CITY of MOUNT HOLLY N.C.
INCORPORATED 1879

March 25, 2019
Council Work Session Meeting

Mayor Bryan Hough
Mayor Pro-Tem Perry Toomey
Councilwoman Carolyn Breyare
Councilman Charles McCorkle
Councilman Jeff Meadows
Councilman David Moore
Councilwoman Lauren Shoemaker
Kemp Michael, City Attorney
Danny Jackson, City Manager

CITY OF MOUNT HOLLY
MOUNT HOLLY CITY COUNCIL WORK SESSION
Location: Council Chambers

March 25, 2019
6:30 P.M.

CALL TO ORDER BY THE MAYOR

INVOCATION

SET THE AGENDA

CONSENT AGENDA

Approval of the Audit Contract for the 2018-2019 Fiscal Year Audit

AGENDA

1. Consideration and Approval of a Resolution in Support of the Current ABC Control System for the Sale of Liquor *Gary Neely*

2. Discussion of the Belmont-Mt Holly Road Drainage Project and Approval of Budget Amendment *David Johnson*

3. Discussion of the Tree City USA Program *Jonathan Wilson*

4. Adjourn

The	Governing Board City Council
of	Primary Government Unit City of Mount Holly, NC
and	Discretely Presented Component Unit (DPCU) (if applicable) Mount Holly TDA

Primary Government Unit, together with DPCU (if applicable), hereinafter referred to as Governmental Unit(s)

and	Auditor Name Martin Starnes & Associates, CPAs, P.A.
	Auditor Address 730 13th Ave Dr SE, Hickory, NC 28602

Hereinafter referred to as Auditor

for	Fiscal Year Ending 06/30/19	Audit Report Due Date 10/31/19
		Must be within four months of FYE

hereby agree as follows:

1. The Auditor shall audit all statements and disclosures required by U.S. generally accepted auditing standards (GAAS) and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit(s). The non-major combining, and individual fund statements and schedules shall be subjected to the auditing procedures applied in the audit of the basic financial statements and an opinion shall be rendered in relation to (as applicable) the governmental activities, the business- type activities, the aggregate DPCUs, each major governmental and enterprise fund, and the aggregate remaining fund information (non-major government and enterprise funds, the internal service fund type, and the fiduciary fund types).

2. At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with GAAS. The Auditor shall perform the audit in accordance with *Government Auditing Standards* if required by the State Single Audit Implementation Act, as codified in G.S. 159-34. If required by OMB *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act, the Auditor shall perform a Single Audit. This audit and all associated audit documentation may be subject to review by Federal and State agencies in accordance with Federal and State laws, including the staffs of the Office of State Auditor (OSA) and the Local Government Commission (LGC). If the audit requires a federal single audit performed under the requirements found in Subpart F of the Uniform Guidance (§200.501), it is recommended that the Auditor and Governmental Unit(s) jointly agree, in advance of the execution of this contract, which party is responsible for submission of the audit and the accompanying data collection form to the Federal Audit Clearinghouse as required under the Uniform Guidance (§200.512).

If the audit and Auditor communication are found in this review to be substandard, the results of the review may be forwarded to the North Carolina State Board of CPA Examiners (NC State Board).

County and Multi-County Health Departments: The Office of State Auditor will require Auditors of these Governmental Units to perform agreed upon procedures (AUPs) on eligibility determination on certain programs. Both Auditor and Governmental Unit agree that Auditor shall complete and report on these AUPs on eligibility determination as required by OSA and in accordance with the instructions and timeline provided by OSA.

3. If an entity is determined to be a component of another government as defined by the group audit standards, the entity's auditor shall make a good faith effort to comply in a timely manner with the requests of the group auditor in accordance with AU-6 §600.41 - §600.42.

4. This contract contemplates an unmodified opinion being rendered. If during the process of conducting the audit, the Auditor determines that it will not be possible to render an unmodified opinion on the financial statements of the unit, the Auditor shall contact the LGC staff to discuss the circumstances leading to that conclusion as soon as is practical and before the final report is issued. The audit shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract.

5. If this audit engagement is subject to the standards for audit as defined in *Government Auditing Standards*, 2011 revisions, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he/she has met the requirements for a peer review and continuing education as specified in *Government Auditing Standards*. The Auditor agrees to provide a copy of the most recent peer review report to the Governmental Unit(s) and the Secretary of the LGC prior to the execution of an audit contract. Subsequent submissions of the report are required only upon report expiration or upon auditor's receipt of an updated peer review report. If the audit firm received a peer review rating other than pass, the Auditor shall not contract with the Governmental Unit(s) without first contacting the Secretary of the LGC for a peer review analysis that may result in additional contractual requirements.

If the audit engagement is not subject to *Government Accounting Standards* or if financial statements are not prepared in accordance with U.S. generally accepted accounting principles (GAAP) and fail to include all disclosures required by GAAP, the Auditor shall provide an explanation as to why in an attachment to this contract or in an amendment.

6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to LGC staff within four months of fiscal year end. If it becomes necessary to amend this due date or the audit fee, an amended contract along with a written explanation of the delay shall be submitted to the Secretary of the LGC for approval.

7. It is agreed that GAAS include a review of the Governmental Unit's (Units') systems of internal control and accounting as same relate to accountability of funds and adherence to budget and law requirements applicable thereto; that the Auditor shall make a written report, which may or may not be a part of the written report of audit, to the Governing Board setting forth his/her findings, together with his recommendations for improvement. That written report shall include all matters defined as "significant deficiencies and material weaknesses" in AU-C 265 of the *AICPA Professional Standards (Clarified)*. The Auditor shall file a copy of that report with the Secretary of the LGC.

8. All local government and public authority contracts for audit or audit-related work require the approval of the Secretary of the LGC. This includes annual or special audits, agreed upon procedures related to internal controls, bookkeeping or other assistance necessary to prepare the Governmental Unit's (Units') records for audit, financial statement preparation, any finance-related investigations, or any other audit- related work in the State of North Carolina. Invoices for services rendered under these contracts shall not be paid by the Governmental Unit(s) until the invoice has been approved by the Secretary of the LGC. (This also includes any progress billings.) [G.S. 159-34 and 115C-447] All invoices for Audit work shall be submitted in PDF format to the Secretary of the LGC for approval. The invoice marked 'approved 'with approval date shall be returned to

the Auditor to present to the Governmental Unit(s) for payment. Approval is not required on contracts and invoices for system improvements and similar services of a non-auditing nature.

9. In consideration of the satisfactory performance of the provisions of this contract, the Governmental Unit(s) shall pay to the Auditor, upon approval by the Secretary of the LGC, the fee, which includes any costs the Auditor may incur from work paper or peer reviews or any other quality assurance program required by third parties (federal and state grantor and oversight agencies or other organizations) as required under the Federal and State Single Audit Acts. This does not include fees for any pre-issuance reviews that may be required by the NC Association of CPAs (NCACPA) Peer Review Committee or NC State Board of CPA Examiners (see Item 12).

10. If the Governmental Unit(s) has/have outstanding revenue bonds, the Auditor shall submit to LGC staff, either in the notes to the audited financial statements or as a separate report, a calculation demonstrating compliance with the revenue bond rate covenant. Additionally, the Auditor shall submit to LGC staff simultaneously with the Governmental Unit's (Units') audited financial statements any other bond compliance statements or additional reports required by the authorizing bond documents, unless otherwise specified in the bond documents.

11. After completing the audit, the Auditor shall submit to the Governing Board a written report of audit. This report shall include, but not be limited to, the following information: (a) Management's Discussion and Analysis, (b) the financial statements and notes of the Governmental Unit(s) and all of its component units prepared in accordance with GAAP, (c) supplementary information requested by the Governmental Unit(s) or required for full disclosure under the law, and (d) the Auditor's opinion on the material presented. The Auditor shall furnish the required number of copies of the report of audit to the Governing Board upon completion.

12. If the audit firm is required by the NC State Board, the NCACPA Peer Review Committee, or the Secretary of the LGC to have a pre-issuance review of its audit work, there shall be a statement in the engagement letter indicating the pre-issuance review requirement. There also shall be a statement that the Governmental Unit(s) shall not be billed for the pre-issuance review. The pre-issuance review shall be performed prior to the completed audit being submitted to LGC Staff. The pre-issuance review report shall accompany the audit report upon submission to LGC Staff.

13. The Auditor shall submit the report of audit in PDF format to LGC Staff when (or prior to) submitting the final invoice for services rendered. The report of audit, as filed with the Secretary of the LGC, becomes a matter of public record for inspection, review and copy in the offices of the LGC by any interested parties. Any subsequent revisions to these reports shall be sent to the Secretary of the LGC along with an Audit Report Reissued Form (available on the Department of State Treasurer website). These audited financial statements, excluding the Auditors' opinion, may be used in the preparation of official statements for debt offerings by municipal bond rating services to fulfill secondary market disclosure requirements of the Securities and Exchange Commission and for other lawful purposes of the Governmental Unit(s) without requiring consent of the Auditor. If the LGC Staff determines that corrections need to be made to the Governmental Unit's (Units') financial statements, those corrections shall be provided within three business days of notification unless another deadline is agreed to by LGC staff.

If the OSA designates certain programs to be audited as major programs, as discussed in Item 2, a turnaround document and a representation letter addressed to the OSA shall be submitted to LGC Staff.

14. Should circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Governing Board in writing of the need for such additional investigation and the additional compensation required therefore. Upon approval by the

Secretary of the LGC, this contract may be modified or amended to include the increased time, compensation, or both as may be agreed upon by the Governing Board and the Auditor.

15. If an approved contract needs to be modified or amended for any reason, the change shall be made in writing, on the Amended LGC-205 contract form and pre-audited if the change includes a change in audit fee (pre-audit requirement does not apply to charter schools). This amended contract shall be completed in full, including a written explanation of the change, signed and dated by all original parties to the contract. It shall then be submitted to the Secretary of the LGC for approval. No change to the audit contract shall be effective unless approved by the Secretary of the LGC, the Governing Board, and the Auditor.

16. A copy of the engagement letter, issued by the Auditor and signed by both the Auditor and the Governmental Unit(s), shall be attached to this contract, and shall be incorporated by reference as if fully set forth herein as part of this contract. In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract shall take precedence. Engagement letter terms that conflict with the contract are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item 26 of this contract. Engagement letters containing indemnification clauses shall not be accepted by LGC Staff.

17. Special provisions should be limited. Please list any special provisions in an attachment.

18. A separate contract should not be made for each division to be audited or report to be submitted. If a DPCU is subject to the audit requirements detailed in the Local Government Budget and Fiscal Control Act and a separate audit report is issued, a separate audit contract is required. If a separate report is not to be issued and the DPCU is included in the primary government audit, the DPCU shall be named along with the parent government on this audit contract. DPCU Board approval date, signatures from the DPCU Board chairman and finance officer also shall be included on this contract.

19. The contract shall be executed, pre-audited (pre-audit requirement does not apply to charter schools), and physically signed by all parties including Governmental Unit(s) and the Auditor, then submitted in PDF format to the Secretary of the LGC.

20. The contract is not valid until it is approved by the Secretary of the LGC. The staff of the LGC shall notify the Governmental Unit and Auditor of contract approval by email. The audit should not be started before the contract is approved.

21. Retention of Client Records: Auditors are subject to the NC State Board of CPA Examiners' Retention of Client Records Rule 21 NCAC 08N .0305 as it relates to the provision of audit and other attest services, as well as non-attest services. Clients and former clients should be familiar with the requirements of this rule prior to requesting the return of records.

22. This contract may be terminated at any time by mutual consent and agreement of the Governmental Unit(s) and the Auditor, provided that (a) the consent to terminate is in writing and signed by both parties, (b) the parties have agreed on the fee amount which shall be paid to the Auditor (if applicable), and (c) no termination shall be effective until approved in writing by the Secretary of the LGC.

23. The Governmental Unit's (Units') failure or forbearance to enforce, or waiver of, any right or an event of breach or default on one occasion or instance shall not constitute the waiver of such right, breach or default on any subsequent occasion or instance.

24. There are no other agreements between the parties hereto and no other agreements relative hereto that shall be enforceable unless entered into in accordance with the procedure set out herein and approved by the Secretary of the LGC.

25. E-Verify. Auditor shall comply with the requirements of NCGS Chapter 64 Article 2. Further, if Auditor utilizes any subcontractor(s), Auditor shall require such subcontractor(s) to comply with the requirements of NCGS Chapter 64, Article 2.

26. All of the above paragraphs are understood and shall apply to this contract, except the following numbered paragraphs shall be deleted (See Item 16 for clarification).

27. The process for submitting contracts, audit reports and invoices is subject to change. Auditors and units should use the submission process and instructions in effect at the time of submission. Refer to the N.C. Department of State Treasurer website at https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx.

28. All communications regarding audit contract requests for modification or official approvals will be sent to the email addresses provided on the signature pages that follow.

FEES FOR AUDIT SERVICES

For all non-attest services, the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct and *Governmental Auditing Standards* (as applicable). Bookkeeping and other non-attest services necessary to perform the audit shall be included under this contract. However, bookkeeping assistance shall be limited to the extent that the Auditor is not auditing his or her own work or making management decisions. The Governmental Unit shall designate an individual with the suitable skills, knowledge, and/or experience necessary to oversee the services and accept responsibility for the results of the services. Financial statement preparation assistance shall be deemed a "significant threat" requiring the Auditor to apply safeguards sufficient to reduce the threat to an acceptable level. The Auditor shall maintain written documentation of his or her compliance with these standards in the audit work papers.

Fees may not be included in this contract for work performed on Annual Financial Information Reports (AFIRs), Form 990s, or other services not associated with audit fees and costs. Such fees may be included in the engagement letter, but may not be included in this contract or in any invoices requiring approval of the LGC. See Items 8, 9, and 12 for details on other allowable and excluded fees.

Prior to submission of the completed audited financial report, applicable compliance reports and amended contract (if required) the Auditor may submit invoices for approval for services rendered, not to exceed 75% of the total of the stated fees below. If the current contracted fee is not fixed in total, invoices for services rendered may be approved for up to 75% of the prior year audit fee. Should the 75% cap provided below conflict with the cap calculated by LGC staff based on the prior year audit fee on file with the LGC, the LGC calculation prevails.

20 NCAC 03 .0505: All invoices for services rendered in an audit engagement as defined in 20 NCAC 3 .0503 shall be submitted to the Commission for approval before any payment is made. Payment before approval is a violation of law.

PRIMARY GOVERNMENT FEES

Primary Government Unit	City of Mount Holly, NC
Audit	$ See fee section of engagement letter
Writing Financial Statements	$ See fee section of engagement letter
All Other Non-Attest Services	$ N/A
75% Cap for Interim Invoice Approval	$ 31,443.75

DPCU FEES (if applicable)

Discretely Presented Component Unit	Mount Holly TDA
Audit	$ Included in City's audit fees
Writing Financial Statements	$
All Other Non-Attest Services	$
75% Cap for Interim Invoice Approval	$

SIGNATURE PAGE

AUDIT FIRM

Audit Firm Martin Starnes & Associates, CPAs, P.A.	
Authorized Firm Representative (typed or printed) Amber Y. McGhinnis	Signature Amber Y McGhinnis
Date 02/25/19	Email Address amcghinnis@martinstarnes.com

GOVERNMENTAL UNIT

Governmental Unit City of Mount Holly, NC	
Date Primary Government Unit Governing Board Approved Audit Contract (Ref: G.S. 159-34(a) or G.S. 115C-447(a))	
Mayor/Chairperson (typed or printed) Bryan Hough, Mayor	Signature
Date	Email Address bhough@mtholly.us

Chair of Audit Committee (typed or printed, or "NA") NA	Signature
Date	Email Address

GOVERNMENTAL UNIT – PRE-AUDIT CERTIFICATE

(Pre-audit certificate not required for charter schools)

Required by G.S. 159-28(a1) or G.S. 115C-441(a1)

This instrument has been pre-audited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act.

Primary Governmental Unit Finance Officer (typed or printed) Africa Otis, Finance Director	Signature
Date of Pre-Audit Certificate	Email Address africa.otis@mtholly.us

SIGNATURE PAGE – DPCU
(complete only if applicable)

DISCRETELY PRESENTED COMPONENT UNIT

DPCU Mount Holly TDA	
Date DPCU Governing Board Approved Audit Contract (Ref: G.S. 159-34(a) or G.S. 115C-447(a))	
DPCU Chairperson (typed or printed) Wendy Foster, TDA Chair	Signature
Date	Email Address dos.cltqu@maya-hotels.com

Chair of Audit Committee (typed or printed, or "NA") NA	Signature
Date	Email Address

DPCU – PRE-AUDIT CERTIFICATE
(Pre-audit certificate not required for charter schools)

Required by G.S. 159-28(a1) or G.S. 115C-441(a1)

This instrument has been pre-audited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act.

DPCU Finance Officer (typed or printed) Africa Otis, Finance Director	Signature
Date of Pre-Audit Certificate	Email Address africa.otis@mtholly.us

Remember to print this form, and obtain all required signatures prior to submission.

PRINT

KWH
Koonce, Wooten & Haywood, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report on the Firm's System of Quality Control

To the Shareholders of Martin Starnes & Associates CPAs, P.A. and the
Peer Review Committee, North Carolina Association
Of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Martin Starnes & Associates CPAs, P.A. (the firm) in effect for the year ended December 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and an audit of an employee benefit plan.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Martin Starnes & Associates CPAs, P.A. in effect for the year ended December 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail*. Martin Starnes & Associates CPAs, P.A. has received a peer review rating of pass.

Koonce, Wooten & Haywood, LLP

Koonce, Wooten & Haywood, LLP

May 3, 2018

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4060 Barrett Drive
Post Office Box 17806
Raleigh, North Carolina 27619

919 782 9265
919 783 8937 FAX

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3500 Westgate Drive
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919 354 2584
919 489 8183 FAX

Pittsboro
10 Sanford Road
Post Office Box 1399
Pittsboro, North Carolina 27312

919 542 6000
919 542 5764 FAX

MARTIN ◆ STARNES
& ASSOCIATES, CPAs, P.A.
"A Professional Association of Certified Public Accountants and Management Consultants"

February 25, 2019

Africa Otis, Finance Officer
City of Mount Holly
400 E Central Avenue
Mount Holly, NC 28120

You have requested that we audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Mount Holly, NC, as of June 30, 2019, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City of Mount Holly's basic financial statements as listed in the table of contents.

In addition, we will audit the entity's compliance over major federal and State award programs for the period ended June 30, 2019. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on each opinion unit and an opinion on compliance regarding the entity's major federal and State award programs.

Accounting principles generally accepted in the United States of America require that certain supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis
- Law Enforcement Officers' Special Separation Allowance schedules
- Retiree Stipend Plan schedules
- Other Post-Employment Benefits' schedules
- Local Government Employees' Retirement System's schedules

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13 South Center Street ♦ Taylorsville, NC 28681 ♦ 828-632-9025 ♦ Fax 828-632-9085
800-948-0585 ♦ www.martinstarnes.com

Supplementary information other than RSI will accompany the City of Mount Holly's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- Combining and individual fund financial statements
- Budget and actual schedules
- Supplemental ad valorem tax schedules
- Other schedules
- Schedule of Expenditures of Federal and State Awards

Schedule of Expenditures of Federal and State Awards

We will subject the Schedule of Expenditures of Federal and State Awards to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on whether the Schedule of Expenditures of Federal and State Awards is presented fairly in all material respects in relation to the financial statements as a whole.

We will make reference to the component unit auditor's audit of the City of Mount Holly ABC Board in our report on your financial statements.

Data Collection Form

Prior to the completion of our engagement, we will complete the sections of the Data Collection Form that are our responsibility. The form will summarize our audit findings, amounts and conclusions. It is management's responsibility to submit a reporting package including financial statements, Schedule of Expenditures of Federal and State Awards, summary schedule of prior audit findings and corrective action plan along with the Data Collection Form to the Federal Audit Clearinghouse. The financial reporting package must be text searchable, unencrypted, and unlocked. Otherwise, the reporting package will not be accepted by the Federal Audit Clearinghouse. We will assist you in the electronic submission and certification. You may request from us copies of our report for you to include with the reporting package submitted to pass-through entities.

The Data Collection Form is required to be submitted within the *earlier* of 30 days after receipt of our auditors' reports or nine months after the end of the audit period, unless specifically waived by a federal cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing programs at a higher risk.

Audit of the Financial Statements

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and the direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance (whether caused by errors, fraudulent financial reporting, misappropriation of assets, detected abuse, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the City of Mount Holly's basic financial statements. Our report will be addressed to the governing body of the City of Mount Holly. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

Audit of Major Program Compliance

Our audit of the City of Mount Holly's major federal and state award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; the Uniform Guidance, and the State Single Audit Implementation Act, and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance and the State Single Audit Implementation Act and other procedures we consider necessary to enable us to express such an opinion on major federal and state award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance and the State Single Audit Implementation Act require that we also plan and perform the audit to obtain reasonable assurance about whether the entity has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major federal and state award programs. Our procedures will consist of determining major federal and state programs and performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the entity's major programs. The purpose of those procedures will be to express an opinion on the entity's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance and the State Single Audit Implementation Act.

Also, as required by the Uniform Guidance and the State Single Audit Implementation Act, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the entity's major federal and state award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the entity's major federal and state award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management's Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
3. For identifying, in its accounts, all federal and state awards received and expended during the period and the federal and State programs under which they were received, including federal awards and funding increments received prior to December 26, 2014 (if any), and those received in accordance with the Uniform Guidance (generally received after December 26, 2014);
4. For maintaining records that adequately identify the source and application of funds for federal and state funded activities;
5. For preparing the Schedule of Expenditures of Federal and State Awards (including notes and noncash assistance received) in accordance with the Uniform Guidance and State Single Audit Implementation Act;
6. For the design, implementation, and maintenance of internal control over federal and state awards;

7. For establishing and maintaining effective internal control over federal and state awards that provides reasonable assurance that the nonfederal and nonstate entity is managing federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of the federal and state awards;
8. For identifying and ensuring that the entity complies with federal and state statutes, regulations, and the terms and conditions of federal and state award programs and implementing systems designed to achieve compliance with applicable federal and state statutes, regulations and the terms and conditions of federal and state award programs;
9. For disclosing accurately, currently and completely the financial results of each federal and state award in accordance with the requirements of the award;
10. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
11. For taking prompt action when instances of noncompliance are identified;
12. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
13. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
14. For submitting the reporting package and data collection form to the appropriate parties;
15. For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance;
16. To provide us with:
    a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, and relevant to federal and state award programs, such as records, documentation, and other matters;
    b. Additional information that we may request from management for the purpose of the audit; and
    c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
17. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
18. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
19. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
20. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on compliance;
21. For the accuracy and completeness of all information provided;
22. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
23. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the supplementary information referred to above (including the Schedule of Expenditures of Federal and State Awards), you acknowledge and understand your responsibility (a) for the preparation of the supplementary information in accordance with the applicable criteria, (b) to provide us with the appropriate written representations regarding supplementary information, (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information, and (d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents. If you intend to publish or otherwise reproduce the basic financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Fees

Marcie Spivey is the engagement partner for the audit services specified in this letter. Her responsibilities include supervising Martin Starnes & Associates, CPAs, P.A.'s services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report. To ensure that our independence is not impaired under the AICPA Code of Professional Conduct, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

Our fees for these services are as follows:

Fixed:	
Audit	$ 35,125
Single Audit Fees (if applicable)	1,500
Financial Statement Drafting	5,300
Other Non-Attest Services	-
	$ 41,925

Our invoices for these fees will be rendered in four installments as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for non-payment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. Whenever possible, we will attempt to use the City of Mount Holly's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit.

We want our clients to receive the maximum value for our professional services and to perceive that our fees are reasonable and fair. In working to provide you with such value, we find there are certain circumstances that can cause us to perform work in excess of that contemplated in our fee estimate.

Following are some of the more common reasons for potential supplemental billings:

Changing Laws and Regulations

There are many governmental and rule-making boards that regularly add or change their requirements. Although we attempt to plan our work to anticipate the requirements that will affect our engagement, there are times when this is not possible. We will discuss these situations with you at the earliest possible time in order to make the necessary adjustments and amendments in our engagement.

Incorrect Accounting Methods or Errors in Client Records

We base our fee estimates on the expectation that client accounting records are in order so that our work can be completed using our standard testing and accounting procedures. However, should we find numerous errors, incomplete records, or the application of incorrect accounting methods, we will have to perform additional work to make the corrections and reflect those changes in the financial statements.

Failure to Prepare for the Engagement

In an effort to minimize your fees, we assign you the responsibility for the preparation of schedules and documents needed for the engagement. We also discuss matters such as availability of your key personnel, deadlines, and work space. If your personnel are unable, for whatever reasons, to provide these items as previously agreed upon, it might substantially increase the work we must do to complete the engagement within the scheduled time.

Starting and Stopping Our Work

If we must withdraw our staff because of the condition of the client's records, or the failure to provide agreed upon items within the established timeline for the engagement, we will not be able to perform our work in a timely, efficient manner, as established by our engagement plan. This will result in additional fees, as we must reschedule our personnel and incur additional start-up costs.

Assistance with Financial Statement Drafting

Your personnel is responsible for drafting the Schedule of Expenditures of Federal and State Awards. Upon completion of the drafted schedule, we will review it and return it to you with suggested revisions. If significant assistance is needed to make those revisions, this will result in additional fees based on the amount of assistance required.

Our fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our fees for such services range from $75-$300 per hour.

Other Matters

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

The audit documentation for this engagement is the property of Martin Starnes & Associates, CPAs, P.A. and constitutes confidential information. However, we may be requested to make certain audit documentation available to the Local Government Commission, Office of the State Auditor, federal or State agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Martin Starnes & Associates, CPAs, P.A.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

We will perform the following nonattest services:

- Draft of financial statements and footnotes
- GASB 34 conversion entries
- Preparation of Data Collection Form (if applicable)
- Preparation of AFIR
- Cash to accrual entries

We will not assume management responsibilities on behalf of the City of Mount Holly. However, we will provide advice and recommendations to assist management of the City of Mount Holly in performing its responsibilities.

With respect to the nonattest services we perform as listed above, the City of Mount Holly's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations of the engagement are as follows:

- We will perform the services in accordance with applicable professional standards.
- This engagement is limited to the nonattest services previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account codings and approving journal entries.

Government Auditing Standards require that we document an assessment of the skills, knowledge, and experience of management, should we participate in any form of preparation of the basic financial statements and related schedules or disclosures as these actions are deemed a non-audit service.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

At the conclusion of our audit engagement, we will communicate to management and those charged with governance the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;

- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm to the Contract to Audit Accounts for your consideration and files.

Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements and compliance over major federal and state award programs, including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of the City of Mount Holly by:

Name: ______________________________

Title: ______________________________

Date: ______________________________

February 25, 2019

Africa Otis, Finance Officer
City of Mount Holly TDA
400 E Central Avenue
Mount Holly, NC 28120

You have requested that we audit the financial statements of the governmental activities and the major fund of the Mount Holly Tourism Development Authority as of June 30, 2019, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Mount Holly Tourism Development Authority's basic financial statements as listed in the table of contents. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit applicable to those basic financial statements.

Accounting principles generally accepted in the United States of America (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB) require that certain supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis

Supplementary information other than RSI will accompany the Mount Holly Tourism Development Authority's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and additional procedures in accordance with U.S. GAAS. We intend to provide an opinion on the following supplementary information in relation to the basic financial statements as a whole:

- Balance Sheet
- Schedule of Revenues and Expenditures

Auditor Responsibilities

We will conduct our audit in accordance with U.S. GAAS. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and the direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the basic financial statements and related matters. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the basic financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add an emphasis-of-matter or other-matter paragraph(s). If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Compliance with Laws and Regulations

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of the Mount Holly Tourism Development Authority's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Management's Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements;
3. To provide us with:
    a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the basic financial statements, such as records, documentation, and other matters;
    b. Additional information that we may request from management for the purpose of the audit; and
    c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
4. For including the auditor's report in any document containing basic financial statements that indicates that such financial statements have been audited by the entity's auditor;
5. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;
6. For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current period(s) under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole; and
7. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility (a) for the preparation of the supplementary information in accordance with the applicable criteria, (b) to provide us with the appropriate written representations regarding supplementary information, (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information, and (d) to present the supplementary information with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

Reporting

The financial statements for the Mount Holly Tourism Development Authority will be included in the financial statements of the City of Mount Holly. We will issue a written report upon completion of our audit of the Mount Holly Tourism Development Authority's basic financial statements. Our report will be addressed to the governing body of the City of Mount Holly. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

Other

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents. If you intend to publish or otherwise reproduce the basic financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Provisions of Engagement Administration and Fees

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Marcie Spivey is the engagement partner for the audit services specified in this letter. Her responsibilities include supervising Martin Starnes & Associates, CPAs, P.A.'s services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report. To ensure that our independence is not impaired under the AICPA Code of Professional Conduct, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

Our fees for these services are included in the engagement letter and contract for the City of Mount Holly.

Our invoices for these fees will be rendered in four installments as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for non-payment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our reports. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate. Whenever possible, we will attempt to use the Mount Holly Tourism Development Authority's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit. Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

We will perform the following nonattest services:

- Draft of financial statements and footnotes

With respect to any nonattest services we perform as listed above, the Mount Holly Tourism Development Authority's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

If we determine that we are required to perform a single audit in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act, and these procedures and related fees were not included in our quoted fees, we may amend our audit contract and supplemental bill for these additional procedures.

We want our clients to receive the maximum value for our professional services and to perceive that our fees are reasonable and fair. In working to provide you with such value, we find there are certain circumstances that can cause us to perform work in excess of that contemplated in our fee estimate.

Following are some of the more common reasons for potential supplemental billings:

Changing Laws and Regulations

There are many governmental and rule-making boards that regularly add or change their requirements. Although we attempt to plan our work to anticipate the requirements that will affect our engagement, there are times when this is not possible. We will discuss these situations with you at the earliest possible time in order to make the necessary adjustments and amendments in our engagement.

Incorrect Accounting Methods or Errors in Client Records

We base our fee estimates on the expectation that client accounting records are in order so that our work can be completed using our standard testing and accounting procedures. However, should we find numerous errors, incomplete records, or the application of incorrect accounting methods, we will have to perform additional work to make the corrections and reflect those changes in the financial statements.

Failure to Prepare for the Engagement

In an effort to minimize your fees, we assign you the responsibility for the preparation of schedules and documents needed for the engagement. We also discuss matters such as availability of your key personnel, deadlines, and work space. If your personnel are unable, for whatever reasons, to provide these items as previously agreed upon, it might substantially increase the work we must do to complete the engagement within the scheduled time.

Starting and Stopping Our Work

If we must withdraw our staff because of the condition of the client's records, or the failure to provide agreed upon items within the established timeline for the engagement, we will not be able to perform our work in a timely, efficient manner, as established by our engagement plan. This will result in additional fees, as we must reschedule our personnel and incur additional start-up costs.

Our fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our fees for such services range from $75-$300 per hour.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

You agree to inform us of facts that may affect the basic financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

The audit documentation for this engagement is the property of Martin Starnes & Associates, CPAs, P.A. and constitutes confidential information. However, we may be requested to make certain audit documentation available to the Local Government Commission, Office of the State Auditor, federal or State agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Martin Starnes & Associates, CPAs, P.A.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

At the conclusion of our audit engagement, we will communicate to management and those charged with governance the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

We have attached a copy of our latest external peer review report of our firm to the Contract to Audit Accounts for your consideration and files.

Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the basic financial statements, including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina

RESPONSE:

This letter correctly sets forth the understanding of the Mount Holly Tourism Development Authority.

Acknowledged and agreed on behalf of the Mount Holly Tourism Development Authority by:

Name: ______________________________

Title: ______________________________

Date: ______________________________

City of Mount Holly
Action Agenda Item

To:	City Council	**Date:**	March 21, 2019
From:	Danny Jackson, City Manager	**Meeting Date:**	March 25, 2019

***Agenda Item to be considered:* Agenda #1 – Consideration of ABC Legislation and Resolution**

Will this require a public hearing? ☐ **YES** ☒ **NO**

***Background/Purpose of Request :* If you will recall I provided you with recently proposed legislation regarding ABC implications. Since then I have received a response from Mr. Gary Neely, Chairman of the Mount Holly ABC Board, regarding the Board's recommendation as it relates to the proposed legislation. Please see the attached information provided by Mr. Neely. He will appear before you to provide more details and seek direction from the City Council, which could be in the form of a Resolution to be submitted to the State Legislature. For your information, I have already contacted our State Legislators as directed to do so by the NC League of Municipalities, expressing opposition to the proposed legislation.**

Fiscal Impact:

Will Item affect current budget	☐ YES	☒ NO	☐ N/A
Reviewed by Finance Director	☐ YES	☒ NO	☐ N/A
Preaudit Certification required	☐ YES	☒ NO	☐ N/A
Capital Project Ordinance required	☐ YES	☒ NO	☐ N/A
Budget Transfer required	☐ YES	☒ NO	☐ N/A
Total City Dollars:	***$***		
Budget Code			
Reviewed by City Attorney	☐ YES	☐ NO	☒ N/A

Manager/Staff Recommendation: To be discussed at the meeting on Monday night.

Result of City Council Decision:

Attachments:

Mount Holly ABC Board Recommendation
On Proposed legislation

The Mount Holly ABC Board has reviewed legislation proposed in HB91 and SB87 calling for modernization of liquor laws in North Carolina.

We are opposed to mandatory mergers of local boards that calls for only one such board per county, down from the current number of 168 boards in the state. We feel that the local appointing authority and its local board are best suited to serve the needs of local citizens as allowed under the current laws, as well as to protect the income streams as they currently exist.

We also are opposed to Sunday sales of liquor in the state. Some predict that liquor sales would increase by 20% with Sunday sales, and result in increased revenue for both state and local governments. We believe that more sales is not necessarily better for the 85% of residents who either do not drink or who have fewer than 3 drinks per week. While it is a small percentage of our citizenry that abuse spirituous liquor, adding another day of weekend sales of liquor is not in the best interest of the majority of our citizens, when it comes to protecting the public and families from the abuses of spirituous liquor. By continuing the prohibition of Sunday sales statewide, fair competition would continue between local communities and individual stores.

We do not oppose the other components of the proposed legislation. Most important of these is the one that calls for improvements in the contracting of warehousing and delivery of liquor throughout the state. This addresses the issues in the news in 2018 that came to light through an audit of those functions at the state level. Even though lost revenue amounted to $13 million dollars over a 10-year period, those numbers pale when compared to $1 billion in annual sales in the state, and to the $18 million per year allocated to the contracting of the ABC warehouse function. The other parts of the legislation concerns transportation limits, special order limits, local delivery to mixed beverage outlets and public tastings. These are all issues that have little impact.

Privatization is not addressed in the current legislation, but it is worth speaking to. We feel that ABC stores do a very good job of preventing sales to under aged buyers and to those who are inebriated, and are the right outlet to sell liquor. Privatization could increase the number of outlets from 433 ABC stores to as many as 9000 grocery stores and drug stores, while doubling the hours of availability.

Vvoting on these bills may occur as early as next week, with implementation of 6 of the 7 proposals proposed for July 1, 2019. We recommend no changes to the current laws due to the proposals to consolidate local boards and to allow Sunday sales, and also due to the timeliness of the pending action.. A rewrite to support the other five components of the legislation would be welcomed. You will find an example of the proposed legislation and a shell resolution in case the City of Mount Holly wishes to let their position be known on these issues. We welcome any discussion, and ask to be kept in the loop if the City chooses to adopt a resolution.

Mount Holly ABC Board
Gary Neely
Janice MCrorie
Angela Blackwood

RESOLUTION
IN SUPPORT OF THE CURRENT ABC CONTROL SYSTEM FOR THE SALE OF LIQUOR

WHEREAS, the citizens of the Town/City/County of ______________ voted to permit the sale of liquor through the establishment of an ABC Board, which is a part of the North Carolina's control system for the sale of spirituous liquors;

WHEREAS, North Carolina is a "control" state and private retail liquor stores are prohibited;

WHEREAS, the General Assembly's nonpartisan Program Evaluation Division (PED) was directed to examine whether other systems for alcohol beverage control, including privatized systems, are appropriate for North Carolina, specially to include the State of Washington, which recently changed its beverage control system from state government control of wholesale and retail control of spirituous liquor to a licensure model;

WHEREAS, The PED Report, "Changing How North Carolina Controls Liquor Sales Has Operational, Regulatory, and Financial Ramifications", released on February 11, 2019, (1) did <u>not</u> recommend privatization, (2) found that among the southeastern states, NC collects the most revenue per gallon, has the lowest outlet density and has the second lowest per capita consumption; and (3) the PED expects retail liquor consumption to increase by 20% with privatization.

WHEREAS, for fiscal year ending 20187, local ABC boards distributed $430,635,861: County-City Distributions $80 million; State General Fund $323 million; Local Alcohol Education/Treatment $13 million; Local Law Enforcement $8.8 million; Rehabilitation Services $5 million; Operation of ABC Commission/Warehouse $17.7 million.

WHEREAS, North Carolina is unique as it allows communities to vote to establish local ABC boards for the sale of liquor in their communities, with liquor profits distributed back to those communities, thereby reducing the need to increase local property taxes.

WHEREAS, the citizens of the Town/City/County of __________, in voting to permit the operation of ABC stores, did <u>not</u> vote to allow spirits to be sold in private retail liquor stores and did <u>not</u> vote to allow spirits to be sold retail outlets where beer and wine are sold;

WHEREAS, No State funds are spent to distribute or sell liquor as the state and local operation of the ABC system is receipt supported;

WHEREAS, Of the 50 states, North Carolina ranks 44th lowest in consumption per capita and 7th highest in revenue per capita and NC's ABC system accomplishes both revenue and public health, welfare and safety objectives;

WHEREAS, when Washington State privatized its liquor system the number of retail outlets increased from 328 to over 1400, hours of sale/week increased from 73 to 140 hours, and Washington State received only $30.75 million from auctioning off the rights to apply for retail spirits permits at 167 stores;

WHEREAS, privatization will result in a marked increase in the number of outlets, longer hours of sale, greater advertising and more promotion and significantly more consumption; and the 9,000 outlets in NC that sell beer/wine off-premises could be permitted to sell liquor in a privatized system;

WHEREAS, local revenue from ABC stores operations is important to the Town/City/County;

WHEREAS, local control over the sale of liquor is an important function.

NOW THEREFORE, BE IT RESOLVED:

That the Town/City/County desires to retain North Carolina's current control system for the sale of liquor and believes that privatization of liquor will lead to many adverse effects.

By: ______________________

Attest:

______________________ Date: ____________________

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019

H 1

HOUSE BILL 91*

Short Title:	ABC Laws Modernization/PED Study.	(Public)
Sponsors:	Representatives McGrady, Boles, Horn, and Willingham (Primary Sponsors). *For a complete list of sponsors, refer to the North Carolina General Assembly web site.*	
Referred to:	Alcoholic Beverage Control, if favorable, Finance, if favorable, Rules, Calendar, and Operations of the House	

February 19, 2019

A BILL TO BE ENTITLED

AN ACT TO REQUIRE THE MERGER OF ABC SYSTEMS LOCATED IN A COUNTY WITH TWO OR MORE ABC SYSTEMS; TO REPEAL THE PURCHASE-TRANSPORTATION PERMIT REQUIREMENT FOR SPIRITUOUS LIQUOR; TO REQUIRE THE ABC COMMISSION TO SUBMIT A QUARTERLY REPORT ON ITS PROCESS FOR OBTAINING A CONTRACT FOR STATE WAREHOUSE SERVICES; TO ALLOW THE PURCHASE OF INDIVIDUAL BOTTLES WHEN PLACING A SPECIAL ORDER OF SPIRITUOUS LIQUOR; TO ALLOW LOCAL ABC BOARDS TO CHARGE A DELIVERY FEE WHEN DELIVERING SPIRITUOUS LIQUOR TO MIXED BEVERAGES PERMITTEES; TO ALLOW LOCAL GOVERNMENTS THE OPTION OF OPERATING ABC STORES ON SUNDAYS; AND TO ALLOW SPIRITUOUS LIQUOR TASTINGS AT ABC STORES, AS RECOMMENDED BY THE JOINT LEGISLATIVE PROGRAM EVALUATION OVERSIGHT COMMITTEE.

The General Assembly of North Carolina enacts:

PART I. REQUIRE CONSOLIDATION IN COUNTIES WITH MULTIPLE ABC SYSTEMS

SECTION 1.(a) By June 30, 2021, to ensure that no county has multiple ABC systems, all ABC systems located in a county with two or more ABC systems shall merge in accordance with the requirements set forth in G.S. 18B-703. Notwithstanding the provisions of any local act, this section applies to all ABC systems. For purposes of this section, the term "ABC system" is as defined in G.S. 18B-101.

SECTION 1.(b) G.S. 18B-700 is amended by adding a new subsection to read:

"<u>(c1) Limit on Number of Boards. – Notwithstanding any provision of law to the contrary, there shall be no more than one local ABC board in each county. If a jurisdiction holds an ABC store election under G.S. 18B-602(g), the establishment of ABC stores is approved, and the jurisdiction that held the election is located in a county where an ABC board is already in operation, the jurisdiction that held the election shall merge its local ABC board with the existing ABC board in accordance with G.S. 18B-703. Nothing in this subsection shall be construed as prohibiting a local ABC board from serving multiple cities, counties, or cities and counties.</u>"

SECTION 1.(c) G.S. 18B-703(e) reads as rewritten:

"(e) Dissolution. – With the approval of the Commission, <u>and subject to the limitation set forth in G.S. 18B-700(c1),</u> the cities or counties that have merged their ABC systems may

H91-V-1

dissolve the merged operation at any time and resume their prior separate ~~operations.~~operations or merge with a different ABC system in accordance with the requirements of this section."

SECTION 1.(d) Subsections (b) and (c) of this section become effective June 30, 2021. The remainder of this section is effective when it becomes law.

PART II. REPEAL PURCHASE-TRANSPORTATION PERMIT REQUIREMENT FOR SPIRITUOUS LIQUOR

SECTION 2.(a) G.S. 18B-303 reads as rewritten:

"**§ 18B-303. Amounts of alcoholic beverages that may be purchased.**

(a) Purchases Allowed. – Without a permit, a person may purchase at one time:

...

(4) ~~Not more than eight liters of either fortified~~ Fortified wine ~~or~~ and spirituous ~~liquor, or eight liters of the two combined.~~liquor in any amount.

...

(c) Greater Amounts. – Amounts of alcoholic beverages greater than those listed in ~~subdivisions~~ subdivision (a)(3) ~~and (a)(4)~~ may be purchased with a purchase-transportation permit under G.S. 18B-403."

SECTION 2.(b) G.S. 18B-403 reads as rewritten:

"**§ 18B-403. Purchase-transportation permit.**

(a) Amounts. – With a purchase-transportation permit, a person may purchase and transport an amount of alcoholic beverages greater than the amount specified in G.S. 18B-303(a). A permit authorizes the holder to transport from the place of purchase to the destination within North Carolina indicated on the permit at one time the following amount of alcoholic beverages:

(1) A maximum of 100 liters of unfortified ~~wine;~~wine.

~~(2) A maximum of 40 liters of either fortified wine or spirituous liquor, or 40 liters of the two combined; or~~

~~(3) The amount of fortified wine or spirituous liquors specified on the purchase-transportation permit for a mixed beverage permittee.~~

...

(e) Restrictions on Permit. – A purchase may be made only from the store named on the permit. One copy of the permit shall be kept by the issuing person, one by the purchaser, and one by the store from which the purchase is made. The purchaser shall display his copy of the permit to any law-enforcement officer upon request. ~~A permit for the purchase and transportation of spirituous liquor may be issued only by an authorized agent of the local board for the jurisdiction in which the purchase will be made.~~

...

(g) Special Occasion Purchase-Transportation Permit. – When a person holds a special occasion for which a permit under G.S. 18B-1001(8) or (9) is required, the purchase-transportation permit issued to him may provide for the storage at and transportation to and from the site of the special occasion of unfortified ~~wine, fortified wine, and spirituous liquor~~ wine for a period of no more than 48 hours before and after the special occasion. The purchase-transportation permit authorizes that person to transport only the amounts of those alcoholic beverages authorized by subsection (a). The Commission may adopt rules to govern issuance of these extended purchase-transportation permits."

SECTION 2.(c) This section becomes effective July 1, 2019, and applies to fortified wine and spirituous liquor purchased on or after that date.

PART III. ABC COMMISSION/QUARTERLY REPORT ON PROCESS FOR OBTAINING A CONTRACT FOR STATE WAREHOUSE SERVICES

SECTION 3.(a) Beginning October 15, 2019, and quarterly thereafter, the ABC Commission shall submit a written report to the chairs of the Joint Legislative Oversight

Committee on Justice and Public Safety detailing the progress made in bidding and selecting an independent contractor for the receipt, storage, and distribution of spirituous liquor at and from the State warehouse in accordance with G.S. 18B-204(a)(3). The report required under this section shall include all of the following:

(1) The schedule for developing and issuing the Request for Proposal (RFP), including detailed explanations as to how the Commission is meeting the milestones identified on the schedule.

(2) An identification of State agencies, departments, and other entities providing the Commission with technical assistance on RFP development and contract negotiations, including a detailed description of the assistance that is being provided.

(3) A description of the Commission's consultation with local ABC boards, as that term is defined in G.S. 18B-101, to ensure the boards' concerns and expectations are addressed during the RFP development and contract negotiations.

(4) A copy of the RFP when it is released for bid.

(5) A copy of the final contract entered into pursuant to G.S. 18B-204(a)(3).

(6) An implementation schedule for transitioning from the existing contract for services described in G.S. 18B-204(a)(3) to the new contract.

SECTION 3.(b) The reporting requirement set forth in subsection (a) of this section expires upon the earlier of the date of the award of the contract for services described in G.S. 18B-204(a)(3) or January 1, 2022.

PART IV. ABC SPECIAL ORDERS/ALLOW PURCHASE OF INDIVIDUAL BOTTLES

SECTION 4.(a) G.S. 18B-800 reads as rewritten:

"**§ 18B-800. Sale of alcoholic beverages in ABC stores.**

…

(c) Commission Approval. – ~~No~~Except as otherwise provided in subsection (c1) of this section, no ABC store may sell any alcoholic beverage which has not been approved by the Commission for sale in this State.

(c1) Special Orders; Fee. – Through the process established by rule of the Commission for special orders of spirituous liquor that is not on the list approved by the Commission, ABC stores shall allow the purchase of individual bottles of spirituous liquor through that process. ABC stores may sell in store any bottles it receives in excess of what was purchased by the requesting customer. The Commission may establish and charge a fee to a customer placing a special order in an amount sufficient to cover the actual costs incurred by ABC stores in processing the special order.

…."

SECTION 4.(b) This section becomes effective July 1, 2019, and applies to special orders placed on or after that date.

PART V. LOCAL ABC BOARDS/ALLOW DELIVERY FEE

SECTION 5.(a) G.S. 18B-701(a) reads as rewritten:

"(a) Powers. – A local board shall have authority ~~to:~~to do all of the following:

(1) Buy, sell, transport, and possess alcoholic beverages as necessary for the operation of its ABC ~~stores;~~stores. If a local board provides delivery of spirituous liquor to a mixed beverages permittee, the local board may charge a fee to the permittee sufficient to cover the actual costs incurred by the local board in making the delivery.

(2) Adopt rules for its ABC system, subject to the approval of the ~~Commission;~~Commission.

(3) Hire and fire employees for the ABC ~~system;~~system.

(4) Designate one employee as manager of the ABC system and determine his ~~responsibilities;~~responsibilities.

(5) Require bonds of employees as provided in the rules of the ~~Commission;~~Commission.

(6) Operate ABC stores as provided in Article ~~8;~~8.

(7) Issue purchase-transportation permits as provided in Article ~~4;~~4.

(8) Employ local ABC officers or make other provision for enforcement of ABC laws as provided in Article ~~5;~~5.

(9) Borrow money as provided in ~~G.S. 18B-702;~~G.S. 18B-702.

(10) Buy and lease real and personal property, and receive property devised or given, as necessary for the operation of the ABC ~~system;~~system.

(11) Invest surplus funds as provided in ~~G.S. 18B-702;~~G.S. 18B-702.

(12) Dispose of property in the same manner as a city council may under Article 12 of Chapter 160A of the General ~~Statutes; and~~Statutes.

…."

SECTION 5.(b) This section becomes effective July 1, 2019, and applies to deliveries made on or after that date.

PART VI. ALLOW LOCAL GOVERNMENT OPTION/ABC STORE SALES ON SUNDAY

SECTION 6.(a) G.S. 18B-802(b) reads as rewritten:

"(b) Days. – No ABC store shall be open, and no ABC store employee shall sell alcoholic beverages, ~~on any Sunday,~~ New Year's Day, Fourth of July, Labor Day, Thanksgiving Day, or Christmas Day. Except as otherwise provided under G.S. 153A-145.8 or G.S. 160A-205.4, no ABC store shall be open, and no ABC store employee shall sell alcoholic beverages, on any Sunday. A local board may otherwise determine the days on which its stores shall be closed."

SECTION 6.(b) Article 6 of Chapter 153A of the General Statutes is amended by adding a new section to read:

"**§ 153A-145.8. Allow ABC stores to operate on Sunday.**

If a county operates at least one ABC store, the county may adopt an ordinance allowing ABC stores under the operation of the county to be open and selling alcoholic beverages on Sundays. A county must consult with its county ABC board prior to adopting an ordinance under this section."

SECTION 6.(c) Article 8 of Chapter 160A of the General Statutes is amended by adding a new section to read:

"**§ 160A-205.4. Allow ABC stores to operate on Sunday.**

If a city operates at least one ABC store, the city may adopt an ordinance allowing ABC stores under the operation of the city to be open and selling alcoholic beverages on Sundays. A city must consult with its city ABC board prior to adopting an ordinance under this section."

SECTION 6.(d) This section becomes effective July 1, 2019.

PART VII. ABC STORES/ALLOW IN-STORE SPIRITUOUS LIQUOR TASTINGS

SECTION 7.(a) G.S. 18B-1114.7(a) reads as rewritten:

"(a) Authorization. – The holder of a supplier representative permit, brokerage representative permit, or distillery permit issued under G.S. 18B-1105 may obtain a spirituous liquor special event permit allowing the permittee to give free tastings of its spirituous liquors at ABC stores where the local ABC board has approved the tasting, trade shows, conventions, shopping malls, street festivals, holiday festivals, agricultural festivals, balloon races, local fund-raisers, and other similar events approved by the Commission."

SECTION 7.(b) G.S. 18B-301(f)(1) reads as rewritten:

"(1) Any person to consume fortified wine, spirituous liquor, or mixed beverages or to offer such beverages to another person at any of the following places:

a. ~~On~~ Unless a consumer tasting authorized by G.S. 18B-1114.7 is being conducted, on the premises of an ABC store.

b. Upon any property used or occupied by a local board.

c. On any public road, street, highway, or sidewalk, unless a consumer tasting authorized by G.S. 18B-1114.7 is being conducted."

SECTION 7.(c) This section becomes effective July 1, 2019.

PART VIII. RULES

SECTION 8. The Alcoholic Beverage Control Commission shall amend its rules consistent with the provisions of this act.

PART IX. EFFECTIVE DATE

SECTION 9. Except as otherwise provided, this act is effective when it becomes law.

City of Mount Holly
Action Agenda Item

To: Mayor and City Council	**Date:** March 13, 2019
From: David E. Johnson, PE	**Meeting Date:** March 25, 2019

Agenda Item to be considered:
Belmont – Mt. Holly Road Drainage Improvements

Will this require a public hearing? ☐ **YES** ☒ **NO**

Background/Purpose of Request :

The ponding water at the two entrances off of Belmont-Mt Holly Road to the Frost Garden Townhomes are a nuisance, a safety issue, and unsightly. Although the driveway entrances are within the State right-of-way, NCDOT has not acted to correct these problems even after numerous complaints and interaction from City officials. The property owner also has not responded to the City's request to repair the driveway aprons connecting to Belmont-Mt Holly Road. The ponding water at the two entrances affects the health, safety, and welfare of Mount Holly citizens.

The Belmont-Mt Holly Road sidewalk project included right-of-way improvements along the frontage of the Frost Garden Townhome property. These improvements will include drainage inlets, pavement restoration, curb and drainage pipes.

The purpose of this request is to pursue a lasting solution before the Belmont-Mount Holly Road sidewalk improvements becomes a reality. This proposal will also reduce the cost of the sidewalk project by eliminating the right-of-way improvements along the property frontage and reduce the size of the drainage system taking the flow from the ROW improvements.

The City has completed other improvements within the State ROW due to their inaction and the need to protect the health, safety, and welfare of our citizens.

Cost estimate for the improvements: $85,000

Fiscal Impact:

Will Item affect current budget	☐ YES	☒ NO	☐ N/A
Reviewed by Finance Director	☒ YES	☐ NO	☐ N/A
Preaudit Certification required	☒ YES	☒ NO	☐ N/A
Capital Project Ordinance required	☐ YES	☐ NO	☒ N/A
Budget Transfer required	☒ YES	☐ NO	☒ N/A
Total City Dollars:	***$***		
Budget Code			
Reviewed by City Attorney	☐ YES	☒ NO	☐ N/A

***Manager/Staff Recommendation**: Approval of Budget Amendment for completing the drainage improvements on Belmont-Mt Holly Road.*

Result of City Council Decision:

Attachments: None

Mount Holly
Connecting Community & Nature

CITY OF MOUNT HOLLY
FY 18-19 Budget Amendment

62-91-4730-354	M&R Drainage Ditches	$ 85,000.00	
62-91-3991-000	Fund Balance		$ 85,000.00
	TOTAL	$ 85,000.00	$ 85,000.00

Date Submitted: 25-Mar-19

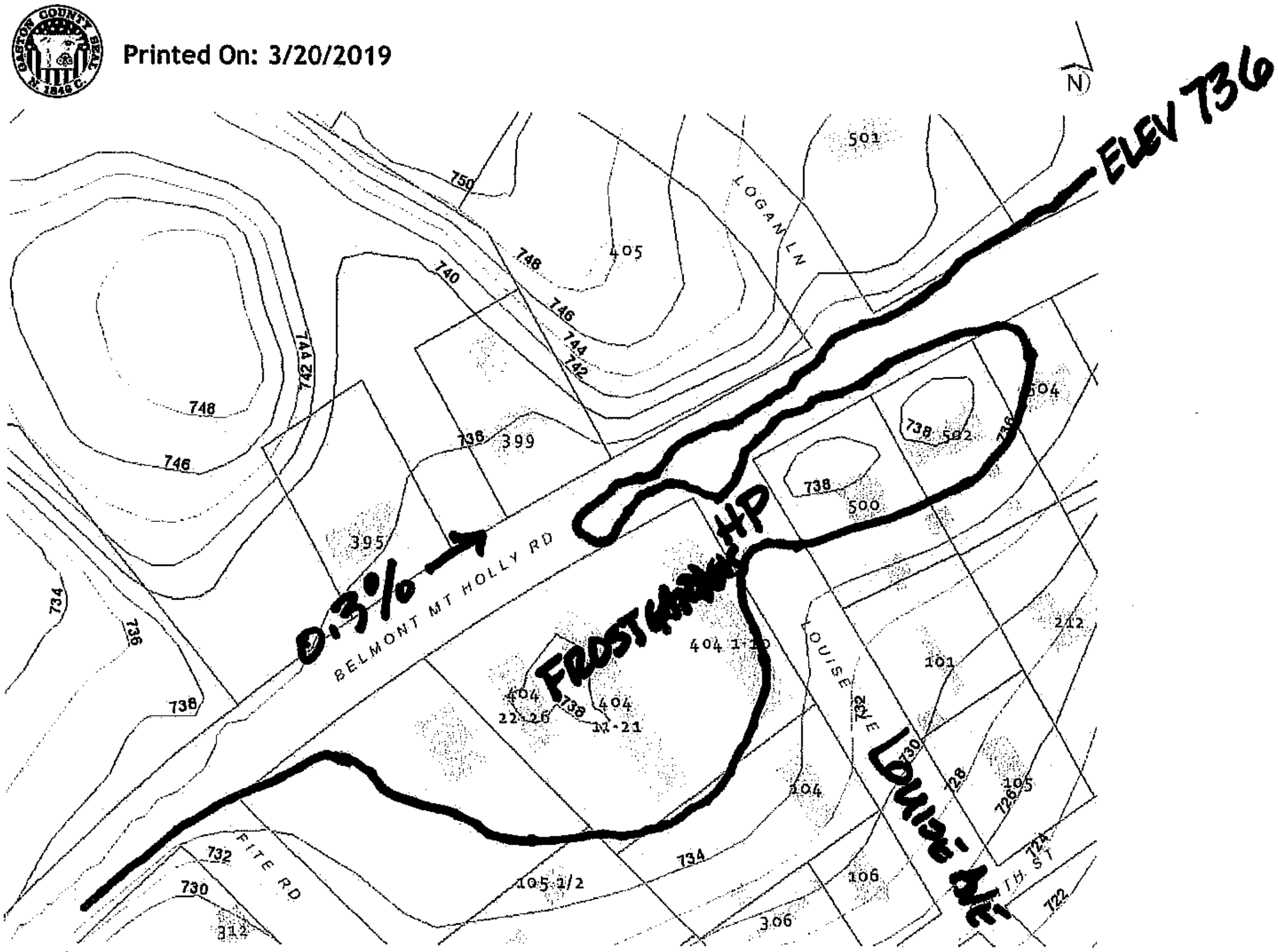
Finance Officer: ______________________

City Manager: ______________________

Department Comments:

Appropriation from enterprise fund balance funding for moving forward with the Belmont-Mt Holly Rd-Frost Townhomes Drainage improvements

Printed On: 3/20/2019

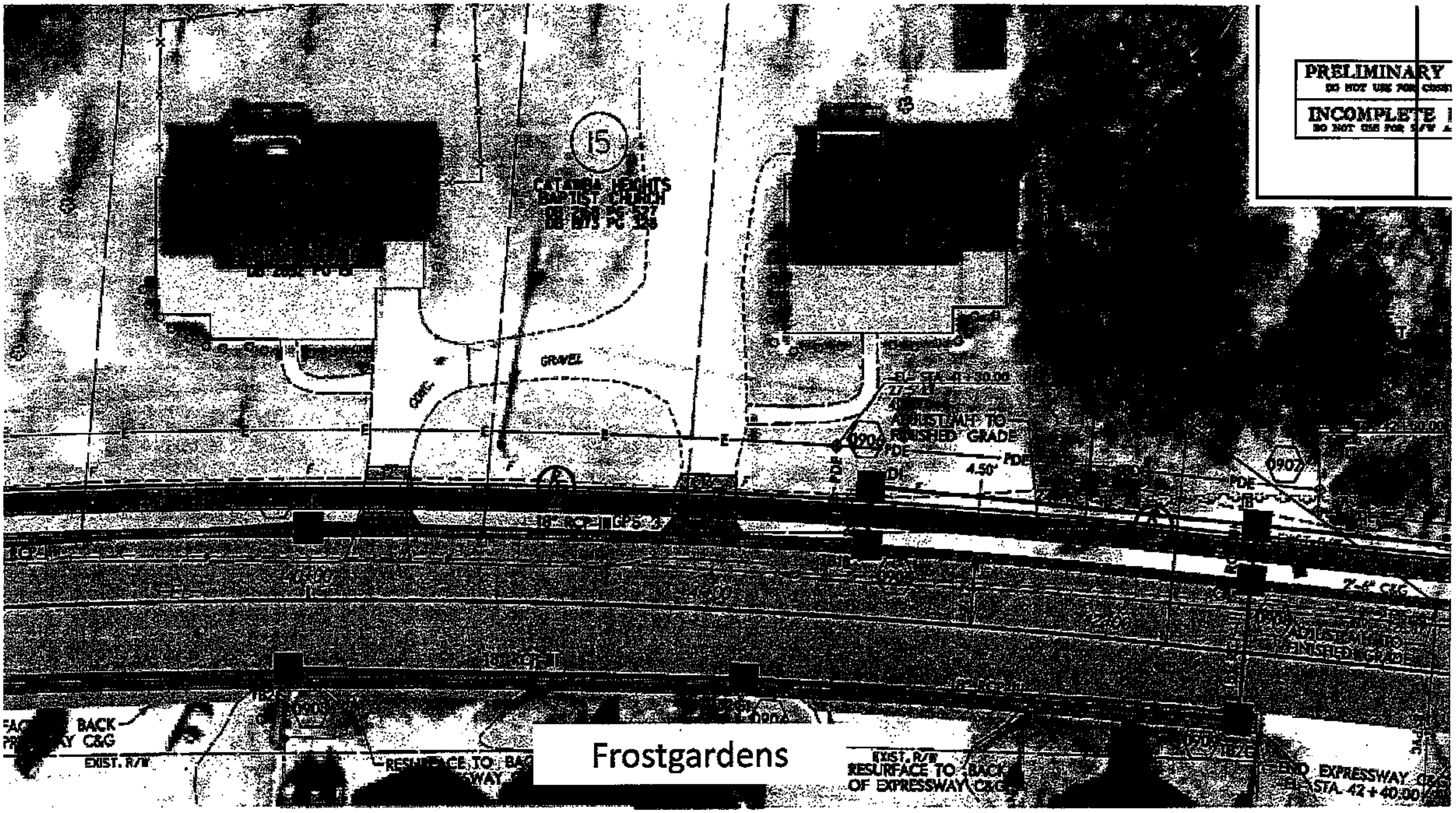


Frostgardens Townhome project is located at a high point.

The grade of Belmont-Mt Holly Road is 0.3% which is too flat for flow on asphalt or concrete. The roadside swale would have to be at least 2% for positive drainage.

The entrance drives to the project are depressed asphalt low areas which causes water to pond and only dissipates by evaporation.

No immediate storm drainage system to use as an outlet.



Belmont-Mt Holly Road Sidewalk Project proposes to address drainage with curb, drainage inlets and closed drainage system.

Does not include downstream drainage cost due to increased pipe sizes

Unintended Consequences downstream due to an increase in flow

Approximate Cost for these improvements: $62,500

City of Mount Holly
Action Agenda Item

To: City Council	**Date:** 3-22-2019
From: Jonathan Wilson	**Meeting Date:** 3-25-2019

Agenda Item to be considered:

Discussion of Tree City USA Program.

Will this require a public hearing? ☒ YES ☐ NO

Background/Purpose of Request :

In March of 2018 Council approved a text amendment to the Zoning Ordinance which put in place an ordinance that meets the requirements of the Tree City USA designation. Since that time Staff has been working towards the City becoming a Tree City USA under the Arbor Day Foundation. Additionally, in order to qualify for this designation the City must complete the Tree City USA Application, hold an Arbor Day event and pass a proclamation, show tree related expenditures equal to $2.00 per capita and appoint a Tree Board.

During the 2018-2019 fiscal year, Staff designated specific funds in the City's budget to meet the monetary requirements for Tree City USA and is still in the process of expending the designated funds to meet this requirement. We do believe that the City will meet this requirement by the end of the fiscal year. Additionally, the City is narrowing down a list of potential Tree Board members and will also advertise this newly created board to the Citizens of Mount Holly to cast a larger net of potential members over the upcoming month. Lastly, the City must hold an Arbor Day celebration and adopt Proclamation. Staff is working with the North Carolina Forest Service and has made arrangements with them to pass out pine tree saplings on April 12, 2019 at the Municipal Complex as our Arbor Day celebration, should Council wish to move forward.

I have included several documents from the Arbor Day Foundation speaking to the four requirements for Tree City USA. One of which is a sample proclamation which will be finalized through the City Attorney's office should Council decide to move forward with the proposed Arbor Day event.

Lastly, I would like to point out that by becoming a Tree City it will aid in the public image that most citizens want to have for the place they live or conduct business. It is also an indication to prospective businesses that the quality of life is better in Mount Holly than other places in our region.

Fiscal Impact:

Will Item affect current budget	☐ YES	☐ NO	☒ N/A
Reviewed by Finance Director	☐ YES	☐ NO	☒ N/A
Preaudit Certification required	☐ YES	☐ NO	☒ N/A
Capital Project Ordinance required	☐ YES	☐ NO	☒ N/A
Budget Transfer required	☐ YES	☐ NO	☒ N/A
Total City Dollars:	***$***		
Budget Code			
Reviewed by City Attorney	☐ YES	☐ NO	☐ N/A

Manager/Staff Recommendation:

Staff recommends that Council vote to move forward with the application to become a Tree City along with the advertisement to Citizens for serving on the City's Tree Board and the Arbor Day event tentatively planned for April 12, 2019 at the Municipal Complex.

Result of City Council Decision:

Attachments:

1. **Tree City USA Standards**
2. **Benefits of the Tree City USA Program**
3. **Tree City USA Application**
4. **Sample Arbor Day Proclamation**

Arbor Day Foundation

Tree City USA Standards

To qualify as a Tree City USA community, you must meet four standards established by the Arbor Day Foundation and the National Association of State Foresters. These standards were established to ensure that every qualifying community* would have a viable tree management program and that no community would be excluded because of size.

Four Standards for Tree City USA Recognition

Standard 1 | Standard 2 | Standard 3 | Standard 4

Standard 1

A Tree Board or Department

Someone must be legally responsible for the care of all trees on city- or town-owned property. By delegating tree care decisions to a professional forester, arborist, city department, citizen-led tree board or some combination, city leaders determine who will perform necessary tree work. The public will also know who is accountable for decisions that impact community trees. Often, both professional staff and an advisory tree board are established, which is a good goal for most communities.

The formation of a tree board often stems from a group of citizens. In some cases a mayor or city officials have started the process. Either way, the benefits are immense. Involving residents and business owners creates wide awareness of what trees do for the community and provides broad support for better tree care.

Standard 2

A Tree Care Ordinance

A key section of a qualifying ordinance is one that establishes the tree board or forestry department—or both—and gives one of them the responsibility for public tree care (as reflected in Standard 1). It should also assign the task of crafting and implementing a plan of work or for documenting annual tree care activities.

Ideally, the ordinance will also provide clear guidance for planting, maintaining and removing trees from streets, parks and other public spaces as well as activities that are required or prohibited. Beyond that, the ordinance should be flexible enough to fit the needs and circumstances of the particular community.

For tips and a checklist of important items to consider in writing or improving a tree ordinance, see Tree City USA Bulletin #9.

Standard 3

A Community Forestry Program With an Annual Budget of at Least $2 Per Capita

City trees provide many benefits—clean air, clean water, shade and beauty to name a few—but they also require an investment to remain healthy and sustainable. By providing support at or above the $2 per capita minimum, a community demonstrates its commitment to grow and tend these valuable public assets. Budgets and expenditures require planning and accountability, which are fundamental to the long-term health of the tree canopy and the Tree City USA program.

To meet this standard each year, the community must document at least $2 per capita toward the planting, care and removal of city trees—and the planning efforts to make those things happen. At first this may seem like an impossible barrier to some communities. However, a little investigation usually reveals that more than this amount is already being spent on tree care. If not, this may signal serious neglect that will cost far more in the long run. In such a case, working toward Tree City USA recognition can be used to reexamine the community's budget priorities and redirect funds to properly care for its tree resources before it is too late.

An Arbor Day Observance and Proclamation

An effective program for community trees would not be complete without an annual Arbor Day ceremony. Citizens join together to celebrate the benefits of community trees and the work accomplished to plant and maintain them. By passing and reciting an official Arbor Day proclamation, public officials demonstrate their support for the community tree program and complete the requirements for becoming a Tree City USA!

This is the least challenging—and probably most enjoyable—standard to meet. An Arbor Day celebration can be simple and brief or an all-day or all-week observation. It can include a tree planting event, tree care activities or an award ceremony that honors leading tree planters. For children, Arbor Day may be their only exposure to the green world or a springboard to discussions about the complex issue of environmental quality.

The benefits of Arbor Day go far beyond the shade and beauty of new trees for the next generation. Arbor Day is a golden opportunity for publicity and to educate homeowners about proper tree care. Utility companies can join in to promote planting small trees beneath power lines or being careful when digging. Fire prevention messaging can also be worked into the event, as can conservation education about soil erosion or the need to protect wildlife habitat.

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Tree City USA is an Arbor Day Foundation program in cooperation with:

Benefits of the Tree City USA Program

The Tree City USA program provides direction, assistance and national recognition for your community. It's the framework for a healthy, sustainable urban forestry program in your town. And the benefits are substantial.

Reduce costs for energy, stormwater management, and erosion control. Trees yield 3–5 times their cost in overall benefits to the city.

Cut energy consumption by up to 25%. Studies indicate that as few as three additional trees planted around each building in the United States could save $2 billion annually in energy costs.

Boost property values across your community. Properly placed trees can increase property values from 7–20%. Buildings in wooded areas rent more quickly, and tenants stay longer.

- **Build stronger ties to your neighborhood and community.** Trees and green spaces directly correlate to greater connections to neighbors.

Honor your community and demonstrate your commitment to a healthier environment through Arbor Day celebrations and Tree City USA recognition.

Benefit from a framework for action provided by the four core standards. Many communities use the Tree City USA standards as a way to begin caring for city trees. Others regularly enhance urban forest management through improved ordinances, innovative programs and increased emphasis on planting and care.

Educate people living in your city about the value of trees and the importance of sustainable tree management. Annual participation as a Tree City USA community provides this opportunity and makes it easier to engage individuals and organizations throughout the city. Tree City USA status can also create a strong working relationship with your state forestry agency and other groups.

Improve community pride. Participation in the Tree City USA program helps residents feel good about the place they live and work. Annual recognition shows visitors and prospective residents that trees, conservation, and the environment are important to your community.

Gain publicity with recognition materials. Tree boards, parks departments, public works officials and volunteers are recognized for the valuable work they provide to the community. Many communities share their Tree City USA recognition across city departments as well as with elected officials, students and business leaders.

Tree City USA is an Arbor Day Foundation program in cooperation with:

TREE CITY USA® APPLICATION

Select one: ☐ *First Time Applicant* *OR* ☐ *Recertification*

TREE CITY USA

TREE CITY USA status is awarded for work completed by the community during the calendar year. Please contact your State Urban Forestry Coordinator for your state's deadline, mailing address and any additional information required by your state. The common deadline is December 31 but can vary by state. Completed applications with attachments can be mailed to your State Urban Forestry Coordinator. To apply online and for additional information, please visit **portal.arborday.org**.

Community Information

Community Name (as it should appear on recognition materials) ____________________

Community Website ____________________

Mayor or Equivalent

First Name ____________________ Last Name ____________________

Professional Title ____________________

Address ____________________

City ____________________ State ____________________ Zip Code ____________________

Email Address ____________________

Phone Number (ex. 402-473-9553) ____________________ Fax Number ____________________

City Forestry Contact: Person who is responsible for completing and answering questions about this application.

First Name ____________________ Last Name ____________________

Professional Title ____________________

Address ____________________

City ____________________ State ____________________ Zip Code ____________________

Email Address ____________________

Phone Number (ex. 402-473-9553) ____________________ Fax Number ____________________

Standard ❶: Tree Board or Department

Frequency of Tree Board Meetings: ☐ Weekly ☐ Bi weekly ☐ Monthly ☐ Quarterly ☐ Semiannually ☐ Annually

Chairperson: If your city or town has a Tree Board, list your chairperson or head board member. If your city or town doesn't have a Tree Board, list your city department or manager.

First Name ____________________ Last Name ____________________

Professional Title ____________________

Address ____________________

City ____________________ State ____________________ Zip Code ____________________

Email Address ____________________

Phone Number (ex. 402-473-9553) ____________________ Fax Number ____________________

Other Tree Board Members or Staff

First Name ____________________ Last Name ____________________

First Name ____________________ Last Name ____________________

First Name ____________________ Last Name ____________________

First Name ____________________ Last Name ____________________

If additional Tree Board members are needed, please attach.

OVER

Standard ❷: A Community Tree Ordinance

Date Current Tree Ordinance was established ______

NEW Applicants (required): ❑ Current ordinance is attached.

RECERTIFICATIONS: ❑ Our ordinance as last submitted is unchanged and still in effect.
❑ Our ordinance has been changed. The new version is attached.

Standard ❸: A Community Forestry Program with an Annual Budget of at Least $2 per capita

Community Population ______

To review program standards and application resources, visit **arborday.org/treecity**.

Tree Planting and Initial Care .... $ ______

Tree Maintenance .... $ ______

Tree Removals .... $ ______

Management .... $ ______

Utility Line Clearance .... $ ______

Volunteer Time .... $ ______

Other (please explain) ______ $ ______

Total Community Forestry Expenditures .... $ ______

Please attach Annual Work plan (if required by your state) and supporting budget documents.

Trees Planted ______ Trees Pruned ______ Trees Removed ______

Standard ❹: Arbor Day Observance and Proclamation

Date of observation ______

Please attach program of activities, photos, and/or news coverage. Attach Arbor Day Proclamation.

Mayor or Equivalent Signature ______ **Title** ______ **Date** ______

Application Certification To Be Completed By The State Forester:

Community: ______

The above named community has made formal application to this office. I am pleased to advise you that we reviewed the application and have concluded that, based on the information contained therein, said community is eligible to be certified as a Tree City USA community, having in my opinion met the four standards required for recognition.

State Forester Signature ______ **Title** ______ **Date** ______

Mail completed application with requested attachments to your state forester no later than December 31 (unless your state has instituted a different deadline.)

Arbor Day Foundation®

Urban & Community Forestry

50077103

celebrate
Arbor Day™

Whereas, In 1872, J. Sterling Morton proposed to the Nebraska Board of Agriculture that a special day be set aside for the planting of trees, and

Whereas, this holiday, called Arbor Day, was first observed with the planting of more than a million trees in Nebraska, and

Whereas, Arbor Day is now observed throughout the nation and the world, and

Whereas, trees can reduce the erosion of our precious topsoil by wind and water, cut heating and cooling costs, moderate the temperature, clean the air, produce life-giving oxygen, and provide habitat for wildlife, and

Whereas, trees are a renewable resource giving us paper, wood for our homes, fuel for our fires and countless other wood products, and

Whereas, trees in our city increase property values, enhance the economic vitality of business areas, and beautify our community, and

Whereas, trees, wherever they are planted, are a source of joy and spiritual renewal.

Now, Therefore, I, ______________________________, Mayor of the City of
______________________________, do hereby proclaim
______________________________ as

Arbor Day

In the City of ______________________________, and I urge all citizens to celebrate Arbor Day and to support efforts to protect our trees and woodlands, and

Further, I urge all citizens to plant trees to gladden the heart and promote the well-being of this and future generations.

Dated this ____________________ day of ____________________

Mayor ______________________________