.25%. The town has met the minimum threshold that LGC recommends for municipalities.

In her last point, Ms. Bennett noted a spreadsheet included in the packet, which was a new requirement last year. When an audit is submitted, they must scan a .pdf and put information into an excel spreadsheet that is submitted to LGC. Last year, they decided there were many towns not having the auditors present the audit and they did not know what their issues were. They now require a report provided to the municipality. LGC generates the report based on the information provided from the audit and then requires that the schedule be presented to the governing bodies. The only thing that the town should be concerned about is anything shaded in red in the Unit Results column, and Unionville only has one of those and it was the fault of the auditor, which Ms. Bennett will go over. The first page reviews the minimum fund balance threshold requirement, which is recommended at 71% and yours is 980%, so that is not an issue. On the second page, LGC wants to know if the town has an appropriated fund balance and if the town had a negative change in fund balance this year, which would be a red flag for them. Unionville did not have a negative change in fund balance. The next question asks if the town had a deficit fund balance, which means over time the town continually spent more money than it took in, and that is not an issue. The next pages are for towns and counties who have a water/sewer fund or provide electricity, which Unionville does not, so they do not apply. At the top of page 11, the schedule asks if the report was submitted late. This audit was submitted late to the state. It was not the town's fault; it was the fault of the auditor. Darrell had all the information ready and sent to them; however, they are experiencing staffing issues and it could not be completed in time. Ms. Bennett apologized. She told the Council that LGC required that within 60 days of the audit presentation, the town must provide a formal response to anything that is shaded red. All the town must do is say that it was the auditor's fault and state why we think it will not happen again. The company is diligently trying to hire staff to alleviate their shortage. Darrell will have to write a formal response, it will be approved by the Council and the majority of the Board must sign it, it must be signed by the mayor and finance officer, and then submitted through a portal to LGC. Ms. Bennett told Darrell that she would help him craft that

letter. In the past, LGC had a similar process called a white letter, but they now have updated the process. The next few questions pertain to LGC looking at financial performance indicators, such as property tax evaluation, how much is budgeted for property taxes, if the town went over budget on anything, which do not apply to Unionville. The last page has one question that deals with debt service, which the town does not have debt, and asks if the auditors had anything else in the audit that the town needs to respond to LGC about, and the town does not. Ms. Bennett told the Council that they were doing a great job. She told them that concluded the report. Mayor Baucom asked for any questions. There were no questions for Ms. Bennett. Ms. Bennett told the Council they had a very strong report, and they appreciated the opportunity to work with Unionville. Mayor Baucom thanked Ms. Bennett for coming.

Finance Officer Darrell Baucom said the Council needed to consider the approval of the proposed audit contract. Ms. Bennett advised Council that the price may have gone up due to inflation. Finance Officer Baucom recommended that the town use them again for the next audit report. Upon a motion duly made by Commissioner Jaren Simpson, seconded by Andrew Benton, the Council unanimously agreed to use JB Watson for next year's audit.

Next, Mayor Baucom brought forward a resolution directing the Clerk to investigate Annexation #27 with Piedmont Recreation Association, regarding a satellite annexation of 39.9 acres on Zebulon Williams Road. Upon a motion duly made by Jaren Simpson, seconded by Jeff Broadway, the Council unanimously agreed to direct the Clerk to begin investigating the annexation.

Mayor Baucom then mentioned the consideration of charitable contributions for Unionville American Legion Auxiliary Post 535 for \$3,000. He noted that the vote would take place on April 17, 2023. No one from the American Legion Post 535 was in attendance to speak to this request.

In other business, Mayor Baucom advised the Council that they would need to move the town offices to a new location during construction. He said that Unionville Volunteer Fire Station 22 on Highway 601 had been offered as a meeting space and office space, which would allow Sonya to have a workspace while construction is ongoing.

There being no other business, the meeting was adjourned at 7:55 PM.

Respectfully submitted,

Melody Braswell
Deputy Clerk

Approved as to form:

R. Kenneth Helms, Jr., Town Attorney