



# **Minutes of the Roanoke Rapids City Council**

A special meeting of the City Council of the City of Roanoke Rapids was held on Tuesday, January 10, 2017 at 5:15 p.m. in the Council Chambers at the Lloyd Andrews City Meeting Hall.

**Present:** Emery G. Doughtie, Mayor  
Carl Ferebee, Mayor Pro Tem  
Ernest C. Bobbitt)  
Suetta S. Scarbrough)  
Carol H. Cowen)  
Wayne Smith)  
Joseph Scherer, MPA, MS, City Manager  
Gilbert Chichester, City Attorney  
Traci Storey, City Clerk  
Chuck Hasty, Police Chief  
Leigh Etheridge, Finance Director

## **Council Members**

Mayor Doughtie called the meeting to order.

### **Approval of Meeting Business**

Motion was made by Mayor Pro Tem Ferebee, seconded by Councilman Smith and unanimously carried to approve the special meeting business which was to hear the audit report from Mr. Redman for the year ending June 30, 2016.

Mayor Doughtie gave the invocation.

### **Presentation of FY 2015-2016 Audit Report**

Mr. Gregory T. Redman, CPA, presented the audit report for the year ending June 30, 2016. He stated the Local Government Commission (LGC) approved the report in the last week or so. He said there were no findings or control issues with the audit. He reported the undesignated fund balance was \$3.4 million which was just under 25% of budget for the next year. He said the City has budgeted \$659,737 of that fund balance to spend in this current year, but if it is not spent then the City will be better off the end of 2017.

Mr. Redman reported the total revenues were \$14,814,018 with total expenditures \$15,379,941, therefore resulting in a loss of \$565,923. He noted the City budgeted and anticipated a \$500,000 loss. He stated the City did not exceed any expenditure categories that were budgeted, but the total revenues were short \$447,309 of what was anticipated. He stated that was most of the shortfall. He said as of June 30, 2015, privilege licenses were taken away by the State which was approximately \$230,000 the City collected each year in prior years. He stated another issue was the lease ended on the Theatre and the City had over \$180,000 of expenses for the Theatre that they did not have before. He said all these items were how they got to the \$565,000 loss.

Mayor Pro Tem Ferebee asked about the \$913,345 loss in the ad valorem taxes. Mr. Redman replied the anticipated tax revenue was probably more than expected. He said it was not \$913,000 less than received in prior years but less than what was budgeted to receive.

Mayor Doughtie asked Mr. Redman how the City could better project that revenue since they have the valuation and the rate. Mr. Redman said although he was not involved in budget, it could be better. He said cities and towns budget their expenditures as best they can and it was required the revenues match expenditures. He added that sometimes revenues may be budgeted higher than what they may actually get because they have their set expenditures.

Mayor Doughtie asked Mr. Redman about the line other taxes and licenses which showed a large increase. Mr. Redman replied that was the hold harmless revenues which include sales tax and other State revenues. He added that the City would not know how much they would receive each year but this year the City received \$865,000.

Mr. Redman reviewed the Notes Payable portion of the audit report. He called attention to the notes payable which consisted of the fire station and ladder truck and the tax increment financing was the Theatre. He explained information from the actuarial study for anticipated future payouts for the pension and postemployment benefits.

Mr. Redman stated the net tax levy was \$7.4 million. He added the City nor the County knows what the motor vehicle property taxes were going to come in, but they typically do not fluctuate a lot. He said the City had a great property tax collection rate 98.88%.

He concluded his report stating the audit was unmodified, there were no findings

or internal control issues and segregation of duties were in place.

Mayor Pro Tem Ferebee asked Mr. Redman if the \$565,000 loss was a loss over budget or a loss over last year. Mr. Redman replied it was a loss over the year ended June 30, 2016. He added the City had planned for a \$500,000 loss and knew they planned to spend more than the expected revenues coming in.

Mayor Doughtie asked when an employee retires from the City does the monies for their retirement come from the City. Mr. Redman replied the City pays it in as they pay the percentages each month to the State retirement, but the City does pay for the health insurance of its retirees. Mayor Doughtie asked if a policeman retires after 30 years and he draws a retirement, does that money come from the City or the State. Mr. Redman replied it comes from the City through the State. He said the City pays that money in the 30 years he is working so the State can pay him upon his retirement.

City Manager Scherer asked Finance Director Etheridge if it was correct that the State accesses the City a percentage every year they pay into the pension fund. Finance Director Etheridge replied that was correct, it was based off of the payroll.

Councilman Smith stated that when working on the budget for next year, they needed to look at the valuation of taxes and base the budget on the amount of monies we get from that instead of estimating how much money they would get. Mr. Redman replied that was correct and that the LGC says to estimate revenues the best you can, but also you have to estimate the expenses. He said typically expenses were budgeted first because that was what you are going to spend, then you have to match the revenues to it because it has to balance.

Mayor Doughtie said in the past the City was able to add to the fund balance but the last few years the City has had to take money from the fund balance. He said they were working on ways to increase revenues, but they did not know how they would turn out. He said when looking at the dollars and cents and seeing what was in the fund balance and doing the math, in four to five years the City will be out of money if they continue to spend. Mr. Redman agreed and said if the City continued to appropriate \$600,000 a year for next year, then in five years there would be no fund balance left. He said it was tough for a town with just General Fund to find ways to raise more money and it was the expenses that affect the fund balance.

Mayor Pro Tem Ferebee asked Mr. Redman for his best guess for projected hold

harmless tax revenues. Mr. Redman replied said the City may know more than he did or they may not have heard anything yet. City Manager Scherer added they had only received general revenue forecasts from the NC League of Municipalities. He said the forecast was that revenues would be fairly stable for this year in comparison to last year.

Mayor Pro Tem Ferebee asked what the City's percentage of fund balance was last year and what it was for this year. Mr. Redman replied it was over 25% last year and this year it was 22-23%.

Finance Director Etheridge said in regards to property tax budgeting, in this current year's budget, they took a hard look at property taxes. She said property tax revenue collection estimates were based on actual data from Halifax County. She said they budgeted what they truly anticipated to collect for all taxes when this current year's budget was done, so it should be in line, budget to actual.

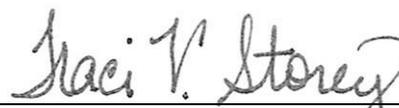
Mr. Redman stated again, as far the audit, there was an unmodified opinion and there were no recommendations. He added that the City did not over expend in any budgeted figures in any category.

Mayor Pro Tem Ferebee asked what was the percentage of fund balance in relation to other cities and towns. Mr. Redman replied it was across the board, but the State says it should be 8-32%. He said he sees a lot closer to 8% (smaller towns) than to 32%. He added the City had over three (3) months of expenditures in the bank. He said the City was not in financial trouble, but they cannot continue to budget to spend \$600,000 of fund balance every year. He said for eastern NC, 22% was a pretty good percentage.

Mayor Doughtie thanked Mr. Redman for giving the report.

Motion by Councilman Smith, seconded by Councilman Bobbitt and unanimously carried to approve the audit report for fiscal year ending June 30, 2016 as presented.

There being no further business, motion was made by Councilman Smith, seconded by Councilwoman Cowen and unanimously carried to adjourn.



Traci V. Storey, City Clerk

Approved by Council Action on: *January 17, 2017*