

**Minutes  
Spruce Pine Town Council  
Monday, February 14, 2022**

A meeting of the Town Council was held on February 14, 2022. Present were Mayor Darla Harding and Council Members James Acuff, Larry McKinney, Rocky Buchanan and Jackie Rensink. Staff in attendance included Darlene Butler, Billy Summerlin, Phillip Hise, Crystal Young, Libby Phillips, Michael Wood and Shelley Buchanan. Others attended, including Russell Lankford and Chad Donnahoo.

**CALL TO ORDER**

Mayor Darla Harding called the regular meeting to order at 5:30 PM. Jackie Rensink gave the invocation. Larry McKinney led the Pledge of Allegiance.

**APPROVAL OF AGENDA**

Jackie Rensink moved to approve the agenda. James Acuff seconded the motion, which carried unanimously.

**APPROVAL OF MINUTES**

Larry McKinney moved to approve the minutes of the regular meeting held on January 10<sup>th</sup>, 2022. Jackie Rensink seconded the motion, which carried unanimously. Larry McKinney moved to approve the minutes of the Public Hearing held on January 10<sup>th</sup>, 2022. Jackie Rensink seconded the motion, which carried unanimously.

**DEPARTMENT UPDATES**

**Police Department**

- Police Chief Bill Summerlin gave report on his department. He stated that things are going well.
- He asked the Council to remember the mother of Captain Michael Briggs as she is very sick. He also showed gratitude to Officer Michael Burlison and NC Highway Patrolman Tim Dellinger for assisting a citizen with a terrible accident in town with a piece of machinery.
- He presented a photo the Council showing vandalism caused by local skate boarders. He advised the police department plans to put a stop to this immediately.
- Drugs continue to be the main focus of the police department at this time, however Chief Summerlin admits the drug arrests have slowed down some.
- Council Member Jackie Rensink asked the chief if he could have a log truck removed from the Altapass Rd connector causing extreme risk of an accident.

**Finance**

- Finance Officer Crystal Young presented the third quarter financials. Said reports are incorporated by reference and attached to these minutes.
- Crystal advised that 94.3% has been collected to date on property taxes.
- Sales tax revenue is currently 10% over budget. And the Powell Bill allowance has been increased from \$75,000 to \$89,000 this year.
- She updated the Council on the ARPA funds. She advised one change that has been made is the allowance of ARPA funds to be used for paving.
- Crystal presented the council with a schedule for the next several meetings to include this year's budget planning and discussion.

**Water and Sewer**

- Russell Lankford presented his water and sewer report from Veolia. Said report is incorporated by reference and attached to these minutes.
- He mentioned comparing the costs of rebuilding the old well pump on Carters Ridge versus purchasing a new pump to keep as a spare.

**Main Street**

- Libby Phillips presented the Main Street Director's Report for December, which is incorporated by reference and attached to these minutes.
- She advised that even though the owners of Nikki's Italian Bistro have closed their business there is already a lot of interest in the building.

- She conveyed to the Council how happy and thankful the new business owners of L & L Furniture were to parks and rec and the public works employees during all the snow keeping their sidewalks and store front cleaned off.

#### Public Works

- Rick McDonald attended his first board meeting as the new Public Works Director. He presented open and closed work orders since the last Council meeting. There were 54 completed work orders and 5 open work orders.
- He advised the Council that his department has been pretty busy and that he fared well through his first large snow as director.
- Phillip Hise advised the sweeper truck is back from being repaired and operating well at this time.
- Mr. Hise told the Council that the Quartz Corporation offered a free safety training and lunch to the public works employees. He shared his appreciation for Jim Garofalo and the Quartz Corp for this.
- Phillip thanked the Council for all of their support and many good years during his employment with the Town. He is retiring as of February 25<sup>th</sup> after 25 years of service on the board and as Public Works Director. The Council in turn thanked Phillip for his hard work and dedication over the years and let him know he will be greatly missed. They congratulated him on his retirement and wished him luck in his future endeavors.

#### Parks and Rec

- Michael Wood presented his Parks and Rec Directors report to the Council. This report is incorporated by reference and attached to these minutes.
- Council member Rocky Buchanan if he could have his employees use at least one hour a day to pick trash being littered in town. Michael agreed they had time to do this. Rocky also challenged the other board members to take some time and help clean up the trash through town. He went on to say that they cannot expect the citizens to get involved and help clean up town if they don't.

#### ACTION AGENDA

Rocky Buchanan moved to approve the Sewer Rehabilitation Capital Project Ordinance Amendment #2. James Acuff seconded the motion, which carried unanimously. Said ordinance is incorporated by reference and attached to these minutes.

Larry McKinney moved to adopt the Resolution Authorizing Increase in Micro-Purchase Threshold. Jackie Rensink seconded the motion, which carried unanimously. Said resolution is incorporated by reference and attached to these minutes.

Rocky Buchanan moved to approve Resolution Adopting Policy for Allowable Costs and Cost Principles for Expenditure of American Rescue Plan Act/ Coronavirus State and Local Fiscal Recovery Funds by North Carolina Local Governments. James seconded the motion, which carried unanimously. Said policy is incorporated by reference and attached to these minutes.

Crystal presented a tax release for Stephen Craig Robinson in the amount of \$56.12. James Acuff made a motion to approve the tax release. Rocky Buchanan seconded the motion, which carried unanimously.

Crystal requested the Council review the delinquent property tax list and approve it for advertisement in the Mitchell News Journal in April. Larry McKinney made a motion to approve advertisement of delinquent taxes. Jackie Rensink seconded the motion, which carried unanimously.

Crystal presented the 2021-2022 Audit Contract from Combs, Tennant, and Carpenter PC. James Acuff moved to approve the contract. Larry McKinney seconded the motion, which carried unanimously. Said contract is incorporated by reference and attached to these minutes.

#### PUBLIC COMMENT- none

#### APPOINTMENTS- none

#### Town Manager

- ❖ Darlene presented the Council with information regarding the Mitchell County Historical Tour being put together by Ann Castro.
- ❖ She then discussed a new special use permit called the Town of Spruce Pine Parks and Recreation Special Activity Application. This form will be completed by any person or organization wanting to have an activity or event at

Brad Ragan or Riverside Park using facilities other than shelters. She asked for Council's thoughts on some of the general conditions addressed on the application. After some discussion the Council liked the application but is going to allow the town attorney review it before it is available to use.

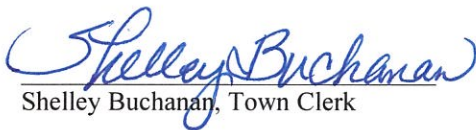
- ❖ She advised that she and Mayor Harding met with John Hall and Nathan Silvers about having a Vacation Bible School and possible other events at Riverside Park. They will be providing more information soon on their plans.
- ❖ Darlene then presented the Withers Ravenel proposal on the 5,300 linear foot replacement of water line stretching from Town Hall to McDonald's. She advised they are giving a thirteen month time and a fee summary of \$178,500. The Council gave their blessing to agree to and accept this proposal.
- ❖ Darlene introduced the new town attorney, Chad Donnahoo, to the Council and others present.
- ❖ The State Capital Infrastructure Grant and PARTF grant we have been awarded were discussed at length. There was discussion on how to spend this grant money in our local parks. These projects include new playground equipment, new basketball courts with fencing, water slide at pool, pool building and shelter renovations, new picnic tables, a dog park, signage, and tennis court renovation. The \$300,000 SCIF grant will be broken into as follows: \$100,000 for new restrooms at Riverside Park, \$150,000 for a splash pad at Riverside Parks, and \$50,000 to begin on the Stroup Road Park project. The consensus of the Council was that Darlene submit these proposals to the state. Michael Wood added that Austin Burlison with Sibelco Corporation has approached him wanting to become more involved in the community. They proposed (with approval from their community involvement committee) to provide manpower to clear the land on Stroup Road to help the town begin building a park there. Mr. Burlison is also going to bring it before his committee to replace the score board, control panel, press box, and dugouts at Riverside Park Ballfield.
- ❖ Darlene reminded the Council of the retirement lunch for Phillip Hise on Wednesday of this week at Spruce Pine Fire Department.
- ❖ She asked the Council for their thoughts and suggestions on the increasing problem with dumpsters on Lower Street. These dumpsters are used by the restaurants in town and are unsightly to look and causing a terrible smell in the town parking lots. Darla suggested asking the restaurant owners in town their thoughts and the possibility of them purchasing a larger dumpster and the Town paying for extra pickups.

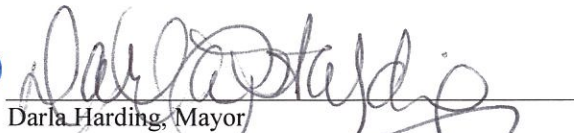
MAYOR/COUNCIL REQUESTS / COMMENTS-

- Mayor Harding read two thank you cards the Council had received. One was from Mrs. Joan Foy for thoughts and flowers during the passing of her husband, former Town of Spruce Pine Mayor Wes Foy. The other was from Appearance Standards Committee member Janean Long for the Christmas gift.

ADJOURNMENT

With no further discussion Jackie Rensink moved to adjourn the meeting at 7:50 PM.


  
Shelley Buchanan, Town Clerk

  
Darla Harding, Mayor

  
Larry McKinney, Mayor Pro Tem

  
Rocky Buchanan, Council Member

  
James Acuff, Council Member

  
Jackie Rensink, Council Member

**Town of Spruce Pine Financials**  
**Ending January 31st, 2022**  
**3rd Quarter**  
**FY 2021-2022**



<b>2021-2022 Budget Figures</b>				
		<u>2021-2022</u>	<u>Y-T-D December 31st,</u>	
		<u>Budget</u>	<u>2021</u>	<u>Percent</u>
<b>General Fund Revenue</b>				
Levied Taxes and Penalties		\$1,414,500	\$1,277,730	90.3%
Local Sales Tax		\$615,699	\$421,132	68.4%
Franchise Taxes		\$281,000	\$137,431	48.9%
Powell Bill		\$75,000	\$89,010	118.7%
Interest Earned		\$1,000	\$156	15.6%
Recreation Park Revenue		\$26,000	\$2,147	8.3%
Revolving Loan Repayments		\$39,122	\$172,477	440.9%
Misc Income		\$79,515	\$20,686	26.0%
Grants		\$24,110	\$7,533	31.2%
Fund Balance Appropriated		\$67,214	\$0	
<b>General Fund Revenue</b>		<b>\$2,623,160</b>	<b>\$2,136,407</b>	<b>81.4%</b>
<b>General Fund Expenditures</b>				
Governing Body		\$22,165	\$11,382	51.4%
Total Administration & Finance		\$232,585	\$144,790	62.3%
Cost of Elections		\$2,500	\$2,035	81.4%
Tax Collections Fees		\$4,600	\$2,408	52.4%
Economics		\$142,140	\$58,418	41.1%
Total Public Building & Facilities		\$209,509	\$34,343	16.4%
Fire Department		\$149,000	\$105,730	71.0%
Building Inspections		\$26,611	\$13,305	50.0%
Police Department		\$957,368	\$566,001	59.1%
Public Works		\$227,434	\$149,044	65.5%
Powell Bill		\$140,825	\$114,264	81.1%
Sanitation		\$79,913	\$38,468	48.1%
Parks & Recreation		\$299,393	\$114,444	38.2%
Library		\$105,577	\$64,582	61.2%
Trac Grant		\$5,000	\$5,000	100.0%
Cemetery		\$18,540	\$10,990	59.3%
Loan Disbursements		\$0	\$0	0.0%
Covid Relief Fund		\$0	\$0	
<b>Total General Fund Expenditures</b>		<b>\$2,623,160</b>	<b>\$1,435,203</b>	<b>54.7%</b>
<i>Excess (deficiency) of revenue over Expenditures</i>		<b>\$0</b>	<b>\$701,204</b>	

Town of Spruce Pine Financials  
Ending January 31st, 2022  
3rd Quarter  
FY 2021-2022



	<u>2021-2022</u>	<u>Y-T-D December 31st,</u>	
	<u>Budget</u>	<u>2021</u>	<u>Percent</u>
<b>2021-2022 Budget Figures</b>			
<b>Water &amp; Sewer Fund</b>			
Charges for Water	\$1,421,096	\$736,258	52%
Charges for Sewer	\$998,771	\$497,214	50%
Water & Sewer Taps	\$3,000	\$6,500	217%
Water & Sewer Interest	\$250	\$0	0%
Misc Revenues	\$30,500	\$41,192	135%
Retained Earnings Appropriated	\$0	\$0	0%
<b>Water &amp; Sewer Revenue</b>	<b>\$2,453,617</b>	<b>\$1,281,164</b>	<b>52%</b>
<b>Water &amp; Sewer Expenditures</b>			
Water & Sewer Debt	\$61,020	\$0	0%
Water & Sewer Administration	\$1,158,330	\$602,956	52%
Water Expense	\$599,288	\$377,160	63%
Sewer Expense	\$489,096	\$319,883	65%
Contingency	\$145,883		
<b>Water &amp; Sewer Expenditures</b>	<b>\$2,453,617</b>	<b>\$1,299,999</b>	<b>53%</b>
<i>Excess (deficiency) of revenue over Expenditures</i>	\$0	-\$18,836	

Town of Spruce Pine  
 Analysis of Current Year Tax Levy  
 01/31/22  
 excluding vehicle taxes

	Property Valuation	Town-wide Rate	Amount of Levy
Original levy:			
Real property	253,269,273	\$0.51	
Personal property	48,080,000		
Public service companies	16,271,553		
Penalties			
Exemptions	69,487,609		
	<u>248,133,217</u>		<u>1,265,479.41</u>
Discoveries:			
Current year taxes	266,759		1,360.48
<i>*Rounding</i>	234		1.19
Prior year taxes	1,254,516		6,398.03
	<u>1,521,509</u>		<u>7,759.70</u>
Abatements			
Min Bill	31,345		159.86
Releases	28,625		145.99
Total property valuation	<u>249,594,756</u>		
Net levy			<u>1,272,933.26</u>
Uncollected taxes at			<u>72,863.72</u>
Current year's taxes collected			<u>1,200,069.54</u>
Current levy collection percentage			<u>94.3%</u>



January, 2022 Monthly Report  
Spruce Pine Water/Waste Plants  
Operated by Veolia North America Water

Compliance: Both Plants and the wells ran in compliance for the month of January.

January Flows: The water plant produced 34.18 million gallons. That was an average of 1.102 million gallons per day. We used 800,000 gallons to backwash our filters. Well 1 produced 4 million gallons. The waste plant received 16.956 million gallons. That was an average of receiving 547,000 gallons per day. Beaver Creek dam is full.

Water: We averaged 1.0 NTU's on raw water turbidity. On the finished water turbidity we averaged .03 NTU's. The federal limit is .3. We averaged a chlorine residual leaving our plant of 1.52. We caught 6 bacteriological samples in the distribution system. They were all good. Blue Ridge Waterworks of Boone ran a camera down well 2 on February 3<sup>rd</sup>. Nothing bad was found. So we are supposed to have the new well installed the week of the 21<sup>st</sup>. The electrical will be redone shortly thereafter. Assuming the parts come in on schedule. CCU repaired the Mitchell tank level. It needed a new submersible level transmitter and reprogrammed. We made a part for one of the Henredon water station pumps. It should be good until the station upgrade later this year.

Waste: We averaged 200.1 on influent BOD. The effluent BOD average was 2.5. That is a 99 percent removal rate both months. We averaged 339 on influent TSS. The effluent TSS average was 11.5. That is a removal rate of 97 percent. Kemp Inc. is here this week installing a new shaft assembly, bearings, gear box and gear box guard on the inner ring of the oxidation ditch. They will also be replacing a bearing on another shaft assembly. We are getting proposals on a new hauler and landfill to take our belt press solids to. I am trying to get us a better price and service for a cost that will never go away here. We are producing solids 24/7 everyday forever at our plant. Hopefully we can save some money. We repaired two small issues on generators in the system. One was an electrical issue on the lower prison and a new block heater on Beaver Creek. We have agreed to take samples out of our influent to be tested for levels of Covid. We are doing them every Tuesday and Thursday for the foreseeable future.

Safety: In January we covered Emergency preparedness and response, control of hazardous energy, and three different GHS trainings. These classes are still online due to covid.

Work orders: We completed 160 work orders for the month.

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[www.veolianoorthamerica.com](http://www.veolianoorthamerica.com)



Misc: I completed the Tier 2 report for the US EPA on our bulk chemicals at each plant. I also completed and posted our OSHA log for 2021.

Russell Lankford  
Project Manager  
Veolia North America

Veolia North America  
123 Street, Suite 456  
City, ST 12345  
tel. +1 123 456 7890 fax +1 123 456 7890

[www.veolianoorthamerica.com](http://www.veolianoorthamerica.com)



## Spruce Pine Main Street Directors Report

**PR-** FOM plans underway. This year we will have Jim Cooper as featured blacksmith and have 6 other demonstrators doing outdoor and close up demos. Reducing hands on to 2 tents with masks and safety glasses, sanitizer stations and roped off areas. Demo will make BBQ skewers (please save corks). Changes with downtown workshop so trying to host class at MCC going forward. Abby is working on a FOM PR plan for the social media sites and has updated the website. I changed the wording on some of the applications and have added a charge for non-profits vendors now. Applications coming in and working on ad work for t-shirt. I have 3 sponsors so far. Will discuss possible collaboration with Bierdock and other merchants to offer a specials for festival. We will be hosting Movies in July and a special shop local campaign for restaurants in February and retail in March with additional DD giveaways as prizes. We will be planning a "get to know your neighbor" social with the new and old businesses in the spring. Waiting to schedule a ribbon cut for TREATS, LLC. We now have a TikTok account. I sent a press release to the paper last week regarding the grant for the assessment. We are still looking for sponsorships for the park programs. Many thanks to Burleson Plumbing, Tree House, Bark House, Treasures in the Pines and SP Florist for donations.

**D&B-** Did not meet last month due to snow. I want to discuss possibly adding an additional event specifically benefit/include merchants possibly- a litter pick up or sweep the street concept. We will discuss at the meeting this month.

**ERC-** There have been several inquiries about available buildings this month. Renovation work continues on the Theater and has begun on Wellborns and Dellingers. Vance has renovated the apartments at Crystal and they look amazing. I will be submitting a design assistance application for the façade at Dellingers. City Drive In is also looking to make some façade changes to their building when eligible in the fall.

**Organization-** Accreditation has 6 new additional requirements will be added at the end of next year. Assessment review with Greenberg will be at 3:30 on February 15<sup>th</sup>. The board and council members have been invited, along with Sherry. Handouts are here so please review these and be prepared for the meeting with any questions. I think we have some good opportunities here to move our organization forward. What days/times work best for everyone for scheduling retreat? Sherry has provided these dates for visioning- March 15, 22, 28, or 29. Options are 3 45-minute meetings or one hour and half meeting that covers everything (asset mapping, economic drivers and SWOT review) then she will do an on-site visit with community. Morning or afternoon- 4:30 or later? Conference has been moved to virtual on March 8-10th. Since we will not be traveling, I would like to extend invitations to: Reid, Emma, Chris and Walton from L&L. I finally got a new laptop for work. We had a few new volunteers attend meetings this past month. We have the TRA kiosk for the visitor center. I am trying to find out what is needed to get installed and may need help once I do. Working on a new special events application with insurance company for FOM.



## **Parks and Recreation Department**

**Office (828)765-3012**

**Cell (828) 385-2179**

### **Town of Spruce Pine Board Meeting**

**February 14, 2022**

#### General Park Maintenance

- Mowing, weed eating, and weed removal has come to a stop till spring
- Moring and Night check list completed each day
- Trash pick-up in town

#### Brad Ragan Park

- Worked on last part of leaf and pine needle removal
- Trimmed up all flower beds
- Mulched all flower beds
- Park was closed for several days due to inclement weather in January
- After snow melted staff did limb removal and clean up

#### Riverside Park

- Reinstalled paper towel and soap dispenser that had been torn off the wall
- Worked on removal of pine needles
- Attended ribbon cutting for the story book trail
- Trimmed all flower beds
- Mulched all flower beds
- Cleaned out the rain garden in the second parking lot
- Snow removal on walking track and in front of heated restroom
- Cleaned out storm drains

#### Shelter Reservations

- Will start taking reservations in April for the 2022 season

#### Pool

- Removed the snow and ice from around the drains on the pool deck
- Have started contacting former life guard staff for the upcoming season

## Town

- Helped Mainstreet with putting up and taking down Christmas decorations
- Finished mulching and trimming shrubs in various areas around town
- Snow removal on town side walks
- Salt spreading on town side walks

## Other Business

- Have experienced staff shortages recently due to COVID
- Park truck transmission had been worked on again
- Talked with Flo from the Giving Gardens to discuss a fundraiser dinner event that she would like to have in September. Waiting on further details and e-mail to present to the council.
- Met with Austin Burleson with Sibelco to discuss the possible replacement of the scoreboard and rebuilding of one dugout at Riverside Park. Other possible projects were also discussed.
- Met with Harris Middle School baseball coach Jennings Greene to discuss the upcoming baseball season in reference to the field at Riverside Park and Brad Ragan Park for softball practices.
- Met with David Whitson on repairing or replacing baseball field lights at Riverside. We are awaiting an estimate on both.
- Worked with Town Manger and Finance Officer on money that is being received for use at Brad Ragan Park.



**TOWN OF SPRUCE PINE – SEWER REHABILITATION  
CAPITAL PROJECT ORDINANCE AMENDMENT #2  
PROJECT # E-SRP-W-18-0157**

**BE IT ORDAINED** by the Town Council of Spruce Pine that, pursuant to Section 13.2 of Chapter 159 of the General Statutes of North Carolina, the following capital project ordinance is hereby adopted:

**Section 1.** The project authorized is the Sewer Rehabilitation Project to include the 19E Force Main Replacement and Locust Street Sewer Rehabilitation. The project will be financed by a State Reserve Project Loan as outlined below.

**Section 2.** The officers of this unit are hereby directed to proceed with the capital project within the terms of the budget contained herein.

**Section 3.** The following amounts are appropriated for the project:

Engineering Report Preparation	\$	11,500.00
Location and Topographic Survey	\$	7,000.00
Design Services	\$	55,000.00
Permitting	\$	11,100.00
Bid & Award	\$	12,400.00
Construction Observation/Contract Admin	\$	39,130.00
Construction	\$	529,655.00
Contingency	\$	0
<b>Total</b>	<b>\$</b>	<b><u>665,785.00</u></b>

**Section 4.** The following revenues are anticipated to be available to complete this project:

State Reserve Project Loan	\$	<u>665,785.00</u>
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**Section 5.** The Finance Officer is hereby directed to maintain within the Sewer Rehabilitation Project Fund detailed accounting records.

**Section 6.** The Finance Officer is directed to include a detailed analysis of the past and future costs and revenues on this capital project in every budget submission made to the Council.

**Section 7.** Copies of this capital project ordinance shall be furnished to the Clerk to the Governing Board, and to the Town Manager and the Finance Officer for direction in carrying out this project.

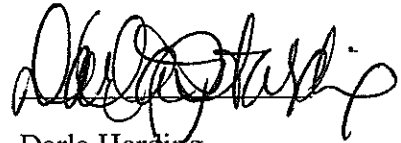
Adopted this 14<sup>th</sup> day of February 2022.

ATTEST:



Shelley Buchanan

Town Clerk



Darla Harding

Mayor



### **RESOLUTION AUTHORIZING INCREASE IN MICRO-PURCHASE THRESHOLD**

WHEREAS, from time to time, the Town of Spruce Pine purchases goods and services using federal funding subject to the procurement standards in 2 C.F.R. Part 200, Subpart D; and

WHEREAS, the Town of Spruce Pine's procurement of such goods and services is subject to Purchasing Policy and Procedures; and

WHEREAS, the Town of Spruce Pine is a non-Federal entity under the definition set forth in 2 C.F.R. § 200.1; and

WHEREAS, pursuant to 2 C.F.R. § 200.320(a)(1)(ii), a non-Federal entity may award micropurchases without soliciting competitive price or rate quotations if the non-Federal entity considers the price to be reasonable based on research, experience, purchase history or other information and documents that the non-Federal entity files accordingly; and

WHEREAS, pursuant to 2 C.F.R. § 200.320(a)(1)(iii), a non-Federal entity is responsible for determining and documenting an appropriate micro-purchase threshold based on internal controls, an evaluation of risk, and its documented procurement procedures; and

WHEREAS, pursuant to 2 C.F.R. § 200.320(a)(1)(iv), a non-Federal entity may self-certify on an annual basis a micro-purchase threshold not to exceed \$50,000 and maintain documentation to be made available to a Federal awarding agency and auditors in accordance with 2 C.F.R. § 200.334; and

WHEREAS, pursuant to 2 C.F.R. § 200.320(a)(1)(iv), such self-certification must include (1) a justification for the threshold, (2) a clear identification of the threshold, and (3) supporting documentation, which, for public institutions, may be a "higher threshold consistent with State law"; and

WHEREAS, G.S. 143-129(a) and G.S. 143-131(a) require the Town of Spruce Pine to conduct a competitive bidding process for the purchase of (1) "apparatus, supplies, materials, or equipment" where the cost of such purchase is equal to or greater than \$30,000, and (2) "construction or repair work" where the cost of such purchase is greater than or equal to \$30,000; and

WHEREAS, North Carolina law does not require a unit of local government to competitively bid for purchase of services other than services subject to the qualifications-based selection process set forth in Article 3D of Chapter 143 of the North Carolina General Statutes (the "Mini-Brooks Act"); and

WHEREAS, G.S. 143-64.32 permits units of local government to exercise, in writing, an exemption to the qualifications-based selection process for services subject to the Mini-Brooks Act for particular projects where the aggregate cost of such services do not exceed \$50,000; and WHEREAS, pursuant to 2 C.F.R. §

200.320(a)(1)(iv), the Town Council of the Town of Spruce Pine now desires to adopt higher micro-purchase thresholds than those identified in 48 C.F.R. § 2.101.

NOW THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF SPRUCE PINE:

1. In accordance with 2 C.F.R. § 200.320(a)(1)(iv) and the applicable provisions of North Carolina law, the Town of Spruce Pine hereby self-certifies the following micro-purchase thresholds, each of which is a "higher threshold consistent with State law" under 2 C.F.R. § 200.320(a)(1)(iv)(C) for the reasons set forth in the recitals to this resolution:

A. \$30,000, for the purchase of "apparatus, supplies, materials, or equipment"; and

B. \$30,000, for the purchase of "construction or repair work"; and

C. \$50,000, for the purchase of services not subject to competitive bidding under North Carolina law; and

D. \$50,000, for the purchase of services subject to the qualifications-based selection process in the Mini-Brooks Act; provided that such threshold shall apply to a contract only if the Unit has exercised an exemption to the Mini-Brooks Act, in writing, for a particular project pursuant to G.S. 143- 64.32. If the exemption is not authorized, the micro-purchase threshold shall be \$10,000.

2. The self-certification made herein shall be effective for fiscal year 2021-2022 and shall be applicable until June 30, 2022, but shall not be applicable to Federal financial assistance awards issued prior to November 12, 2020, including financial assistance awards issued prior to that date under the Coronavirus Aid, Relief, and Economic Support (CARES) Act of 2020 (Pub. L. 116-136).

3. In the event that the Town of Spruce Pine receives funding from a federal grantor agency that adopts a threshold more restrictive than those contained herein, the Unit shall comply with the more restrictive threshold when expending such funds.

4. The Unit shall maintain documentation to be made available to a Federal awarding agency, any pass-through entity, and auditors in accordance with 2 C.F.R. § 200.334. 5. The Town Manager and Finance Director of the Unit are hereby authorized, individually and collectively, to revise the Purchasing Policy of the Unit to reflect the increased micro-purchase thresholds specified herein, and to take all such actions, individually and collectively, to carry into effect the purpose and intent of the foregoing resolution.

Adopted this the 14th day of February, 2022.

  
\_\_\_\_\_  
Darla Harding, Mayor

ATTEST:   
\_\_\_\_\_  
Shelley Buchanan, Town Clerk



**TOWN OF SPRUCE PINE POLICY FOR ALLOWABLE COSTS AND COST PRINCIPLES  
FOR EXPENDITURE OF AMERICAN RESCUE PLAN ACT / CORONAVIRUS STATE  
AND LOCAL FISCAL RECOVERY FUNDS BY NORTH CAROLINA LOCAL  
GOVERNMENTS**

**WHEREAS** the Town of Spruce Pine has received an allocation of funds from the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF); and

**WHEREAS** the funds may be used for projects within these categories, to the extent authorized by state law.

1. Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
2. Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
3. Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
4. Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
5. Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet; and

**WHEREAS** the ARP/CSLFRF are subject to the provisions of the federal Uniform Grant Guidance, 2 CFR Sect. 200 (UG), as provided in the [Assistance Listing](#); and

**WHEREAS** the [Compliance and Reporting Guidance for the State and Local Fiscal Recovery Funds](#) provides, in relevant part:

**Allowable Costs/Cost Principles.** As outlined in the Uniform Guidance at 2 CFR Part 200, Subpart E regarding Cost Principles, allowable costs are based on the premise that a recipient is responsible for the effective administration of Federal awards, application of



sound management practices, and administration of Federal funds in a manner consistent with the program objectives and terms and conditions of the award. Recipients must implement robust internal controls and effective monitoring to ensure compliance with the Cost Principles, which are important for building trust and accountability.

ARP/CSLFRF Funds may be, but are not required to be, used along with other funding sources for a given project. Note that ARP/CSLFRF Funds may not be used for a non-Federal cost share or match where prohibited by other Federal programs, e.g., funds may not be used for the State share for Medicaid.

Treasury's Interim Final Rule and Guidance and the Uniform Guidance outline the types of costs that are allowable, including certain audit costs. For example, per 2 CFR 200.425, a reasonably proportionate share of the costs of audits required by the Single Audit Act Amendments of 1996 are allowable; however, costs for audits that were not performed in accordance with 2 CFR Part 200, Subpart F are not allowable. Please see 2 CFR Part 200, Subpart E regarding the Cost Principles for more information.

- a. Administrative costs: Recipients may use funds for administering the SLFRF program, including costs of consultants to support effective management and oversight, including consultation for ensuring compliance with legal, regulatory, and other requirements. Further, costs must be reasonable and allocable as outlined in 2 CFR 200.404 and 2 CFR 200.405. Pursuant to the ARP/CSLFRF Award Terms and Conditions, recipients are permitted to charge both direct and indirect costs to their SLFRF award as administrative costs. Direct costs are those that are identified specifically as costs of implementing the ARP/CSLFRF program objectives, such as contract support, materials, and supplies for a project. Indirect costs are general overhead costs of an organization where a portion of such costs are allocable to the ARP/CSLFRF award such as the cost of facilities or administrative functions like a director's office. Each category of cost should be treated consistently in like circumstances as direct or indirect, and recipients may not charge the same administrative costs to both direct and indirect cost categories, or to other programs. If a recipient has a current Negotiated Indirect Costs Rate Agreement (NICRA) established with a Federal cognizant agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals, then the recipient may use its current NICRA. Alternatively, if the recipient does not have a NICRA, the recipient may elect to use the de minimis rate of 10 percent of the modified total direct costs pursuant to 2 CFR 200.414(f).
- b. Salaries and Expenses: In general, certain employees' wages, salaries, and covered benefits are an eligible use of ARP/CSLFRF award funds; and

**WHEREAS** Subpart E of the UG dictates allowable costs and cost principles for expenditure of ARP/CSLFRF funds; and

**WHEREAS** Subpart E of the UG (specifically, 200.400) states that:

The application of these cost principles is based on the fundamental premises that:

- (a) The non-Federal entity is responsible for the efficient and effective administration of the Federal award through the application of sound management practices.
- (b) The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.
- (c) The non-Federal entity, in recognition of its own unique combination of staff, facilities, and experience, has the primary responsibility for employing whatever form of sound organization and management techniques may be necessary in order to assure proper and efficient administration of the Federal award.
- (d) The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the Federal award.
- (e) In reviewing, negotiating and approving cost allocation plans or indirect cost proposals, the cognizant agency for indirect costs should generally assure that the non-Federal entity is applying these cost accounting principles on a consistent basis during their review and negotiation of indirect cost proposals. Where wide variations exist in the treatment of a given cost item by the non-Federal entity, the reasonableness and equity of such treatments should be fully considered.
- (f) For non-Federal entities that educate and engage students in research, the dual role of students as both trainees and employees (including pre- and post-doctoral staff) contributing to the completion of Federal awards for research must be recognized in the application of these principles.
- (g) The non-Federal entity may not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the Federal award;

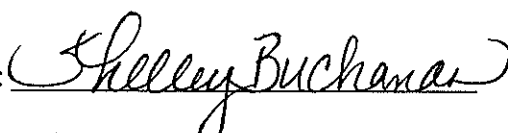
**BE IT RESOLVED** that the governing board of the Town of Spruce Pine hereby adopts and enacts the following US Cost Principles Policy for the expenditure of ARP/CSLFRF funds.

Adopted this the 14th day of February, 2022.



Darla Harding, Mayor

ATTEST:



Shelley Buchanan, Town Clerk

## ALLOWABLE COSTS AND COSTS PRINCIPLES POLICY OVERVIEW

[Title 2 U.S. Code of Federal Regulations Part 200](#), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, commonly called Uniform Guidance (UG), specifically Subpart E, defines those items of cost that are allowable, and which are unallowable. The tests of allowability under these principles are: (a) the costs must be reasonable; (b) they must be allocable to eligible projects under the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 / American Rescue Plan Act of 2021 (ARP/CSLFRF); (c) they must be given consistent treatment through application of those generally accepted accounting principles appropriate to the circumstances; and (d) they must conform to any limitations or exclusions set forth in these principles or in the ARP/CSLFRF grant award as to types or amounts of cost items. Unallowable items fall into two categories: expenses which are by their nature unallowable (e.g., alcohol), and unallowable activities (e.g., fund raising).

The Town of Spruce Pine shall adhere to all applicable cost principles governing the use of federal grants. This policy addresses the proper classification of both direct and indirect charges to ARP/CSLFRF funded projects and enacts procedures to ensure that proposed and actual expenditures are consistent with the ARP/CSLFRF grant award terms and all applicable federal regulations in the UG.

Responsibility for following these guidelines lies with the Town Manager and Finance Officer who are charged with the administration and financial oversight of the ARP/CSLFRF. Further, all local government employees and officials who are involved in obligating, administering, expending, or monitoring ARP/CSLFRF grant funded projects should be well versed with the categories of costs that are generally allowable and unallowable. Questions on the allowability of costs should be directed to the Finance Officer. As questions on allowability of certain costs may require interpretation and judgment, local government personnel are encouraged to ask for assistance in making those determinations.

### GENERAL COST ALLOWABILITY CRITERIA

All costs expended using ARP/CSLFRF funds must meet the following general criteria:

**1. Be necessary and reasonable for the proper and efficient performance and administration of the grant program.**

A cost must be *necessary* to achieve a project object. When determining whether a cost is necessary, consideration may be given to:

- Whether the cost is needed for the proper and efficient performance of the grant project.
- Whether the cost is identified in the approved project budget or application.
- Whether the cost aligns with identified needs based on results and findings from a needs assessment.

- Whether the cost addresses project goals and objectives and is based on program data.

A cost is *reasonable* if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision to incur the cost was made. For example, reasonable means that sound business practices were followed, and purchases were comparable to market prices. When determining reasonableness of a cost, consideration must be given to:

- Whether the cost is a type generally recognized as ordinary and necessary for the operation of the Town of Spruce Pine or the proper and efficient performance of the federal award.
- The restraints or requirements imposed by factors, such as: sound business practices; arm's-length bargaining; federal, state, and other laws and regulations; and terms and conditions of the ARP/CSLFRF award.
- Market prices for comparable goods or services for the geographic area.
- Whether individuals concerned acted with prudence in the circumstances considering their responsibilities to the Town of Spruce Pine, its employees, the public at large, and the federal government.
- Whether the Town of Spruce Pine significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the ARP/CSLFRF award's cost.

- 2. Be allocable to the ARP/CSLFRF federal award.** A cost is allocable to the ARP/CSLFRF award if the goods or services involved are chargeable or assignable to the ARP/CSLFRF award in accordance with the relative benefit received. This means that the ARP/CSLFRF grant program derived a benefit in proportion to the funds charged to the program. *For example, if 50 percent of a local government program officer's salary is paid with grant funds, then the local government must document that the program officer spent at least 50 percent of his/her time on the grant program.*

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized by the ARP/CSLFRF, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required.

- 3. Be authorized and not prohibited under state or local laws or regulations.**

4. **Conform to any limitations or exclusions set forth in the principles, federal laws, ARP/CSLFRF award terms, and other governing regulations as to types or amounts of cost items.**
5. **Be consistent with policies, regulations, and procedures that apply uniformly to both the ARP/CSLFRF federal award and other activities of the Town of Spruce Pine.**
6. **Be accorded consistent treatment.** A cost MAY NOT be assigned to a federal award as a direct cost and also be charged to a federal award as an indirect cost. And a cost must be treated consistently for both federal award and non-federal award expenditures.
7. **Be determined in accordance with generally accepted accounting principles (GAAP), unless provided otherwise in the UGG.**
8. **Be net of all applicable credits.** The term “applicable credits” refers to those receipts or reduction of expenditures that operate to offset or reduce expense items allocable to the federal award. Typical examples of such transactions are purchase discounts; rebates or allowances; recoveries or indemnities on losses; and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to and received by the local government related to the federal award, they shall be credited to the ARP/CSLFRF award, either as a cost reduction or a cash refund, as appropriate and consistent with the award terms.
9. **Be adequately documented.**

#### **SELECTED ITEMS OF COST**

The UGG examines the allowability of fifty-five (55) specific cost items (commonly referred to as Selected Items of Cost) at 2 CFR § 200.420-.475.

The Finance Officer responsible for determining cost allowability must be familiar with the Selected Items of Cost. The Town of Spruce Pine must follow the applicable regulations when charging these specific expenditures to the ARP/CSLFRF grant. The Finance Officer will check costs against the selected items of cost requirements to ensure the cost is allowable and that all process and documentation requirements are followed. In addition, State laws, Town of Spruce Pine regulations, and program-specific rules may deem a cost as unallowable, and the Finance Officer must follow those non-federal rules as well.

Exhibit A identifies and summarizes the Selected Items of Cost.

#### **DIRECT AND INDIRECT COSTS**

Allowable and allocable costs must be appropriately classified as direct or indirect charges. It is essential that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost.

*Direct costs* are expenses that are specifically associated with a particular ARP/CSLFRF-eligible project and that can be directly assigned to such activities relatively easily with a high degree of accuracy. Common examples of direct costs include salary and fringe benefits of personnel directly involved in undertaking an eligible project, equipment and supplies for the project,

subcontracted service provider, or other materials consumed or expended in the performance of a grant-eligible project.

*Indirect costs* are (1) costs incurred for a common or joint purpose benefitting more than one ARP/CSLFRF-eligible project, and (2) not readily assignable to the project specifically benefited, without effort disproportionate to the results achieved. They are expenses that benefit more than one project or even more than one federal grant. Common examples of indirect costs include utilities, local telephone charges, shared office supplies, administrative or secretarial salaries.

For indirect costs, the Town of Spruce Pine may charge a 10 percent de minimis rate of modified total direct costs (MTDC). According to UGG Section 200.68 MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance the subawards under the award). MTDC EXCLUDES equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of

## **SPECIAL PROVISIONS FOR STATE AND LOCAL GOVERNMENTS**

There are some special provisions of the UG that apply only to states, local governments, and Indian Tribes.

### **§ 200.444 General costs of government.**

(a) For states, local governments, and Indian Tribes, the general costs of government are unallowable (except as provided in [§ 200.475](#)). Unallowable costs include:

- (1) Salaries and expenses of the Office of the Governor of a [state](#) or the chief executive of a [local government](#) or the chief executive of an [Indian tribe](#);
- (2) Salaries and other expenses of a [state](#) legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction;
- (3) Costs of the judicial branch of a government;
- (4) Costs of prosecutorial activities unless treated as a direct cost to a specific program if authorized by statute or regulation (however, this does not preclude the allowability of other legal activities of the Attorney General as described in [§ 200.435](#)); and
- (5) Costs of other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost under a program statute or regulation.

(b) For [Indian tribes](#) and Councils of Governments (COGs) (see definition for *Local government* in [§ 200.1](#) of this part), up to 50% of salaries and expenses directly attributable to managing and operating [Federal programs](#) by the chief executive and his or her staff can be included in the indirect cost calculation without documentation.

### **§ 200.416 COST ALLOCATION PLANS AND INDIRECT COST PROPOSALS.**

(a) For states, local governments and Indian tribes, certain services, such as motor pools, computer centers, purchasing, accounting, etc., are provided to operating agencies on a centralized basis. Since Federal awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process.

(b) Individual operating agencies (governmental department or agency), normally charge Federal awards for indirect costs through an indirect cost rate. A separate indirect cost rate(s) proposal for each operating agency is usually necessary to claim indirect costs under Federal awards. Indirect costs include:

(1) The indirect costs originating in each department or agency of the governmental unit carrying out Federal awards and

(2) The costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs.

(c) The requirements for development and submission of cost allocation plans (for central service costs and public assistance programs) and indirect cost rate proposals are contained in appendices V, VI and VII to this part.

#### **§ 200.417 INTERAGENCY SERVICE.**

The cost of services provided by one agency to another within the governmental unit may include allowable direct costs of the service plus a pro-rated share of indirect costs. A standard indirect cost allowance equal to ten percent of the direct salary and wage cost of providing the service (excluding overtime, shift premiums, and fringe benefits) may be used in lieu of determining the actual indirect costs of the service. These services do not include centralized services included in central service cost allocation plans as described in Appendix V to Part 200.

### **COST ALLOWABILITY REVIEW PROCESS**

#### **PREAPPROVAL COST ALLOWABILITY REVIEW**

Before an ARP/CSLFRF-funded project is authorized, the Finance Officer must review the proposed cost items within an estimated project budget to determine whether they are allowable and allocable and whether cost items will be charged as direct or indirect expenses. This review will occur concurrently with the review of project eligibility and *before* obligating or expending any ARP/CSLFRF funds.

- Local government personnel must submit proposed ARP/CSLFRF projects to the Town Manager and Town Council for review. In addition to other required information, all proposed project submissions must delineate estimated costs by cost item.
-

- Along with a general review of project eligibility and conformance with other governing board management directives, the Finance Officer must review estimated costs for specific allowable cost requirements, budget parameters, indirect rates, fringe benefit rates, and those activities/costs that require pre-approval by the US Treasury
- If a proposed project includes a request for an unallowable cost, the Finance Officer will return the proposal to the requesting party for review and, if practicable, resubmission with corrected cost items.
- Once a proposed project budget is pre-approved by the Finance Officer the local government personnel responsible for implementing the project must conform actual obligations and expenditures to the pre-approved project budget.

### **POST-EXPENDITURE COST ALLOWABILITY REVIEW**

Once an expenditure is incurred related to an eligible project, and an invoice or other demand for payment is submitted to the local government, the Finance Officer must perform a second review to ensure that actual expenditures comprise allowable costs.

- All invoices or other demands for payment must include a breakdown by cost item. The cost items should mirror those presented in the proposed budget for the project. If an invoice or other demand for payment does not include a breakdown by cost item, the Finance Officer will return the invoice to the project manager and/or vendor, contractor, or subrecipient for correction.
- The Finance Officer must review the individual cost items listed on the invoice or other demand for payment to determine their allowability and allocability.
- If all cost items are deemed allowable and properly allocable, the Finance Officer must proceed through the local government's normal disbursement process.
- If any cost item is deemed unallowable, the Finance Officer will notify the project management and/or vendor, contractor, or subrecipient that a portion of the invoice or other demand for payment will not be paid with ARP/CSLFRF funds. The Finance Officer may in their discretion, and consistent with this policy, allow an invoice or other demand for payment to be resubmitted with a revised cost allocation. If the local government remains legally obligated by contract or otherwise to pay the disallowed cost item, it must identify other local government funds to cover the disbursement. The Town of Spruce Pine's Town Council must approve any allocation of other funds for this purpose.
- The Finance Officer must retain appropriate documentation of budgeted cost items per project and actual obligations and expenditures of cost items per project.



## COST TRANSFERS

Any costs charged to the ARP/CSLFRF federal award that do not meet the allowable cost criteria must be removed from the award account and charged to an account that does not require adherence to federal UGG or other applicable guidelines.

Failure to adequately follow this policy and related procedures could result in questioned costs, audit findings, potential repayment of disallowed costs and discontinuance of funding.

### EXHIBIT A

Selected Items of Cost	Uniform Guidance General Reference	Allowability
Advertising and public relations costs	2 CFR § 200.421	Allowable with restrictions
Advisory councils	2 CFR § 200.422	Allowable with restrictions
Alcoholic beverages	2 CFR § 200.423	Unallowable
Alumni/ae activities	2 CFR § 200.424	Not specifically addressed
Audit services	2 CFR § 200.425	Allowable with restrictions
Bad debts	2 CFR § 200.426	Unallowable
Bonding costs	2 CFR § 200.427	Allowable with restrictions
Collection of improper payments	2 CFR § 200.428	Allowable
Commencement and convocation costs	2 CFR § 200.429	Not specifically addressed
Compensation – personal services	2 CFR § 200.430	Allowable with restrictions; Special conditions apply (e.g., § 200.430(i)(5))
Compensation – fringe benefits	2 CFR § 200.431	Allowable with restrictions
Conferences	2 CFR § 200.432	Allowable with restrictions
Contingency provisions	2 CFR § 200.433	Unallowable with exceptions

Contributions and donations	2 CFR § 200.434	Unallowable (made by non-federal entity); not reimbursable but value may be used as cost sharing or matching (made to non-federal entity)
Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements	2 CFR § 200.435	Allowable with restrictions
Depreciation	2 CFR § 200.436	Allowable with qualifications
Employee health and welfare costs	2 CFR § 200.437	Allowable with restrictions
Entertainment costs	2 CFR § 200.438	Unallowable with exceptions
Equipment and other capital expenditures	2 CFR § 200.439	Allowability based on specific requirement
Exchange rates	2 CFR § 200.440	Allowable with restrictions
Fines, penalties, damages and other settlements	2 CFR § 200.441	Unallowable with exceptions
Fund raising and investment management costs	2 CFR § 200.442	Unallowable with exceptions
Gains and losses on disposition of depreciable assets	2 CFR § 200.443	Allowable with restrictions
General costs of government	2 CFR § 200.444	Unallowable with exceptions
Goods and services for personal use	2 CFR § 200.445	Unallowable (goods/services); allowable (housing) with restrictions
Idle facilities and idle capacity	2 CFR § 200.446	Idle facilities - unallowable with exceptions; Idle capacity - allowable with restrictions
Insurance and indemnification	2 CFR § 200.447	Allowable with restrictions
Intellectual property	2 CFR § 200.448	Allowable with restrictions

Interest	2 CFR § 200.449	Allowable with restrictions
Lobbying	2 CFR § 200.450	Unallowable
Losses on other awards or contracts	2 CFR § 200.451	Unallowable (however, they are required to be included in the indirect cost rate base for allocation of indirect costs)
Maintenance and repair costs	2 CFR § 200.452	Allowable with restrictions
Materials and supplies costs, including costs of computing devices	2 CFR § 200.453	Allowable with restrictions
Memberships, subscriptions, and professional activity costs	2 CFR § 200.454	Allowable with restrictions; unallowable for lobbying organizations
Organization costs	2 CFR § 200.455	Unallowable except federal prior approval
Participant support costs	2 CFR § 200.456	Allowable with prior approval of the federal awarding agency
Plant and security costs	2 CFR § 200.457	Allowable; capital expenditures are subject to § 200.439
Pre-award costs	2 CFR § 200.458	Allowable if consistent with other allowabilities and with prior approval of the federal awarding agency
Professional services costs	2 CFR § 200.459	Allowable with restrictions
Proposal costs	2 CFR § 200.460	Allowable with restrictions
Publication and printing costs	2 CFR § 200.461	Allowable with restrictions
Rearrangement and reconversion costs	2 CFR § 200.462	Allowable (ordinary and normal)
Recruiting costs	2 CFR § 200.463	Allowable with restrictions
Relocation costs of employees	2 CFR § 200.464	Allowable with restrictions

Rental costs of real property and equipment	2 CFR § 200.465	Allowable with restrictions
Scholarships and student aid costs	2 CFR § 200.466	Not specifically addressed
Selling and marketing costs	2 CFR § 200.467	Unallowable with exceptions
Specialized service facilities	2 CFR § 200.468	Allowable with restrictions
Student activity costs	2 CFR § 200.469	Unallowable unless specifically provided for in the federal award
Taxes (including Value Added Tax)	2 CFR § 200.470	Allowable with restrictions
Termination costs	2 CFR § 200.471	Allowable with restrictions
Training and education costs	2 CFR § 200.472	Allowable for employee development
Transportation costs	2 CFR § 200.473	Allowable with restrictions
Travel costs	2 CFR § 200.474	Allowable with restrictions
Trustees	2 CFR § 200.475	Not specifically addressed

The of and	Governing Board Town Council
	Primary Government Unit (or charter holder) Town of Spruce Pine
	Discretely Presented Component Unit (DPCU) (if applicable)

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

and	Auditor Name COMBS, TENNANT & CARPENTER, P.C.
	Auditor Address PO BOX 1098, BOONE, NC 28607

*Hereinafter referred to as Auditor*

for	Fiscal Year Ending 06/30/22	Audit Report Due Date 10/31/22
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*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).

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*, 2018 revision, 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. Approval is not required on contracts and invoices for system improvements and similar services of a non-auditing nature.

9. 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. This paragraph is not applicable to contracts for audits of hospitals.

10. 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 if required, 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 13).

11. 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.

12. 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.

13. 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.

14. The Auditor shall submit the report of audit in PDF format to LGC Staff. For audits of units other than hospitals, the audit report should be submitted 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.

15. 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.

16. If an approved contract needs to be modified or amended for any reason, the change shall be made in writing and pre-audited if the change includes a change in audit fee (pre-audit requirement does not apply to charter schools or hospitals). 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.

17. 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 except for fees, work, and terms not related to audit services, 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 28 of this contract. Engagement letters containing indemnification clauses shall not be accepted by LGC Staff.

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

19. 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 primary 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.

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

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.



26. 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.

27. **Applicable to audits with fiscal year ends of June 30, 2020 and later.** For all non-attest services, the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct and Governmental Auditing Standards, 2018 Revision (as applicable). 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. If the Auditor cannot reduce the threats to an acceptable level, the Auditor cannot complete the audit. If the Auditor is able to reduce the threats to an acceptable level, the documentation of this determination, including the safeguards applied, must be included in the audit workpapers.

All non-attest service(s) being performed by the Auditor that are necessary to perform the audit must be identified and included in this contract. The Governmental Unit shall designate an individual with the suitable skills, knowledge, and/or experience (SKE) necessary to oversee the services and accept responsibility for the results of the services performed. If the Auditor is able to identify an individual with the appropriate SKE, s/he must document and include in the audit workpapers how he/she reached that conclusion. If the Auditor determines that an individual with the appropriate SKE cannot be identified, the Auditor cannot perform both the non-attest service(s) and the audit. See "Fees for Audit Services" page of this contract to disclose the person identified as having the appropriate SKE for the Governmental Unit.

28. **Applicable to audits with fiscal year ends of June 30, 2021 and later.** The auditor shall present the audited financial statements including any compliance reports to the government unit's governing body or audit committee in an official meeting in open session as soon as the audited financial statements are available but not later than 45 days after the submission of the audit report to the Secretary. The auditor's presentation to the government unit's governing body or audit committee shall include:

- a) the description of each finding, including all material weaknesses and significant deficiencies, as found by the auditor, and any other issues related to the internal controls or fiscal health of the government unit as disclosed in the management letter, the Single Audit or Yellow Book reports, or any other communications from the auditor regarding internal controls as required by current auditing standards set by the Accounting Standards Board or its successor;
- b) the status of the prior year audit findings;
- c) the values of Financial Performance Indicators based on information presented in the audited financial statements; and
- d) notification to the governing body that the governing body shall develop a "Response to the Auditor's Findings, Recommendations, and Fiscal Matters," if required under 20 NCAC 03 .0508.

29. Information based on the audited financial statements shall be submitted to the Secretary for the purpose of identifying Financial Performance Indicators and Financial Performance Indicators of Concern.

30. Applicable to charter school contracts only: No indebtedness of any kind incurred or created by the charter school shall constitute an indebtedness of the State or its political subdivisions, and no indebtedness of the charter school shall involve or be secured by the faith, credit, or taxing power of the State or its political subdivisions.

31. 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).

32. 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/state-and-local-government-finance-division/local-government-commission/submitting-your-audit>

33. 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.

34. Modifications to the language and terms contained in this contract form (LGC-205) are not allowed.

**FEEES FOR AUDIT SERVICES**

1. For all non-attest services, the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct (as applicable) and *Governmental Auditing Standards, 2018 Revision*. Refer to Item 27 of this contract for specific requirements. The following information must be provided by the Auditor; contracts presented to the LGC without this information will be not be approved.

Financial statements were prepared by:  Auditor  Governmental Unit  Third Party

If applicable: Individual at Governmental Unit designated to have the suitable skills, knowledge, and/or experience (SKE) necessary to oversee the non-attest services and accept responsibility for the results of these services:

<b>Name:</b>	<b>Title and Unit / Company:</b>	<b>Email Address:</b>
Crystal Young	Finance Officer	finance@sprucepine-nc.gov

OR Not Applicable  (Identification of SKE Individual not applicable for GAAS-only audit or audits with FYEs prior to June 30, 2020.)

2. 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 and 13 for details on other allowable and excluded fees.

3. 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 billings for the last annual audit of the unit submitted to the Secretary of the LGC. Should the 75% cap provided below conflict with the cap calculated by LGC Staff based on the billings on file with the LGC, the LGC calculation prevails. All invoices for services rendered in an audit engagement as defined in 20 NCAC .0503 shall be submitted to the Commission for approval before any payment is made. Payment before approval is a violation of law. (This paragraph not applicable to contracts and invoices associated with audits of hospitals).

**PRIMARY GOVERNMENT FEES**

Primary Government Unit	Town of Spruce Pine
Audit Fee	\$ 28,000
<b>Additional Fees Not Included in Audit Fee:</b>	
Fee per Major Program	\$ 0
Writing Financial Statements	\$ 3,500
All Other Non-Attest Services	\$ 0
<b>75% Cap for Interim Invoice Approval</b> <i>(not applicable to hospital contracts)</i>	\$ 15,000.00

**DPCU FEES (if applicable)**

Discretely Presented Component Unit	
Audit Fee	\$
<b>Additional Fees Not Included in Audit Fee:</b>	
Fee per Major Program	\$
Writing Financial Statements	\$
All Other Non-Attest Services	\$
<b>75% Cap for Interim Invoice Approval</b> <i>(not applicable to hospital contracts)</i>	\$

SIGNATURE PAGE

AUDIT FIRM

Audit Firm* COMBS, TENNANT & CARPENTER, P.C.	
Authorized Firm Representative (typed or printed)* Billy G. Combs, CPA	Signature* <i>Billy G. Combs</i>
Date* 02/09/22	Email Address* billy@ctccpa.com

GOVERNMENTAL UNIT

Governmental Unit* Town of Spruce Pine	
Date Primary Government Unit Governing Board Approved Audit Contract* (G.S.159-34(a) or G.S.115C-447(a))	
Mayor/Chairperson (typed or printed)* <i>Darla P. Harding</i>	Signature* <i>Darla P. Harding</i>
Date <i>2/14/22</i>	Email Address* <i>darlaharding@gmail.com</i>
Chair of Audit Committee (typed or printed, or "NA") <i>N/A</i>	Signature
Date	Email Address

GOVERNMENTAL UNIT – PRE-AUDIT CERTIFICATE

Required by G.S. 159-28(a1) or G.S. 115C-441(a1).  
Not applicable to hospital contracts.

*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) <i>Crystal C. Young</i>	Signature* <i>Crystal C. Young</i>
Date of Pre-Audit Certificate* <i>2-14-22</i>	Email Address* <i>finance@sprucepine-nc.gov</i>

**SIGNATURE PAGE – DPCU  
(complete only if applicable)**

**DISCRETELY PRESENTED COMPONENT UNIT**

DPCU*	
Date DPCU Governing Board Approved Audit Contract* (Ref: G.S. 159-34(a) or G.S. 115C-447(a))	
DPCU Chairperson (typed or printed)*	Signature*
Date*	Email Address*

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

**DPCU – PRE-AUDIT CERTIFICATE**

Required by G.S. 159-28(a1) or G.S. 115C-441(a1).  
Not applicable to hospital contracts.

*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)*	Signature*
Date of Pre-Audit Certificate*	Email Address*

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

**PRINT**



COMBS,  
TENNANT & CARPENTER, P.C.  
Certified Public Accountants

2348 Hwy. 105, Suite 5  
P.O. Box 1098  
Boone, NC 28607  
828-264-6700  
Fax: 828-264-7756

311 Linville Street  
P.O. Box 1480  
Newland, NC 28657  
828-733-0066

Billy G. Combs, CPA  
Douglas M. Tennant, CPA  
Jason D. Carpenter, CPA  
Brady L. Combs, CPA  
Tanya L. Singleton, CPA  
Emily W. Reynolds, CPA

February 9, 2022

To the Honorable Mayor and Members of the Town Council  
Town of Spruce Pine  
Spruce Pine, NC

We are pleased to confirm our understanding of the services we are to provide the Town of Spruce Pine for the year ended June 30, 2022.

#### **Audit Scope and Objectives**

We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit, and the disclosures, which collectively comprise the basic financial statements of the Town of Spruce Pine as of and for the year ended June 30, 2022. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Town of Spruce Pine's 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 Town of Spruce Pine's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited.

1. Management's Discussion and Analysis
2. Schedule of the Proportionate Share of the Net Pension Liability (Asset)- Local Government Employees' Retirement System
3. Schedule of Contributions- Local Government Employees' Retirement System
4. Schedule of Changes in Total Pension Liability- Law Enforcement Officers' Special Separation Allowance
5. Schedule of Total Pension Liability as a Percentage of Covered Payroll

We have also been engaged to report on supplementary information other than RSI that accompanies the Town of Spruce Pine's finance statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS, and we will provide an opinion on it in relation to the financial statements as a whole.

## Schedule of Expenditures of Federal Awards.

### 2. Individual Fund Statements and Schedules

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America, and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements. The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Auditor's Responsibilities for the Audit of the Financial Statements and Single Audit

We will conduct our audit in accordance with GAAS; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such an opinion. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Government or to acts by management or employees acting on behalf of the Government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements or noncompliance may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

### **Audit Procedures—Internal Control**

We will obtain an understanding of the Government and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance 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 major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Town of Spruce Pine's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the Government's major programs. For federal programs that are included in the Compliance Supplement, our compliance and internal control procedures will relate to the compliance requirements that the Compliance Supplement identifies as being subject to audit. The purpose of these procedures will be to express an opinion on the Town of Spruce Pine's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

### **Other Services**

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of Town of Spruce Pine in conformity with accounting principles generally accepted in the United States of America and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, related notes, and tax services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

### **Responsibilities of Management for the Financial Statements and Single Audit**

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information



is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

You are also responsible for making drafts of financial statements, schedule of expenditures of federal awards, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance; (3) additional information that we may request for the purpose of the audit; and (4) unrestricted access to persons within the Government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Your responsibilities include 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 latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Government complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review on May 1, 2022.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received, and COVID-19-related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains, and indicates that we have reported on, the schedule of expenditures of federal awards. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance

ith GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities for the tax services, financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter the tax services provided and our assistance with preparation of the financial statements, the schedule of expenditures of federal awards, and related notes and that you have evaluated the adequacy of our services and have reviewed and approved the results of the services, the financial statements, the schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

#### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

We will provide copies of our reports to the Government; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of COMBS, TENNANT & CARPENTER, P.C. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to Cognizant or Oversight Agency for Audit or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of COMBS, TENNANT & CARPENTER, P.C.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Cognizant Agency, Oversight Agency for Audit, or Pass-through Entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately June 1, 2022 and to issue our reports no later than October 31, 2022. We estimate that our fees for the audit and other services to be \$31,500. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

#### **Reporting**

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the members of Town Council of the Town of Spruce Pine. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinion is 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 an opinion, we may decline to express an opinion or issue reports, or we may withdraw from this engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

We appreciate the opportunity to be of service to the Town of Spruce Pine and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

Very truly yours,

COMBS, TENNANT & CARPENTER, P.C.

COMBS, TENNANT & CARPENTER, P.C. RESPONSE:

This letter correctly sets forth the understanding of Town of Spruce Pine

Management signature: Dorlene Butler

Title: Town Manager

Date: 2/14/22

Governance signature: [Signature]

Title: Mayor

Date: 2/14/22