

STATE OF NORTH CAROLINA

COUNTY OF VANCE

The Vance County Board of Commissioners met in special session on Thursday, September 20, 2007 at 5:30 p.m. in the Commissioners' Conference Room, Vance County Administration Building, 122 Young Street, Henderson, NC. Those Commissioners present were as follows: Chairperson Deborah F. Brown, Dan Brummitt, Terry E. Garrison, A. Scott Hughes, J. Timothy Pegram, and Eddie L. Wright.

Absent: Commissioner Danny W. Wright.

Also present were Assistant County Attorney Jonathan S. Care, County Manager Jerry L. Ayscue, and Finance Officer Jerry L. Tucker.

Chairperson Deborah F. Brown gave the invocation.

Chairperson Brown stated that the purpose of this special meeting is to approve an application for ADM funds, to approve budget for schools land acquisition, and other related action as necessary.

County Manager Jerry L. Ayscue stated that the Schools currently has options to purchase three individual tracts of property to be used for school construction. All options are scheduled to close by the end of this month.

Mr. Ayscue began by presenting a budget for acquisition of the properties as follows:

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**Vance County  
School Construction Land Purchase**

<b>Property</b>	<b>Prepayments</b>	<b>Balance</b>	<b>Total Costs</b>
Tract 1	\$ 40,000	\$ 940,000	\$ 980,000
Tract 2	\$ 20,575	\$ 59,425	\$ 80,000
Tract 3	\$ 43,025	\$ 95,975	\$ 139,000
Related Costs	---	\$ 16,000	\$ 16,000
<b>Total</b>	<b>\$ 103,600</b>	<b>\$ 1,111,400</b>	<b>\$ 1,215,000</b>

Funding Strategy

Lottery Proceeds \$ 962,724  
ADM Proceeds \$ 148,676  
Capital Reserve (pre-paid) \$ 103,600  
  
Total Land Acquisition \$ 1,215,000

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Mr. Ayscue explained that the Board of Education and the Board of Commissioners had previously approved an application to the State for lottery funds in the amount of approximately \$1.1 million. Lottery proceeds have not been as much as the State had projected, so proceeds received thus far are \$962,724. The project can be completed with \$148,676 of ADM funds. The Board of Education has officially approved the application in the amount of \$148,676 and requests that the Board of Commissioners also approve the funding application. Action by both boards is necessary for release of these State funds.

Motion was made by Commissioner Dan Brummitt to approve the application for \$148,676 in ADM funds from the Public School Building Capital Fund for the use of land acquisition. This motion was seconded by Commissioner A. Scott Hughes and unanimously approved.

Finance Officer Jerry L. Tucker presented the following budget amendments related to the school construction project:

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**Budget Amendment #9  
Capital Projects**

<u>Expenditures</u>	<u>Code</u>	<u>Debit</u>	<u>Credit</u>
Land Acquisition	65-915-500082		\$ 1,199,000.00
Contracted Service	65-915-500045		<u>16,000.00</u>
Total Increase in Expenditures			\$ 1,215,000.00

**Revenues**

Transfer from CR - Schools	65-397-439760	\$ <u>1,215,000.00</u>	
Total Increase in Revenues		\$ 1,215,000.00	

Purpose: To appropriate funds to purchase land for future public school.

Authorization: Vance County Board of Commissioners  
September 20, 2007

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**Budget Amendment #10  
CR - Schools**

<u>Expenditures</u>	<u>Code</u>	<u>Debit</u>	<u>Credit</u>
Transfer CPF Future Public School	60-681-500075		\$ <u>1,111,400.00</u>
Total Increase in Expenditures			\$ 1,111,400.00

**Revenues**

Lottery Proceeds	60-397-439709	\$ 962,724.00
ADM Funds - GF	60-397-439731	<u>148,676.00</u>
Total Increase in Revenues		\$ 1,111,400.00

Purpose: To appropriate funds to purchase land for future public school.

Authorization: Vance County Board of Commissioners  
September 20, 2007

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**Budget Amendment #11  
General Fund**

<b><u>Expenditures</u></b>	<b><u>Code</u></b>	<b><u>Debit</u></b>	<b><u>Credit</u></b>
ADM Funds	10-681-500095		\$ <u>148,676.00</u>
Total Increase in Expenditures			\$ 148,676.00

**Revenues**

ADM Funds	10-346-434631	\$ <u>148,676.00</u>
Total Increase in Revenues		\$ 148,676.00

Purpose: To appropriate funds to purchase land for future public school.

Authorization: Vance County Board of Commissioners  
September 20, 2007

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Mr. Tucker explained that Budget Amendment #9 sets up the Capital Projects Ordinance for the land acquisition. This Ordinance will also be used for future construction. These funds will come from Capital Reserve - Schools. Budget Amendment #10 reflects where the funds from Capital Reserve - Schools come from, which is Lottery Proceeds and ADM Funds. Budget Amendment #11 reflects a flow of the ADM Funds from the General Fund into the Capital Reserve - Schools.

Chairperson Brown asked whose name the property will be in. Mr. Ayscue presented the following information in response to this inquiry.

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## **Ownership of Land for School Construction**

**Overview.** All three options to purchase property for a school construction site are in the name of the Vance County Schools. It is advantageous to have the County as the owner of the property. The Board of Education has taken action to officially assign its rights to the property to the Board of Commissioners.

### **Advantages of County Ownership**

GASB 34. Recent changes by the Governmental Accounting Standards Board require that, for financial reporting purposes, the liability of indebtedness for projects such as infrastructure, schools, etc. must be offset by an asset. When school construction is financed, ownership of the land and school by the County will allow it to be used as an offsetting asset. If the Schools own the property, the indebtedness (liability) will have to be applied against the County's fund balance, which would be significantly detrimental to the County's financial statements.

Financing Flexibility. County ownership of the land and the school facilities during the period of indebtedness provides more options for financing construction.

Sales Tax Refunds. Legislative action in recent years has prevented schools from receiving sales tax refunds. County ownership of the project during construction will allow the County to apply for and receive sales tax refunds on construction materials and supplies. Depending on applicable purchases, this arrangement has the potential to generate as much as several hundred thousand dollars of revenue otherwise not available.

### **Disadvantages of County Ownership**

Potential Liability Issues for County. Along with ownership of property comes liability, for which the County carries insurance. For all County properties that are leased out, the County continues to carry liability insurance as well as requires tenants to carry liability insurance (naming the County as an additional insured) and to utilize the property in a reasonable manner.

Impact on Finance Office Staff. During school construction, this arrangement will require considerable additional work from County Finance Office staff, possibly requiring the use of a temporary part-time position.

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Chairperson Brown expressed her concerns with the properties being in the County's name, specifically, any liability issues for the County. She stated that she did not appreciate the School

Board taking action to assign its rights of the properties to the County - this should have been addressed when offers were made on the properties. She stated that this is an issue she cannot support.

Commissioner J. Timothy Pegram stated that he is also somewhat leery in regards to the County retaining ownership of these properties.

At this time, motion was made by Commissioner Dan Brummitt and seconded by Commissioner A. Scott Hughes to approve budget amendments #9, #10, and #11 for the purposes noted therein. Vote on this motion was ayes - six (6); noes - one (1), with the dissenting vote being cast by Chairperson Deborah F. Brown.

County Manager Jerry L. Ayscue sought clarification from the County Attorney regarding action by the Board regarding the assignment of ownership of the properties to the County. Mr. Care suggested formal action to be taken in this matter as well as granting authorization to the County Attorney and the County Manager to negotiate a lease agreement with the Schools after the property has been acquired.

Motion was made by Commissioner Dan Brummitt to accept the assignment of ownership of the properties from the Board of Education and to authorize the County Attorney and County Manager to negotiate the lease back to the Schools. This motion was seconded by Commissioner A. Scott Hughes. Vote on the motion was ayes - six (6); noes - one (1), with the dissenting vote being cast by Chairperson Deborah F. Brown.

As there was no further business, at 6:00 p.m., motion was made by Commissioner Eddie L. Wright, seconded by Commissioner A. Scott Hughes, vote unanimous, that the meeting be adjourned.

Approved and signed October 1, 2007.

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Chairperson