



Town of Micro
Board of Commissioners
AGENDA
Tuesday –August 13, 2024
7:00 p.m.

1. CALL TO ORDER

- Call to Order
- Pledge of Allegiance
- Invocation

2. PUBLIC COMMENT

3. ADJUSTMENT/ADOPTION OF THE AGENDA

- a. Adjustments to the Agenda
- b. Adoption of the Agenda

POTENTIAL ACTION: Adoption of Agenda

4. CONSENT AGENDA

(Items on the consent agenda are considered routine in nature or have been thoroughly discussed at previous meetings. Any member of the Board may request to have an item removed from the consent agenda for further discussion.)

- a. Draft Minutes
 - *July 9, 2024 DRAFT Minutes*

POTENTIAL ACTION: Adoption of Consent Agenda as Presented

5. SPECIAL PRESENTATION/INTRODUCTIONS

- a. Johnston County Water and Sewer Regionalization Study Committee

POTENTIAL ACTION: None – Informational Only

6. FINANCIAL REPORT

7. PLANNING BOARD REPORT

- a. Planning Board/BOA Report
Presenter: Garrett Mitchell, Planning Board Chair

POTENTIAL ACTION: None - Informational Only

8. OLD BUSINESS

9. PUBLIC HEARINGS

- a. 2024-22-RZ- Lot #19 Maci Creek
Presenter(s): Kimberly Moffett, Interim Town Clerk

- *Application*
- *Public Hearing Notice Letter*
- *Newspaper Advertisement*
- *R&C Statement*
- *Ordinance*

POTENTIAL ACTION:

Adoption of Ordinance #2024-08-01

11. NEW BUSINESS

- a. Audit Contract & Engagement Letter

- *Memo*
- *Contract*
- *Engagement Letter*

POTENTIAL ACTION:

Authorize Mayor to Execute Both Contract & Letter

12. COMMISSIONER REPORTS

- a. Special Events Report
Presenter: Katy Garcia, Commissioner

POTENTIAL ACTION:

None - Informational Only

13. CLOSED SESSION

14. ADJOURNMENT

- a. Adjourn the Meeting

POTENTIAL ACTION:

Motion to Adjourn



Town of Micro
Board of Commissioners Meeting MINUTES
Tuesday -July 9, 2024
7:00 p.m.
Micro Town Hall

ELECTED OFFICIALS PRESENT:

Marty Parnell, Mayor
Kevin Worley, Mayor Pro Tem
Tim Earp, Commissioner

OTHERS PRESENT:

Kimberly Moffett, Interim Town Clerk
Lisa Lee, Deputy Town Clerk
Jason Banks, Public Works Director
Yiecenia Joyner, Deputy Town Clerk

ELECTED OFFICIALS ABSENT:

Katy Garcia, Commissioner

1. CALL TO ORDER

- Call to Order
- Pledge of Allegiance
- Invocation

Mayor Parnell called the meeting to order at 7:00 p.m. He led everyone in the Pledge of Allegiance and offered the Invocation.

2. PUBLIC COMMENT

Mr. Curt Williams was present and spoke about Dr. James Batten. He shared details about Dr. Batten including him being a native of Micro, training the original 7 astronauts, teaching and retired from East Carolina as well as being named on the Educators Who's Who list two times. Mr. Williams, along with the Class of '59 would like to see something named in honor of Dr. Batten. Council stated they appreciated hearing about the many accomplishments Dr. Batten made during his life and agreed they would love to something to memorialize and honor Dr. Batten.

Commissioner Godwin was present at the meeting and suggested the possibility of naming a bridge on I-95 for Dr. Batten. He stated he would speak with Durwood Stephenson as well to get feedback from him.

3. ADJUSTMENT/ADOPTION OF THE AGENDA

- a. Adjustments to the Agenda

Mayor Parnell asked to adjust the agenda by adding the following: Item 11b – Community Building Update.

- b. Adoption of the Agenda

ACTION:

Adoption of Agenda with Adjustment as Noted Above

Motion: Mayor Pro Tem Worley
Second: Commissioner Earp
Vote: Unanimous

4. CONSENT AGENDA

(Items on the consent agenda are considered routine in nature or have been thoroughly discussed at previous meetings. Any member of the Board may request to have an item removed from the consent agenda for further discussion.)

- a. Draft Minutes
- *June 11, 2024 – Regular Meeting*

ACTION:

Adoption of Consent Agenda as Presented

Motion: Commissioner Earp
Second: Mayor Pro Tem Worley
Vote: Unanimous

5. SPECIAL PRESENTATION/INTRODUCTIONS

6. FINANCIAL REPORT

7. PLANNING BOARD REPORT

Planning Board/BOA Report

Presenter: Garrett Mitchell, Planning Board Chair

Mr. Mitchell was present and stated the Planning Board met on June 25, 2024 and adopted minutes from previous meeting. Additionally, they heard a request reference rezoning for Agri-Direct, #2024-19-RZ. He stated the Planning Board recommended approval of the rezoning to the Board of Commissioners. He further stated they heard details about the Major Site Development proposed at the same location, and again the Planning Board recommended approval.

8. OLD BUSINESS

9. PUBLIC HEARINGS

- a. 2024-19-RZ – Rezoning – Agri Direct

Presenters: Kimberly Moffett, Interim Town Clerk & James Coward

Mayor Parnell noted this as a public hearing.

Ms. Moffett stated an application was received to rezone a portion of Agri-Direct. She stated the parcel has a total of 120.37 acres. Currently the parcel is zoned both RA and LI. Request is to rezone 64.6 acres to make the entire parcel zoned LI. Ms. Moffett further stated that back in 2007 a zoning permit was issued versus holding the procedure required for rezoning. She further stated the Planning Board heard the case and recommended approval of the rezoning.

Ms. Moffett stated the item was properly noticed in The Johnstonian and further that all owners within a 100' buffer were sent notification of the public hearing.

Mr. Coward, applicant was present to answer any questions.

There were no questions for Mr. Coward and the item was turned over to council for their deliberation.

ACTION: Adoption of Ordinance #2024-07-01

Motion: Mayor Pro Tem Worley
Second: Commissioner Earp
Vote: Unanimous

10. NEW BUSINESS

- a. Agri Direct Major Site Plan

Presenter: James Coward

Mr. Coward was present and shared details regarding the above project. He stated the plan was for two additions. One would be a 42X42 prefab building on the front of the existing building. This area would house a bathroom, breakroom, office space and training room. The other would be a 20,000 square foot addition with dock door, additional storage space and conveyer space. There would be no increase in freight. Additionally, there would be no increase in the number of employees. All gravel areas would remain. A new septic tank will also be installed. The current hours of operation are 8:00 a.m. – 5:00 p.m. and they will remain the same also. Mr. Coward stated the maximum number of employees is 40 and that number includes temporary employees during peak season and sale drives.

With there being no further questions, the item was turned over to council for their deliberation.

ACTION: Approval of Major Site Plan

Motion: Mayor Pro Tem Worley
Second: Commissioner Earp
Vote: Unanimous

11. COMMISSIONER REPORTS

- a. Special Events Report
Presenter: Katy Garcia, Commissioner

Mayor Parnell stated the recent Movie in Park had to be cancelled due to weather. The next Movie in the Park will be held on Saturday,

- b. Community Building Update
Presenter: Marty Parnell, Mayor

Mayor Parnell provided an update on the Community Center and stated the kitchen cabinets are being ordered and the flooring will be installed shortly. It is anticipated everything should be completed by the second week of August.

Mayor Pro Tem Worley stated a Ribbon Cutting would be planned.

The mayor also reminded that we needed to begin to work on obtaining appliances, as appliances were removed from contract due to financial constraints.

ACTION: None - Informational Only

12. CLOSED SESSION

13. ADJOURNMENT

- a. Adjourn the Meeting

With there being nothing further, the meeting was adjourned at 7:35 p.m.

ACTION:

Motion to Adjourn

Motion:

Commissioner Earp

Second:

Mayor Pro Tem Worley

Vote:

Unanimous

Duly adopted this the 13th day of August, 2024 while in regular session.

Marty Parnell
Mayor

ATTEST:

Kimberly A. Moffett, CMC, NCCMC
Interim Town Clerk



Update on Johnston County Water and Sewer Regionalization Study Committee

July 8, 2024

Agenda

- Why now?
- Importance of collaboration
- Existing collaborations
- Opportunities for collaboration right now
- Regionalization?
- Timeline for regional body formation
- Organizational flow chart
- Recommendations
- Immediate next steps





Why Now?



Johnston County is the fifth-fastest growing county in North Carolina, with 36% growth in the last decade (WRAL)

With I-540 and I-42 expanding into Johnston County, growth will continue to accelerate

All the municipalities and the county authorized the formation of this study group which has been working for the last six months.

- The group believes this discussion is critical for the future of the growing region and should continue.
- Action steps to address pressing water and sewer infrastructure needs must be taken. Local governments have mentioned pressure from this growth already.
- Expanding systems, as well as maintaining existing systems is harder on some smaller jurisdictions.
- State and federal government are pushing for regionalization and offer more grant opportunities to regional efforts

Importance of Collaboration

- Sharing of ideas and expertise
- Sharing of risk
- Take advantage of economy of scale
- Trust-building
- More robust grant and funding opportunities
- Limits redundant infrastructure
- Potential sharing of staff and equipment
- Joint opportunities for construction and maintenance





Existing Collaborations



- Four Oaks, Selma, Smithfield, and Pine Level all have agreements with JCPU for sewer needs, dating back to 1969.
- Four Oaks and Benson are working together on water and sewer.
- Micro has an agreement with Kenly for sewer treatment.
- Wilson's Mills water and sewer infrastructure is owned and maintained by JCPU.
- All water systems are interconnected with the ability to back each other up.





Opportunities for More Collaboration

Many of the communities who have expressed interest in regionalization have pressing infrastructure needs that cannot wait for the formation of a formal authority.

Although collaboration already exists within the county, several communities wish to form robust interlocal agreements with their neighbors to allow for even more collaboration in the near term.

This can lay the foundation for a larger regional collaboration in the future.





Regionalization?

Collaboration vs. Combined Entity

Inter-Governmental Cooperation

- Utilizes operating agreements, wholesale contracts, basic service contracts or joint service agreements between entities.
- No loss of control, more efficient resource use, eliminates duplication of facilities.
- Little economic benefit and risk-sharing, temporary solution.



Self-Contained Authority

- All systems combined under one legal, operating entity that reduce or eliminate the autonomy of local systems.
- Authority would be a larger organization which can seek wider range of funding, larger customer base for large capital expenditures.
- Total sharing of risk and maximized economic benefit.
- No control except through negotiated voting rights by entities.

Other Examples:

Utility commission, water/sewer/sanitary districts

3-Year Goal: Formation of County-Wide Self-Contained Water and Sewer Authority

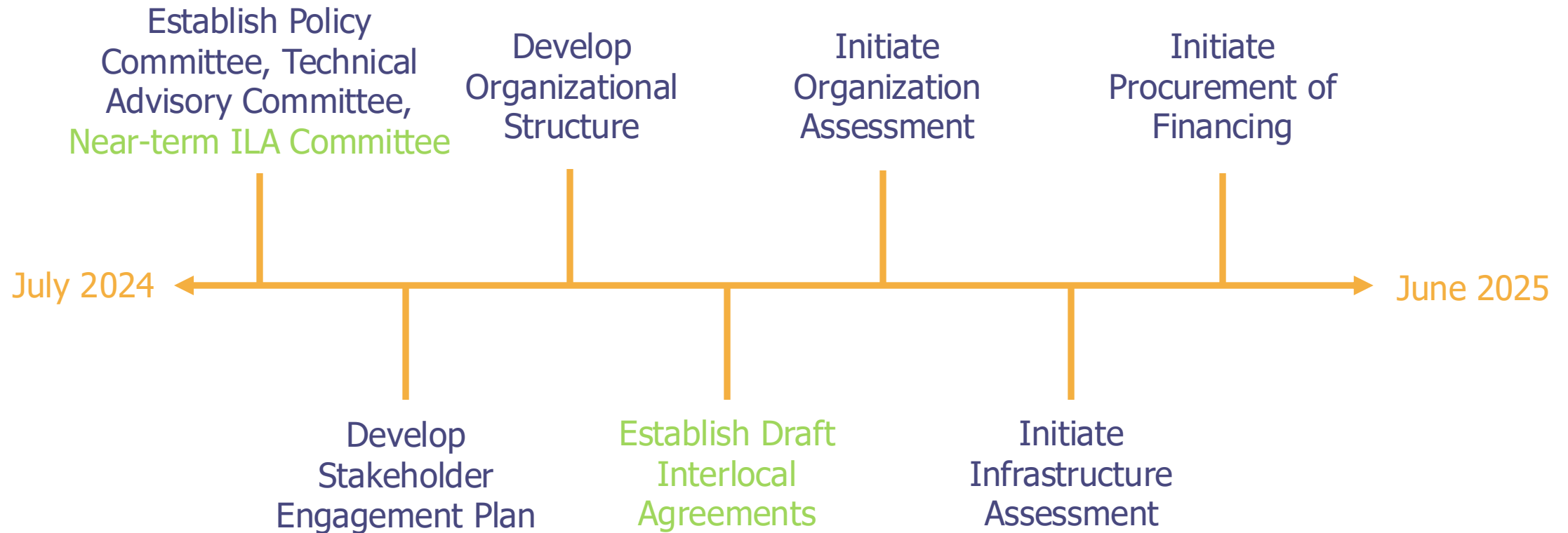
Reminder: No FINAL decision regarding inclusion in regional body is required until the end of the exploration process and final preparations are made for implementation. Decisions will be made by EACH local government.





Potential 3-Year Timeline: Year 1

The Organization Development Phase

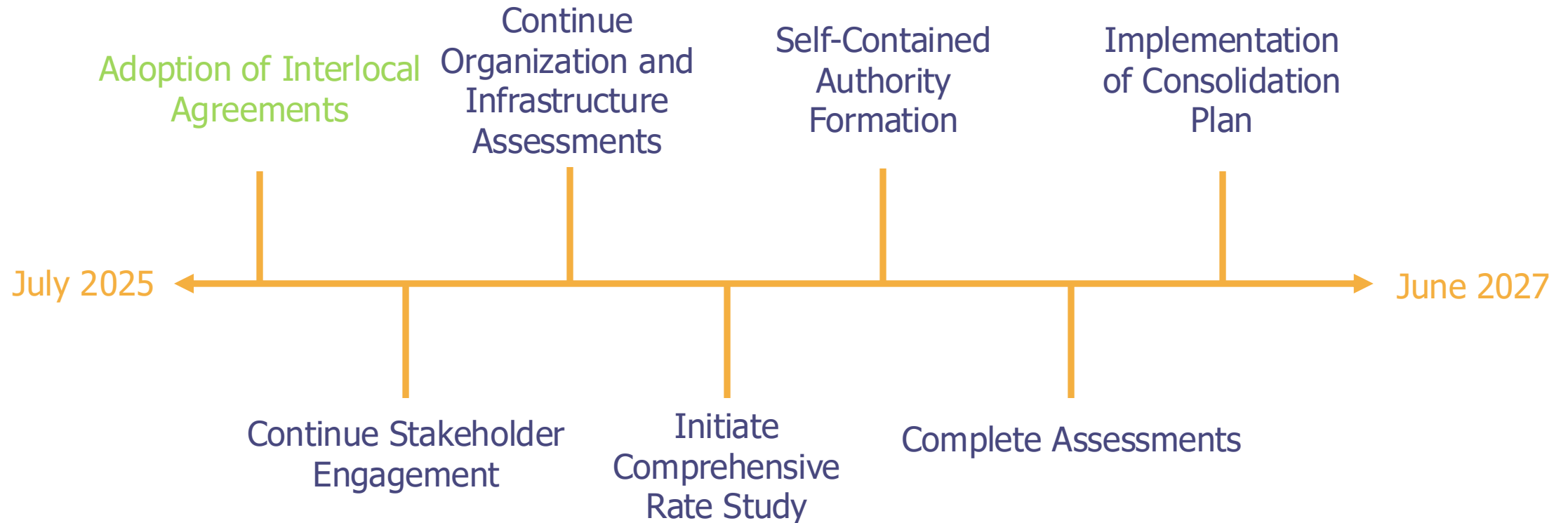


*Green items show efforts in the near-term for communities with immediate needs. *Purple shows steps needed for county-wide authority.



Potential 3-Year Timeline: Years 2-3

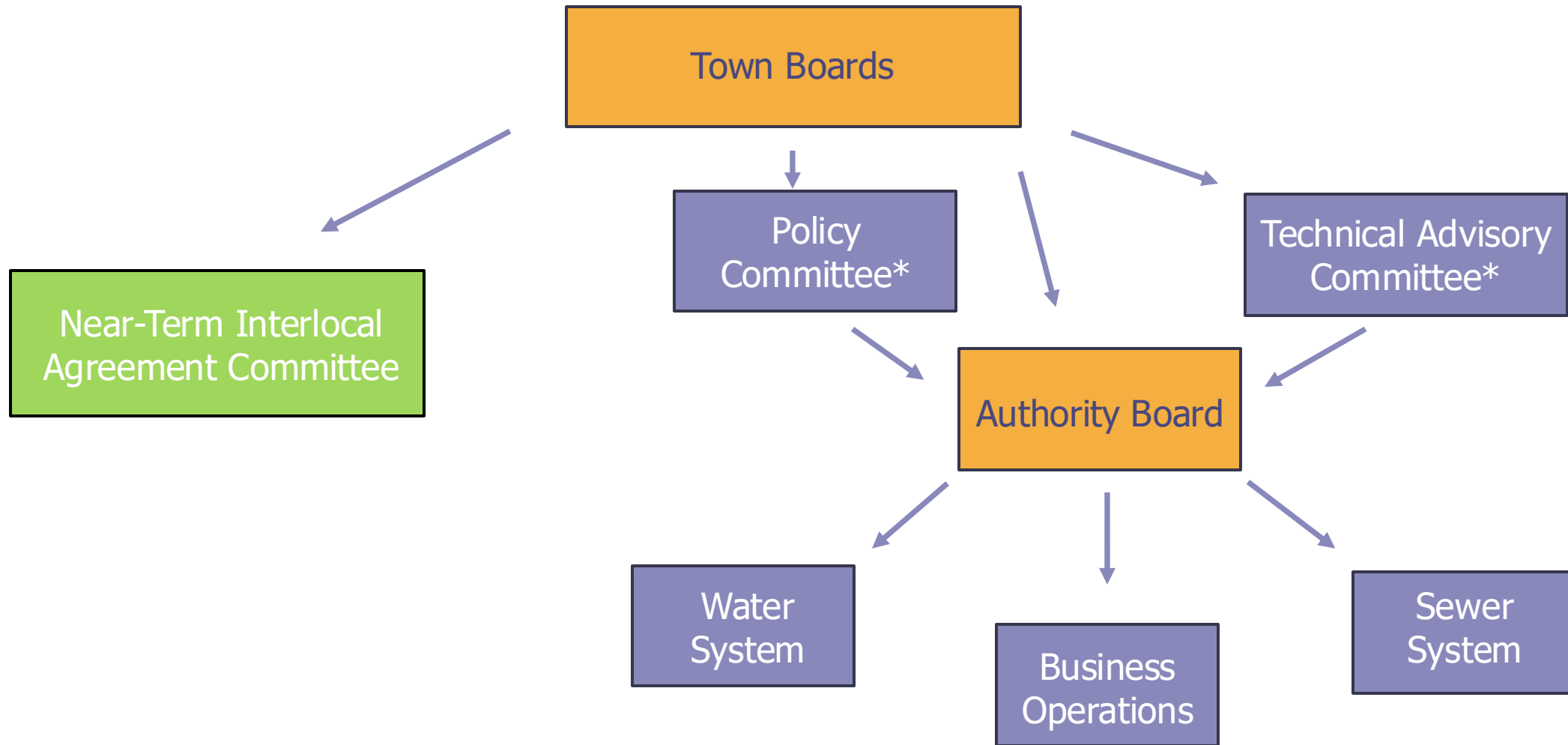
The Organization Alignment Phase and The Implementation Phase



*Green items show efforts in the near-term for communities with immediate needs. *Purple shows steps needed for county-wide authority.



Organizational Flow Chart

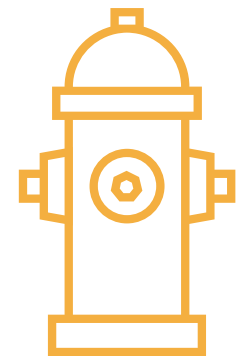
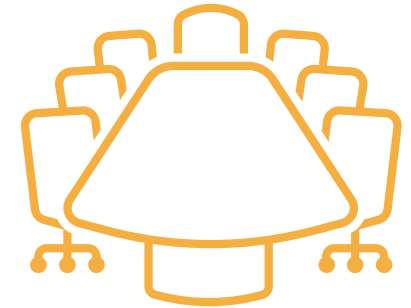


*Will dissolve once implementation is complete



Recommendations

- Immediately begin working on strong draft ILA with towns of Kenly, Micro, Princeton, Pine Level and Johnston County. Pressing needs will not be sidelined for the sake of planning for the longer-term.
- Continuing existing collaboration efforts on current needs.
- All Johnston County local governments continue the policy committee and forming the technical advisory committee to begin work on county-wide, self-contained authority.
- The **ultimate goal** is to ensure access to clean, efficient water and sewer service to best serve all of Johnston County's residents. The best way to achieve this goal is one, county-wide system. This effort will put all of Johnston County's communities in the best position to take advantage of future growth and economic development.





Immediate Next Steps

- Re-affirm Commitment to Exploration of Collaboration
- Establish Policy and Technical Advisory Committee
- Work on near-term ILA Agreements
- Develop Stakeholder Engagement Plan



QUESTIONS?





TOWN OF MICRO
PO Box 9
450 US Highway 301 N
Micro, NC 27555
Office: 919-284-2572

REZONING APPLICATION

\$275 FLAT FEE PLUS ADDITIONAL ACREAGE AS BELOW

Up to 2 acres - \$25.00
2.1 - 4 acres - \$50.00
4.1 - 7 acres - \$75.00

7.1 - 12 acres - \$100
Above 12 acres - \$200 plus \$25.00
for every acre over 12

APPLICANT INFORMATION:

Name of Applicant/Petitioner: SCOTT'S CUSTOMS LLC by Scott Lowe
Mailing Address of Applicant/Petitioner: 2767 Government Rd CLAYTON NC 27520
Telephone Number of Applicant/Petitioner: 919 235 7200
Email Address of Applicant/Petitioner: admin@SCOTT'S-CUSTOMS.COM

PROPERTY INFORMATION:

Owner(s) Name(s) : JHL Custodial
Mailing Address of Owner: 2707 Government Rd CLAYTON NC
Telephone Number of Owner: 919 235 7200
Email Address of Owner: admin@SCOTT'S-CUSTOMS.COM
Site Address of Property: NOT YET Addressed
Property Tax ID #: 10007044L / PIN 263600-53-4328
Deed Book/Page: 4620 PG 286

ZONING INFORMATION:

Current Zoning District: RA Requested Zoning District: R10
Acres Being Rezoned: .58 Total Acres in Parcel: .58
List of Requested Uses or Reasons for Rezoning: to maximize the use of the
Property

Application must include a map indicating the area where rezoning is being requested. A printout from the Johnston County GIS will suffice.

PROCEDURE INFORMATION:

Applications for a rezoning shall be referred to the Planning Board. The Planning Board will report its recommendation to the Board of Commissioners. After proper notice has been given pursuant to Section 2-103-2, a legislative public hearing shall be held by the Board of Commissioners. Final decision of either approval or denial shall be made by the Board of Commissioners. Applicant should be prepared to attend both the Planning Board and Board of Commissioners* meetings to present their request.

*Public Hearing

Certification: I certify that all the information presented on this application is true and accurate to the best of my knowledge, information and belief. Further, I understand that should this application be approved by the Town Council, no site activity can take place until a site plan or other land development permits are issued/approved. Additionally, I allow town staff access to the petition property while conducting review of this petition. All property owners must sign. Add additional sheets if needed.

Owner Signature: [Signature] Date: 7/24/24
Applicant Signature: [Signature] Date: 7/24/24

OFFICE USE ONLY:

Date Application Received: _____ Amount/Fee Paid: _____ File#: _____



Town of Micro
P.O. Box 9
450 US Highway 301 N.
Micro, NC 27555
Office: 919-284-2572
Police: 919-284-1355

July 31, 2024

Dear Micro Area Property Owner:

The purpose of this letter is to notify you of an application filed with the Town of Micro for a map amendment (rezoning) involving property adjacent to, or in close proximity to, property shown in your ownership by Johnston County tax records.

The proposed application is for rezoning of a property located Lot #19 Maci Creek.

Request is to rezone from Residential-Agricultural (R-A) to Residential-10 (R-10).

This will be a legislative public hearing. Any resident or property owner are welcome to speak at the hearing. Following the close of the public hearing, the Board of Commissioners may decide on the rezoning request/application.

The public hearing will be held on **Tuesday, August 13, 2024**. The meeting will be held at the Town of Micro Public Works/Business Center Building located at 450 US Highway 301 N. and will begin at 7:00 p.m.

As per NCGS § 143-318.10 all meetings are open to the public.

Should you have any questions or concerns, please do not hesitate to contact the office at 919-284-2572.

Sincerely,

Kimberly A. Moffett

Kimberly A. Moffett, CMC, NCCMC
Interim Town Clerk

AFFIDAVIT OF PUBLICATION

State of Pennsylvania, County of Lancaster, ss:

Tatiana Dorval, being first duly sworn, deposes and says: That (s)he is a duly authorized signatory of Column Software, PBC, duly authorized agent of Johnstonian News - (Johnston County), a newspaper printed and published in the City of Smithfield, County of Johnston, State of North Carolina, and that this affidavit is Page 1 of 1 with the full text of the sworn-to notice set forth on the pages that follow, and the hereto attached:

PUBLICATION DATES:

Jul. 31, 2024

Aug. 7, 2024

NOTICE ID: 9oXMBHVTTMDSFcuGFILv

NOTICE NAME: Scott Lowe Rezoning

Publication Fee: 57.80

I declare under penalty of perjury under the laws of North Carolina that the foregoing is true and correct.

(Signed) Tatiana Dorval

VERIFICATION

State of Pennsylvania
County of Lancaster

Commonwealth of Pennsylvania - Notary Seal
Nicole Burkholder, Notary Public
Lancaster County
My commission expires March 30, 2027
Commission Number 1342120

Subscribed in my presence and sworn to before me on this: 08/07/2024

Nicole Burkholder

Notary Public

Notarized remotely online using communication technology via Proof.

NOTICE OF PUBLIC HEARING

The Micro Board of Commissioners will conduct a Rezoning Public Hearing for the following application on Tuesday August 13, 2024 at their 7:00 p.m. meeting. The hearing will be held in the Meeting Room of the Public Works/Business Center located at 450 US 301.

Application to rezone a parcel with .58 acres, located on Micro Road, Micro, NC – not yet addressed, Pin # 263600-53-4328 from Residential-Agricultural (R-A) to Residential-10 (R-10).

The Johnstonian

July 31, August 7, 2024

**TOWN OF MICRO
ZONING AMENDMENT
CONSISTENCY AND REASONABLENESS STATEMENT
#2024-22-RZ**

The Town of Micro Board of Commissioners hereby states:

Section 1: The above referenced zoning amendment **IS APPROVED.**

Section 2: The above reference zoning amendment **IS REASONABLE AND CONSISTENT** with:

The Town of Micro 2019 Land Use Plan, specifically:

Goal 1: Provide opportunities for residential housing growth

Case #2024-22-RZ is consistent with the above referenced goal as the rezoning is compatible with existing and permissible uses/zoning surrounding the subject parcel.

Section 3: Based upon information presented at the public hearings and by the applicant and based upon the recommendations and detailed information developed by staff and the Planning Board, and considering the criteria applicable sections of the UDO, the above referenced zoning amendment is reasonable and in the public interest.

Duly adopted this the 13th day of August, 2024 while in regular session.

**AN ORDINANCE AMENDING THE ZONING ORDINANCE
AND ZONING MAP
OF THE TOWN OF MICRO, NORTH CAROLINA**

WHEREAS a petition has been filed with the Board of Commissioners of the Town of Micro requesting an amendment to the Zoning Ordinance and Zoning Map of the Town of Micro to include in the Residential -10 (R-10) zone the properties described below, property formerly being zoned Residential-Agricultural (RA) ; and

WHEREAS said property is owned by JHL Custodial; and

WHEREAS the Planning Board of the Town of Micro has reviewed the proposed change(s) and made a recommendation there upon; and

WHEREAS notice of a public hearing to consider the proposed change was published in accordance with law in The Johnstonian, a local newspaper, as required by Section 2-112-4 (A) of the Micro Unified Development Code and by Section 160D-602 of the North Carolina General Statutes; and

WHEREAS a notice of the proposed zoning classification action was mailed to the owner(s) of the parcel(s) of land involved, as shown on the County Tax Listing, and to the owners of all parcels of land adjacent parcels within a 100' radius of the entire boundary of the effected parcel of land, as shown on the County Tax Listings, by depositing a copy of the same in the United States Mail, first class mail, as required by Section 2-103-2 (D) of the Micro Unified Development Code and by Section 160D-602 of the North Carolina General Statutes; and

WHEREAS notice of the proposed zoning classification action was posted on the property as required by Section 2-103-2 (F) of the Micro Zoning Ordinance and by Section 160D-602 of the North Carolina General Statutes; and

WHEREAS the said public hearing was conducted at 7:00 p.m. on August 13, 2024, wherein a reasonable opportunity was given to all those in attendance to speak either in favor or against the said change to make relevant comments; and

THEREFORE, after duly considering the matter, THE BOARD OF COMMISSIONERS OF THE TOWN OF MICRO DOES HEREBY ORDAIN:

SECTION 1. That the Zoning Ordinance of the Town of Micro is hereby amended to include in the Residential-10 (R10) zone the following described properties:

General Description:

Micro Road – Maci Creek Lot #19 – Not yet addressed

Specific Description:

NC Parcel TAX Number(s): 10007044L NC PIN# 266500-53-4328

SECTION 2. That the official Town of Micro Zoning Map is hereby amended to include in the Residential-10 (R10) zone the above-described property and will be so marked.

SECTION 3. That if any section, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of Ordinance.

SECTION 4. That the Board of Commissioners hereby adopts the following Statement of Consistency and Reasonableness for the proposed rezoning:

We find this rezoning to be reasonable and in the public interest because any potential impacts of the proposed amendment are compatible with existing and permissible uses surrounding the subject land.

SECTION 5. That this ordinance shall become effective immediately upon its adoption

Duly adopted this 13th day of August 2024 while in regular session.

Marty Parnell
Mayor

ATTEST:

Kimberly A. Moffett, CMC, NCCMC
Interim Town Clerk

MEMORANDUM

To: Mayor and Members of the Micro Town Commission

From: Lee Worsley, CPRC Executive Director

Date: July 17, 2024

Re: Consideration of Audit Contract and Audit Engagement Letter for Fiscal Year 2023

You will find attached the contract and engagement letter to allow the Town of Micro to start on your Fiscal Year 2023 audit. As you know, CPRC has been working with the Town and your auditor, S. Preston Douglas & Associates, LLP, to bring your audits up to date.

A lot of progress has been made, and once the FY 2023 audit is completed, attention will be turned to getting the FY 2024 audit done.

The Board should consider approving the attached contract and audit engagement letter and authority for the Mayor to execute both documents.

Attachments

The	Governing Board
of	Primary Government Unit
and	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
	Auditor Address

Hereinafter referred to as Auditor

for	Fiscal Year Ending	Date Audit Will Be Submitted to LGC
-----	--------------------	-------------------------------------

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). The basic financial statements shall include budgetary comparison information in a budgetary comparison statement, rather than as RSI, for the General Fund and any annually budgeted Special Revenue funds.

2. At a minimum, the Auditor shall conduct the audit and render the report in accordance with GAAS. The Auditor shall perform the audit in accordance with *Government Auditing Standards (GAGAS)* if the Governmental Unit expended \$100,000 or more in combined Federal and State financial assistance during the reporting period. The auditor shall perform a Single Audit if required by Title 2 US Code of Federal Regulations Part 200 *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart F* (Uniform Guidance) or the State Single Audit Implementation Act. 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 in accordance with 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).

Effective for audits of fiscal years beginning on or after June 30, 2023, the LGC will allow auditors to consider whether a unit qualifies as a State low-risk auditee based upon federal criteria in the Uniform Guidance §200.520(a), and (b) through (e) as it applies to State awards. In addition to the federal criteria in the Uniform Guidance, audits must have been submitted timely to the LGC. If in the reporting year, or in either of the two previous years, the unit reported a Financial Performance Indicator of Concern that the audit was late, then

the report was not submitted timely for State low-risk auditee status. Please refer to "Discussion of Single Audits in North Carolina" on the LGC's website for more information.

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 Auditing 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 the audit fee or the date that the audit report will be submitted to the LGC, an amended contract along with a written explanation of the change 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.

For GAAS or *Government Auditing Standards* audits, if an auditor issues an AU-C §260 report, commonly referred to as "Governance Letter," LGC staff does not require the report to be submitted unless the auditor cites significant findings or issues from the audit, as defined in AU-C §260.12 - .14. This would include issues such as difficulties encountered during the audit, significant or unusual transactions, uncorrected misstatements, matters that are difficult or contentious reviewed with those charged with governance, and other significant matters. If matters identified during the audit were required to be reported as described in AU-C §260.12-.14 and were communicated in a method other than an AU-C §260 letter, the written documentation must be submitted.

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 records for audit, financial statement preparation, any finance-related investigations, or any other audit-related work in the State of North Carolina. Approval is also required for the Alternative Compliance Examination Engagement for auditing the Coronavirus State and Local Fiscal Recovery Funds expenditures as allowed by US Treasury. Approval is not required on audit 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. 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 and/or the compliance section, 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 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.

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 30 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 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 *Government 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. See 20 NCAC 03 .0502(c)(6).

30. All of the above paragraphs are understood and shall apply to this contract, except the following numbered paragraphs shall be deleted (See Item 17 for clarification).

31. 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>

32. 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.

33. 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 *Government 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:

Name: **Title and Unit / Company:** **Email Address:**

OR Not Applicable *(Identification of SKE Individual on the LGC-205 Contract is not applicable for GAAS-only audits 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. The audit fee information included in the table below for both the Primary Government Fees and the DPCU Fees (if applicable) should be reported as a specific dollar amount of audit fees for the year under this contract. If any language other than an amount is included here, the contract will be returned to the audit form for correction.

4. Prior to the submission of the completed audited financial report and applicable compliance reports subject to this contract, or to an amendment to this contract (if required) the Auditor may submit interim invoices for approval for services rendered under this contract to the Secretary of the LGC, not to exceed 75% of the billings for the unit's last annual audit that was submitted to the Secretary of the LGC. 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 Unit	
Audit Fee (financial and compliance if applicable)	\$
Fee per Major Program (if not included above)	\$
Additional Fees Not Included Above (if applicable):	
Financial Statement Preparation (incl. notes and RSI)	\$
All Other Non-Attest Services	\$
TOTAL AMOUNT NOT TO EXCEED	\$

Discretely Presented Component Unit	
Audit Fee (financial and compliance if applicable)	\$
Fee per Major Program (if not included above)	\$
Additional Fees Not Included Above (if applicable):	
Financial Statement Preparation (incl. notes and RSI)	\$
All Other Non-Attest Services	\$
TOTAL AMOUNT NOT TO EXCEED	\$

SIGNATURE PAGE

AUDIT FIRM

Audit Firm*	
Authorized Firm Representative (typed or printed)*	Signature*
Date*	Email Address*

GOVERNMENTAL UNIT

Governmental Unit*	
Date Governing Board Approved Audit Contract* (Enter date in box to right)	
Mayor/Chairperson (typed or printed)*	Signature*
Date	Email Address*

Chair of Audit Committee (typed or printed, or "NA")	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.

Sum Obligated by This Transaction:	\$
Primary Governmental Unit Finance Officer* (typed or printed)	Signature*
Date of Pre-Audit Certificate*	Email Address*



S. Preston Douglas & Associates, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs
N. C. Association of CPAs

July 16, 2024

To the Honorable Mayor and
Members of the Town Commissioners
and the Finance Officer

Town of Micro
450 US 301N
Micro, NC 27555

We are pleased to confirm our understanding of the services we are to provide Town of Micro, North Carolina for the year ended June 30, 2023. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of Town of Micro, North Carolina as of and for the year ended June 30, 2023. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Town of Micro, North Carolina'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 Town of Micro, North Carolina's RSI in accordance with auditing standards generally accepted in the United States of America. 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 generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Law Enforcement Officers' Special Separation Allowance
- 3) Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset)
- 4) Schedule of Contributions - Local Government Employees' Retirement System
- 5) Local Government Employees' Retirement System's Schedules of the Proportionate Share of Net Pension Liability (Asset) - Firefighters' and Rescue Squad Workers' Pension

We have also been engaged to report on supplementary information other than RSI that accompanies the Town of Micro, North Carolina's financial 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 auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

- 1) The combining and individual fund statements
- 2) Budgetary schedules
- 3) Other schedules
- 4) Schedule of Expenditures of Federal and State Awards

Audit Objective

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles 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 a whole. The objective also includes 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).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states 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 include a paragraph that states 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.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; 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 the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Honorable Mayor and Members of Town Council of the Town of Micro, North Carolina. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. 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 abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting 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 a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards 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 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, and of any material abuse that comes to our attention. 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.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. 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. 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 Micro, North Carolina'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 Town of Micro, North Carolina's major programs. The purpose of these procedures will be to express an opinion on Town of Micro, North Carolina'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 Micro, North Carolina in conformity with U.S. generally accepted accounting principles 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, and related notes 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.

Management Responsibilities

Management is responsible for (1) establishing and maintaining effective internal controls, 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 U.S. generally accepted accounting principles; 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.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. 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, (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.

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 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. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse 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.

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) 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. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards 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 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 OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with 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 with 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 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 relating to the 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 our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, 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 may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

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

The audit documentation for this engagement is the property of S. Preston Douglas & Associates, LLP 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 Local Government Commission or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of S. Preston Douglas & Associates, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the Local Government Commission or its designee. The Local Government Commission or its designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

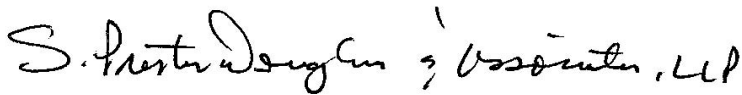
We expect to begin our audit on approximately August 1, 2024 and to issue our reports no later than October 31, 2024.

Lee Grissom, CISA, CFE, CPA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses will not exceed \$15,000 (\$18,500 if single audit is required). Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the Town of Micro, North Carolina 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 enclosed copy and return it to us.

Respectfully yours,



S. Preston Douglas & Associates, LLP
Lumberton, North Carolina

RESPONSE:

This letter correctly sets forth the understanding of Town of Micro, North Carolina.

Finance Officer's signature: _____

Title: _____

Date: _____

Mayor's signature: _____

Title: _____

Date: _____