

## **REGULAR MEETING OF THE TOWN BOARD OF COMMISSIONERS OF FEBRUARY 2, 2011**

Town Board Present: Mayor David Wilkes, Vice Mayor John Dotson, Commissioner Gary Drake, Commissioner Amy Patterson, Commissioner Larry Rogers and Commissioner Dennis DeWolf.

Also Present: Town Manager Jim Fatland, Police Chief Bill Harrell, Recreation Director Selwyn Chalker, Town Engineer Lamar Nix, Interim Town Planner Mark Maxwell, Town Attorney William Coward and Recording Secretary Jane Capman.

### **1. Call to order**

Mayor David Wilkes called the meeting to order at 7:00 p.m.

### **2. Public Comments**

There were no public comments.

### **3. Approve Revised Agenda**

As there were no changes to the Revised Agenda, Commissioner Amy Patterson moved to approve the Revised Agenda, was seconded by Commissioner Dennis DeWolf and was unanimously approved.

### **4. Approve Minutes of January 5, 2011 4:00 PM Meeting and January 19, 2011 7:00 PM Meeting**

#### **Minutes of January 5, 2011 4:00 PM Meeting**

Commissioner Gary Drake moved to approve the minutes of January 5, 2011, was seconded by Commissioner Amy Patterson and was unanimously approved.

#### **Approve Minutes of January 19, 2011 7:00 PM Meeting**

The first paragraph of the Town Manager report is amended to read as follows:

Regarding the Police Dept. renovation project, Town Manager Fatland advised that the Local Government Commission has rendered their approval regarding financing and the closing should take place next week.

Vice Mayor John Dotson moved to approve the Minutes of January 19, 2011, as amended, was seconded by Commissioner Amy Patterson and was unanimously approved.

### **5. Reports**

#### **A. Mayor**

There was no mayoral report however, Mayor Wilkes thanked Vice Mayor John Dotson for presiding over the previous Board meeting.

#### **B. Commissioners**

There were no Commissioner reports.

#### **C. Committees**

Commissioner Drake advised that the Finance Committee would start meeting on a quarterly basis.

Mayor Wilkes advised that the Business Committee would meet in February.

**D. Town Manager**

Town Manager Jim Fatland advised that written approval for the Netsi Place grant had been received.

Interim Town Planner Mark Maxwell advised that copies of the Unified Development Ordinance (UDO) will be distributed to the Town Board on February 3, 2011 and suggested that a meeting be scheduled with the Town Board, after review, to discuss the same. Mr. Maxwell further suggested that the Planning Board and the UDO Advisory Committee be included in that meeting.

Town Manager Jim Fatland advised the Animal Control Ordinance would be brought before the Town Board at its next meeting.

**6. Public Hearing: Revision to Town Ordinances for Consistency with Town Charter for Council-Manager Form of Government**

This matter came before the Town Board on January 19, 2011 for discussion and for the first vote. The vote was 3 to 2, in favor, with Commissioners Larry Rogers, Gary Drake and Dennis DeWolf voting in favor and Vice Mayor John Dotson and Commissioner Amy Patterson voting against. A public hearing and a second vote is necessary.

Mayor Wilkes advised the public and Board members that he had a personal interest in this matter and excused himself and requested that Vice Mayor John Dotson preside over the Public Hearing.

Vice Mayor John Dotson opened the public hearing and requested that the public present provide their comments.

David Wilkes, speaking in support of the revision to the Ordinances, addressed the public and gave the history of the Town's change of Ordinance. Mr. Wilkes stated that when the change in the form of government was made, "it was a good change". The Ordinance states that the Town Manager hires and fires all personnel with the exception of the Town Planner/Zoning Administrator and Police Chief. Mr. Wilkes also discussed checks and balances and stated that the Town Board is the legislative and executive branch of the Town government. The Town Manager is responsible to follow the directives of the Town Board and serves at its pleasure. Mr. Wilkes further stated that if the Town Board is not happy with the Town Manager, he can be replaced. Mr. Wilkes pointed out that the Town Planner/Zoning Administrator and Police Chief report to a "political entity". Lastly, Mr. Wilkes stated that the a strong Town Manager, under the guidance of the Town Board, makes things work smoother.

Harry Baers stated that a chain of command is what is needed and to put the Town Manager in charge.

Patrick Taylor stated that he had no problem with the structure of the Town government but was concerned that people need to be treated fairly. The Ordinance presently in place should include that if an employee is to be terminated, that employee should have the opportunity to appear before the Town Board and explain the circumstances and then the Board can render its decision.

Alice Nelson stated that she felt that the Town Manager being responsible for the hiring and firing of all personnel is an important issue and stated that what works in other small towns may not work for Highlands.

Alan Marsh stated that Highlands is a unique place and that the present Charter has only been in place for two (2) years and there is no reason to change it now.

Linda Clark agreed with Mr. Marsh and felt that if the Town Manager were in charge for all hiring and firing, the citizens would not have a say and would be too far removed. Mrs. Clark further stated that the Town Manager form of government is a good form but that proposed Ordinance Amended was not needed.

Tom Clark stated that Highlands is half a world away from Egypt and look what happens when one person is in charge.

Thomas Craig stated that he disagrees with the proposed change to the Ordinance and further stated that he would have no conflict if the Town Planner and Police Chief were appointed by the Town Board.

Charles Dasher stated that this was a bad time to make changes and that the public has become "weary". It would be better transparency of our government if Town Planner and Police Chief reported to the Town Board.

John Underwood inquired as to the termination of Joe Cooley and the procedure that was followed.

Elaine Johnson cited tonight's meeting as "Chicago good ole boy politics".

Hazel Potts stated that everyone needs to remember that this is Highlands and that there "is unrest in the town" Ms. Potts further stated that the "bickering" needs to stop, that everyone needs to work together and to make no changes to the Ordinance.

Tony Potts advised that he was on the advisory board to change the form of government and that this issue was discussed with the consultant and that the Town Manager, Police Chief and Town Planner were to report to the Town Board.

As there were no further public comments, Vice Mayor John Dotson closed the public hearing.

Mayor Wilkes returned to the Board to preside over the remainder of the meeting.

Commissioner Gary Drake made a motion to approve the Revision to the Town Ordinances for consistency with the Town Charter for Council-Manager Form of Government and was seconded by Commissioner Larry Rogers.

Commissioner Amy Patterson passed out copies of N.C. G. S. §160A-146 (Council to organize city government) and N.C.G.S. §160A-162 (Compensation). Commissioner Patterson read aloud each statute and stated that it is the council that makes the changes to positions, offices and not the Town Manager and further stated that law clearly states that it is the council who "prescribes compensation". Commissioner Patterson further stated that you cannot go through the Ordinance and change wherever it states Town Board to Town Manager as it is not legal. Commissioner Patterson stated that the Ordinance change is materially flawed and questioned why this matter was before the Board now and inquired "what is the rush" and "why vote for something that is incorrect".

Town Attorney William Coward stated that whenever transpired at tonight's meeting "is going to be imperfect". When asked if no vote was taken Mr. Coward stated that "we will have to start over". Mr. Coward also stated that "we are trying to do is correct the government structure".

Vice Mayor John Dotson read aloud N.C.G.S. §160A-162 (Compensation) which reads in part:

*In cities with the council-manager form of government, the manager shall be responsible for preparing position classification and pay plans for submission to the council and, after any such plans have been adopted by the council, shall administer them.*

Vice Mayor Dotson emphasized the word "shall". Vice Mayor Dotson further stated that "that if we are going to do this, we owe it to our constituents to do the best job we can and to do it right the first time".

Commissioner Gary Drake withdrew his motion and advised that there is no rush and wants this matter handled correctly but stated that he feels that the Town Manager should be in charge of all of the Town's personnel, as concurred by Commissioner Larry Rogers and further stated that the Town Board is over the Town Manager and that it was the Town Board which terminated Joe Cooley, not the Town Manager.

Regarding the setting of compensation, discussion was had as to possible situations and the hiring of unnecessary personnel or the purchase of materials and Commissioner Drake advised that there is a budget in place and cannot be changed without Board approval.

At the conclusion of all of the discussion, Town Attorney Coward advised that the revision of the Ordinance will have to start over and no vote was taken.

7. **Consider Approval for Drug Free Policy**

The following was given to the Town Board for review and consideration:

**THE TOWN OF HIGHLANDS, NORTH CAROLINA**

**Drug-Free Workplace Policy**

**Adopted by Resolution of the Board of Commissioners on: February 2, 2011**

1. **Purpose and Goal.**

- a. The Town of Highlands (“the Town”) is committed to protecting the safety, health and well being of all employees and other individuals in our workplace. We recognize that alcohol abuse and drug use pose a significant threat to our goals. We have established a drug-free workplace program that balances our respect for individuals with the need to maintain an alcohol and drug-free environment.
- b. The Town recognizes that employee involvement with alcohol and other drugs can be very disruptive, adversely affect the quality of work and performance of employees, pose serious health risks to users and others, and have a negative impact on productivity and morale.
- c. The Town has no intention of interfering with the private lives of its employees unless involvement with alcohol and other drugs off the job affects job performance or public safety.
- d. As a condition employment, the Town requires that employees adhere to a strict policy regarding the use and possession of drugs and alcohol.
- e. The Town encourages employees to voluntarily seek help with drug and alcohol problems.

2. **Persons to whom this policy applies.** This policy applies to the following persons:

- a. all individuals who conduct business for the Town or on Town property;
- b. all full-time employees, part-time employees, off-site employees, volunteers and interns;
- c. all employees of contractors who have contracts with the Town and employees of the contractors’ sub-contractors; and
- d. all applicants for employment with the Town, as a condition of initial employment.

3. **Times that policy applies.** This policy applies whenever anyone is representing or conducting business for the Town, and specifically, during the following times:

- a. during all working hours;
- b. when an employee is conducting business or representing the Town; and
- c. when an employee is on call, paid standby.

4. **Prohibited Behavior.**

- a. It is a violation of our drug-free workplace policy to use, possess, sell, trade, and/or offer for sale alcohol, illegal drugs or intoxicants.
  - b. Prescription and over-the-counter drugs are not prohibited when taken in standard dosage and/or according to a physician's prescription. Any employee taking prescribed or over-the-counter medications will be responsible for consulting the prescribing physician and/or pharmacist to ascertain whether the medication may interfere with safe performance of his/her job. If the use of a medication could compromise the safety of the employee, fellow employees or the public, it is the employee's responsibility to use appropriate personnel procedures (e.g., call in sick, use leave, request change of duty, or notify supervisor) to avoid unsafe workplace practices.
  - c. The illegal or unauthorized use of prescription drugs is prohibited. It is a violation of our drug-free workplace policy to intentionally misuse and/or abuse prescription medications. Appropriate disciplinary action will be taken if job performance deterioration and/or other accidents occur.
5. **Notification of Convictions.** Any employee who is convicted of a criminal drug violation must notify the Town in writing within five calendar days of the conviction. The Town will take appropriate action within 30 days of notification. Federal contracting agencies will be notified when appropriate.
6. **Searches.** Entering the Town's property constitutes consent to certain searches and inspections. If an individual is suspected of violating the drug-free workplace policy, he or she may be asked to submit to a search or inspection at any time. Searches can be conducted of any property owned by the Town, including lockers, desks, work stations, vehicles and equipment.
7. **Testing.**
  - a. Drug testing will be conducted so as to ensure its accuracy and fairness, and at all times in conformance to N.C.G.S. 95-230, or such other applicable State guidelines as may be promulgated.
  - b. Drug testing will be conducted pre-employment, with negative results as a condition of initial employment
  - c. Drug and alcohol testing will be conducted immediately after any accident. "Accident", for the purposes of this section, means any of the following:
    - i. an automobile accident that is required to be reported to authorities under State law (as determined by the supervisor, who shall be notified immediately upon the occurrence of any accident);
    - ii. any kind of accident that involves bodily injury to the employee, or involves injuries to other persons, or damage to property of other persons.
  - d. Drug and alcohol testing will be conducted if there is reasonable suspicion of a violation of this policy.
8. **Substances to be tested for.** The substances that will be tested for are:
  - a. Amphetamines;
  - b. Cannabinoids (THC);
  - c. Cocaine;
  - d. Opiates;
  - e. Phencyclidine (PCP); and
  - f. Alcohol.

9. **Methods of testing.**

- a. Testing for the presence of alcohol will be conducted by analysis of breath, or in the event of any implied consent offense (including driving while impaired), according to State law.
- b. Testing for the presence of the metabolites of drugs will be conducted by the analysis of urine.

10. **Consequences.** Any employee who violates a provision of this policy may suffer one or more of the following consequences:

- a. immediate removal from duty;
- b. suspension without pay for a period of 30 days;
- c. referral to a substance abuse professional for assessment and recommendations;
- d. order to successfully complete a recommended rehabilitation including continuing care;
- e. order to pass a return-to-duty test and sign a return-to-work agreement;
- f. subjection to ongoing, unannounced, follow-up testing for a period of five years.

11. **Violations by refusal to cooperate.** It shall be a violation of this policy (and an employee will be subject to the same consequences of a positive test) if he or she commits, or attempts to commit, any of the following acts:

- a. refusal of the screening or the test;
- b. adulteration or dilution of a specimen;
- c. substitution of the specimen with that from another person;
- d. use of another person who poses as the employee (an "imposter");
- e. failure by the employee or the imposter to sign any required forms; or
- f. failure to cooperate in the testing process in such a way that prevents completion of the test.

12. **Rehabilitation.** One of the goals of our drug-free workplace program is to encourage employees to voluntarily seek help with alcohol and/or drug problems. If, however, an individual violates the policy, the consequences are serious.

- a. In the case of applicants, if he or she violates the drug-free workplace policy, the offer of employment may be withdrawn. In the event of such withdrawal, the applicant may not be allowed to reapply until after one year and after successfully passing another pre-employment drug test.
- b. If an employee violates the policy, he or she may be subject to progressive disciplinary action and may be required to enter rehabilitation as a condition of continued employment. An employee required to enter rehabilitation who fails to successfully complete it and/or repeatedly violates the policy will be terminated from employment.

13. **At will status of employment.** Nothing in this policy shall be construed to prohibit an employee from being disciplined or discharged for other violations and/or performance problems. Nothing in this policy shall be construed to abrogate the at-will status of any employee.

14. **Employee Assistance.**

- a. The Town recognizes that alcohol and drug abuse and addiction are treatable illnesses. We also realize that early intervention and support improve the success of rehabilitation. To support our employees, our drug-free workplace policy:
  - i. Encourages employees to seek help if they are concerned that they or their family members may have a drug and/or alcohol problem.
  - ii. Encourages employees to utilize the services of qualified professionals in the community to assess the seriousness of suspected drug or alcohol problems and identify appropriate sources of help.
  - iii. Ensures the availability of a current list of qualified community professionals.
  - iv. Offers all employees and their family members assistance with alcohol and drug problems through the Employee Assistance Program (EAP), if that is established by the Town.
  - v. Allows the use of accrued paid leave while seeking treatment for alcohol and other drug problems.
15. **Financial responsibility for treatment.** Treatment for alcoholism and/or other drug use disorders may be covered by the employee benefit plan. However, the ultimate financial responsibility for recommended treatment belongs to the employee. This policy shall not be construed as a promise or guarantee of financial assistance for treatment, rehabilitation, or any other benefit beyond what may be provided for elsewhere.
16. **Confidentiality.** All information received by the Town through the drug-free workplace program is confidential communication. Access to this information is limited to those who have a legitimate need to know in compliance with relevant laws and management policies.
17. **Shared Responsibility.**
  - a. A safe and productive drug-free workplace is achieved through cooperation and shared responsibility. Both employees and management have important roles to play.
  - b. All employees are required to not report to work or be subject to duty while their ability to perform job duties is impaired due to on- or off-duty use of alcohol or other drugs.
  - c. Employees are encouraged to:
    - i. be concerned about working in a safe environment;
    - ii. support fellow workers in seeking help;
    - iii. use the Employee Assistance Program; and
    - iv. report dangerous behavior to their supervisor.
  - d. It is the supervisors' responsibility to:
    - i. inform employees of the drug-free workplace policy;
    - ii. observe employee performance;
    - iii. investigate reports of dangerous practices;
    - iv. document negative changes and problems in performance;
    - v. counsel employees as to expected performance improvement;
    - vi. refer employees to the Employee Assistance Program; and
    - vii. clearly state the possible consequences of policy violations.

- 18. Communication.** Communicating our drug-free workplace policy to both supervisors and employees is critical to our success. To ensure all employees are aware of their role in supporting our drug-free workplace program:
- a. All employees will receive a written copy of the policy.
  - b. The policy will be reviewed in orientation sessions with new employees.
  - c. The policy and assistance programs will be reviewed at safety meetings.
  - d. Every supervisor will receive training to help him/her recognize and manage employees with alcohol and other drug problems.

19. **Other policies superceded and replaced.** This policy supercedes and replaces all similar or equivalent policies enacted prior to the effective date of this policy, except for the Policies and Procedures Manual of the Highlands Police Department. Employees of the Police Department continue to be subject to all drug and alcohol provisions of that Manual, and, in addition, to the provisions of this policy. Where there is a conflict between that Manual and this policy, the more stringent provision shall control.

Police Chief Harrell advised that he had reviewed the above policy and stated that it looked good.

As there was no further discussion, Commissioner Gary Drake moved to approve the Drug Free Workplace Policy, was seconded by Commissioner Larry Rogers and was unanimously approved.

**8. Audit Contract for FY Ending June 30, 2011**

The Town of Highlands has retained Martin Starnes, CPAs to perform the annual audit for the past several years. The State Treasurer requires that local government entities approve a one-year contract each year for the annual audit. The below audit contract, which must be approved by the Town of Highlands, State Treasurer and Auditor, was provided to the Board for their review, consideration and approval.

The proposed one-year contract to provide audit services for the year ended June 30, 2011 totals \$24,500. Since the Town has received a number of grants, a single audit is required. The fee breakdown is as follows:

Audit	\$16,625
Financial Statements Preparation	\$ 5,375
Subtotal	<u>\$22,000</u>
Single Audit (Required of Grants)	\$ 2,500
Total Audit Fees	<u>\$24,500</u>

It is recommended that the Town Board approve one-year contract with Martin Starnes, CPAs to provide audit services for the year ended June 30, 2011 for \$24,500. As to the fiscal impact, funds are budgeted each year for the annual audit

CONTRACT TO AUDIT ACCOUNTS  
Of Town of Highlands, NC  
Governmental Unit

On this 15th day of December, 2010, *Martin Starnes & Associates, CPAs, P.A.*, 730 13th Avenue Drive SE, Hickory, NC 28602, hereinafter referred to as the Auditor, and Town Commissioners of Town of Highlands, NC hereinafter referred to as the Governmental Unit, agree as follows:

1. The Auditor shall audit all statements and disclosures required by generally accepted accounting principles and additional required legal statements and disclosures of all funds and/or divisions of the



Governmental Unit for the period beginning July 1 2010 , and ending June 30 2011 . 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 will be rendered in relation to (as applicable) the governmental activities, the business-type activities, the aggregate discretely presented component units, each major governmental and enterprise fund, and the aggregate remaining fund information (nonmajor 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 generally accepted auditing standards. 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 Circular A-133 and the State Single Audit Implementation Act, the auditor shall perform a Single Audit. This audit and all associated workpapers 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 LGC. If the audit and/or workpapers 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.

3. *This contract contemplates an unqualified opinion being rendered.* If financial statements are not prepared in accordance with generally accepted accounting principles (GAAP), or the statements fail to include all disclosures required by GAAP, explain that departure from GAAP in the space below:

4. *This contract contemplates an unqualified opinion being rendered.* 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.* The audit will have no scope limitations except:

5. If this audit engagement is subject to the standards for audit as defined in Government Auditing Standards, July 2007 revisions, issued by the Comptroller General of the United States, then the Auditor warrants by accepting this engagement that he 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 their most recent peer review report regardless of the date of the prior peer review report to the Governmental Unit and the Secretary of the Local Government Commission prior to the execution of the audit contract. (See Item 21.)

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 the LGC by October 31 2011 . If it becomes necessary to amend the due date of the audit a written explanation of the delay must accompany the amended contract.

7. It is agreed that generally accepted auditing standards include a review of the Governmental Unit's system of internal control and accounting as same relates to accountability of funds and adherence to budget and law requirements applicable thereto; that the Auditor will 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 findings, together with his recommendations for improvement. That written report must include all matters defined as "significant deficiencies and material weaknesses" in AU 325 of the ATCPA Professional Standards. The Auditor shall file a copy of that report with the Secretary of the Local Government Commission.

8. All local government and public authority contracts for annual or special audits, bookkeeping or other assistance necessary to prepare the Unit's records for audit, financial statement preparation, any finance-related investigations, or any other audit-related work in the State of North Carolina require the approval of the Secretary of the Local Government Commission. Invoices for services rendered under these contracts shall not be paid by the Governmental Unit until the invoice has been approved by the Secretary of the Local Government Commission. (This also includes any progress billings.) [G.S. 159-34 and 115C-447] All invoices should be submitted in **triplicate** to the Secretary of the Local Government Commission. The original and one copy will be returned to the Auditor. 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 agreement, the Governmental Unit shall pay to the Auditor, upon approval by the Secretary of the Local Government Commission, the following fee which includes any cost 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:

***Year-end bookkeeping assistance - [For audits subject to Government Auditing Standards, this is limited to bookkeeping services permitted by revised Independence Standards]*** Standard hourly rates ranging from \$75-\$250 per hour.

**Audit** \$16,625 plus \$2,500 for single audit procedures (if necessary)

**Preparation of the annual financial statements** \$5,375 plus printing costs

10. The auditor working with local governmental unit that has outstanding revenue bonds will include in the notes to the audited financial statements, whether or not required by the revenue bond documents, a calculation demonstrating compliance with the revenue bond rate covenant. Additionally, the auditor should be aware that any other bond compliance statements or additional reports required in the authorizing bond documents need to be submitted to the LGC simultaneously with the local government's audited financial statements unless otherwise specified in the bond documents.

II. After completing the audit, the Auditor shall submit to the Governing Board a written report of audit. This report shall include, at least, Management's Discussion and Analysis, the financial statements of the governmental unit and all of its component units and notes thereto prepared in accordance with generally accepted accounting principles, combining and supplementary information requested by the client or required for full disclosure under the law, and 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 as soon as practical after the close of the accounting period.

12. **The Auditor shall file** with the Local Government Commission two BOUND copies of the report of audit. If reports are received unbound they will **not** be reviewed by the LGC and will be returned to the auditor for binding. In addition, if the North Carolina Office of the State Auditor designates certain programs to be audited as major programs, a turnaround document and a representation letter addressed to the State Auditor shall be submitted to the Local Government Commission. Two bound copies of the report of audit should be submitted if the audit is performed only under the provisions of the State Single Audit Implementation Act or a financial audit is required to be performed in accordance with Government Auditing Standards. Three bound copies of the audit are to be submitted for Councils of Governments. Two bound copies of the audit should be submitted for tax levying Municipalities. Otherwise, one bound copy shall be submitted. Units that operate a 911 fund need to provide an additional copy to the number stated above. Bound copies of the report shall be filed with the Local Government Commission when (or prior to) submitting the invoice for the services rendered. The report of audit, as filed with the Secretary of the Local Government Commission, becomes a matter of public record for inspection and review in the offices of the Secretary by any interested parties. Any subsequent revisions to these reports must be sent to the Secretary of the Local Government Commission. These audited financial statements are used in the preparation of Official Statements for debt offerings (the auditors' opinion is not included), by municipal bond rating services, to fulfill secondary market disclosure requirements of the Securities and Exchange Commission, and other lawful purposes of the government, without subsequent consent of the auditor. If it is determined by the LGC that corrections need to be made to the unit's financial statements they should be provided within three days of notification unless, another time frame is agreed to by the LGC.

13. 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 Local Government Commission, this agreement may be varied or changed to include the increased time and/or compensation as may be agreed upon by the Governing Board and the Auditor.

14. If an approved contract needs to be varied or changed for any reason, the change must be made in writing, signed and dated by all parties and pre-audited if the change includes a change in audit fee. This document and a written explanation of the change must be submitted in triplicate to the Secretary of the Local Government Commission for approval. No change shall be effective unless approved by the Secretary of the Local Government Commission, the Governing Board, and the Auditor.

15. Whenever the Auditor uses an engagement letter with the client, Item 16 is to be completed by referencing the engagement letter and attaching a copy of the engagement letter to the contract to incorporate the engagement letter into the contract. In case of conflict between the terms of the

engagement letter and the terms of this contract, the **terms of this contract will control**. Engagement letter terms are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item 22 of this contract. Engagement letters containing indemnification clauses will not be approved by the Local Government Commission.

16. There are no special provisions except:

17. A separate contract should not be made for each division to be audited or report to be submitted. A separate contract must be executed for each component unit which is a local government and for which a separate audit report is issued.

18. The contract must be executed, pre-audited, signed by all parties and submitted in triplicate to the Secretary of the Local Government Commission. The mailing address is 325 North Salisbury Street, Raleigh, North Carolina 27603-1385. The physical address is 4505 Fair Meadow Lane, Suite 102, Raleigh, North Carolina 27607-6449.

19. The contract is a tri-party agreement and is not valid until it is approved by the Local Government Commission. Upon approval, the original contract will be returned to the Governmental Unit, a copy will be forwarded to the Auditor, and a copy retained by the Secretary of the Local Government Commission. The audit should not be started before the contract is approved.

20. 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 Local Government Commission.

21. If this audit engagement is not subject to Government Auditing Standards, then Item 5 shall be listed as a deleted provision in Item 22. An explanation must be given for deleting this provision.

22. All of the above paragraphs are understood and shall apply to this agreement, except the following numbered paragraphs shall be deleted: (See Item 15.)

Town Manager Fatland advised that the amount is \$1,000.00 higher than last year and that the contract must be approved annually. Commissioner Drake stated that although the Town continues to use the same company, different individuals from Martin Starnes & Associates, CPAs, P.A. are brought in for the audit process.

As there was no further discussion, Commissioner Dennis DeWolf moved to approve the Audit Contract for FY Ending June 30, 2011 with Martin Starnes & Associates, CPAs, P.A., was seconded by Vice Mayor John Dotson and was unanimously approved.

## 9. **FY 11 Budget Amendment**

As there were numerous questions regarding the amendment and spreadsheet presented to the Town Board, Town Manager Fatland advised that this matter would be pulled and will be brought back before the Board for approval.

## 10. **Closed Session: Personnel**

Commissioner Gary Drake moved to the Town Board into Closed Session, was seconded by Commissioner Amy Patterson and was unanimously approved.

The Town Board discussed a personnel matter and a litigation matter. No action was taken.

Commissioner Gary Drake moved to the Town Board into Open Session, was seconded by Commissioner Larry Rogers and was unanimously approved.

## 11. **Adjourn**

As there were no further matters to come before the Board of Commissioners, Commissioner Gary Drake moved to adjourn, was seconded by Commissioner Larry Rogers and the Town Board adjourned at 10:26 p.m.

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James R. Fatland  
Town Manager

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Jane J. Capman  
Recording Secretary

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David Wilkes  
Mayor