LENOIR CITY COUNCIL
TUESDAY, FEBRUARY 1, 2022
6:00 P.M.

PRESENT: Mayor Joe Gibbons presiding. Councilmembers present were Mayor Pro-Tem Crissy Thomas, Jonathan Beal, Todd Perdue, Ike Perkins, Ralph Prestwood, David Stevens. City Attorney Timothy J. Rohr, City Manager Scott Hildebran, City Clerk Shirley Cannon, and Communications Director Joshua Harris were also present.

ZOOM: Fire Chief Ken Hair, Police Chief Brent Phelps, Recreation Administrative Assistant, Maria Swanson, Economic Development Director Kaylynn Horn, Finance Director Donna Bean, Public Works Director Jared Wright, Public Utilities Director Radford Thomas, and Planning Director Jenny Wheelock participated via Zoom.

Others in attendance were Cady Davis, News-Topic and Candace Simmons, Caldwell Free Press.

I. CALL TO ORDER

A. The meeting was opened by a moment of silence followed by the Pledge of Allegiance as led by Mayor Gibbons.

B. On behalf of City Council, Mayor Gibbons shared the statistics for February for COVID-19 cases has declined and thanked all of the healthcare workers and those on the frontlines that are continuing to care for these patients. Mayor Gibbons also asked everyone to continue to keep these individuals in their thoughts and prayers and encouraged everyone to stay as safe as possible.

II. MATTERS SCHEDULED FOR PUBLIC HEARINGS

III. CONSENT AGENDA ITEMS

A. Minutes: Approval of the minutes of the City Council meeting of Tuesday, January 18, 2022 as submitted.
B. Minutes: Approval of the closed session minutes of the City Council meeting of Tuesday, January 18, 2022 as reviewed by the City Attorney, City Council and City Manager.
C. Lease Extension; Bernhardt Transportation, LLC: Approval of an Authorizing Resolution Lease of City Property for a term of one year to Bernhardt Transportation, LLC as submitted. (A copy of the resolution and lease is hereby incorporated into these minutes by reference. Refer to pages 16-29.)
D. Budget Amendment: Approval of a Budget Amendment to amend the fiscal year budget ending June 30, 2022 in the amount of $692,200.00 in order to transfer funding for the ARP Premium Pay as submitted. (A copy of the budget amendment is hereby incorporated into these minutes by reference. Refer to page 30.)
E. Amendment; American Recovery Plan Capital Project Budget Ordinance: Staff recommends approval to amend the Capital Project Budget Ordinance for the American Recovery Plan Capital Project as submitted. (A copy of the budget amendment is hereby incorporated into these minutes by reference. Refer to page 31.)

Upon a motion by Councilmember Thomas, Council voted 6 to 0 to approve the above listed items on the Consent Agenda as recommended and as presented by City Manager Hildebran.

IV. REQUESTS AND PETITIONS OF CITIZENS

V. REPORTS OF BOARDS AND COMMISSIONS

VI. REPORT AND RECOMMENDATIONS OF THE CITY MANAGER

A. Items of Information

CALDWELL COUNTY ECONOMIC DEVELOPMENT COMMISSION:

1. The Caldwell County Economic Development Commission will meet on Tuesday, February 8 at 8:00 a.m.

LENOIR BUSINESS ADVISORY BOARD:

2. The Lenoir Business Advisory Board will meet on Thursday, February 10 at 6:00 p.m.

STRATEGIC PLANNING RETREAT:

3. City Council will conduct its annual Strategic Planning Retreat on Friday, February 11 beginning at 8:30 a.m. in the Community Room at Blue Ridge Energies located at 100 Cooperative Way.

CITY/COUNTY SERVICES COMMITTEE:

4. The City/County Services Committee will meet on Monday, February 14 at noon.

B. ITEMS FOR COUNCIL ACTION

SELECTION OF AUDITOR & CONSIDERATION OF FY2021-22 AUDIT CONTRACT WITH C. RANDOLPH, CPA, PLLC:

1. With the pending retirement of our current City Auditor S. Eric Bowman, CPA, from governmental auditing, City Council will consider the selection of C. Randolph, CPA, PLLC, as City Auditor and further consider approval of an Audit Contract for fiscal year ending June 30, 2022 with C. Randolph, CPA, PLLC, in the amount of $14,000.00.

During the transition, S. Eric Bowman, CPA, will continue to make year-end entries, adjust balance sheet accounts, provide all work papers to the new auditor, and prepare draft financial reports including grant schedules, with a fee of $34,000.00. City Staff recommends approval of the above listed recommendations as submitted.

A copy of the Audit Contract with C. Randolph, CPA, PLLC, and the Letter of Engagement as submitted by S. Eric Bowman, P.A., is hereby incorporated into these minutes by reference. (Refer to pages 32-40.)

City Manager Hildebran reiterated the City's current auditor, S. Eric Bowman, PA, is no longer offering governmental accounting services. Mr. Hildebran stated Finance Director Donna Bean mailed out seven proposals to area accountants and received only two responses back with C. Randolph, CPA, PLLC, being the low bidder. Mr. Hildebran further stated C. Randolph, CPA, PLLC, does business with Watauga County, the Town of Hudson, Caldwell Community College and Technical Institute Foundation and Caldwell Hospice.

Councilmember Perdue asked for additional clarification regarding what services the $34,000 fee provides from Mr. Bowman's firm and asked if this would this be an annual fee or for only one year.

Finance Director Bean replied the audit contract is for three years and the service fee of $34,000 as submitted by Eric Bowman is for one year.

Councilmember Stevens stated more and more CPA's are getting out of the attestation services because of the requirements it puts on their practices are extensive and expensive. To begin with, not all CPA firms that offer attestation services offer governmental accounting services. Therefore, the pool of firms offering governmental attestation services is getting smaller.

Mr. Stevens also asked what the City's total accounting cost was for FY2021. Finance Director Bean reported the amount was between $55,000.00 to $56,000.00.

Following a brief discussion and upon a motion by Councilmember Prestwood, Council voted 6 to 0 to approve the Audit Contract with C. Randolph, CPA, PLLC, in the amount of $14,000.00 and to approve S. Eric Bowman, P.A., to continue to making year-end entries, adjusting balance sheet accounts, providing all work papers to the new auditor, and preparing draft financial reports including grant schedules, with a fee of $34,000.00 as submitted and as recommended by City Staff.

**SYMPATHY EXTENDED;
ZACK POYTHRESS FAMILY:**

2. City Council and City Staff extended condolences to Police Officer Zack Poythress and his family due to the loss of his parents this past week. Mayor Gibbons asked everyone to keep the Poythress family in their thoughts and prayers during this difficult time.

VII. REPORT AND RECOMMENDATIONS OF THE CITY ATTORNEY

VIII. REPORT AND RECOMMENDATIONS OF THE MAYOR

**RE-APPOINTMENTS; CALDWELL RAILROAD
COMMISSION:**

A. Mayor Gibbons recommends that Councilmembers Todd Perdue and David Stevens be re-appointed to serve a two-year term on the Caldwell Railroad Commission. According to the bylaws of the Caldwell Railroad Commission, the City of Lenoir shall appoint two (2) representatives to represent the City of Lenoir on the Corporation's Board of Directors.

Upon a motion by Councilmember Perkins, City Council voted 6 to 0 to re-appoint Todd Perdue and David Stevens to serve a two-year term on the Caldwell Railroad Commission as the City of Lenoir's representatives as recommended.

**BOARD ANNOUNCEMENT;
LENOIR BUSINESS ADVISORY
BOARD:**

B. Mayor Gibbons announced the following individual for consideration of appointment to the City's Authorities/Boards/Commissions. This individual will be voted on at the February 15 City Council meeting.

Lenoir Business Advisory Board (LBAB)
Tyler Reese, District Manager, Blue Ridge Energies 4-year term

IX. REPORT AND RECOMMENDATIONS OF COUNCILMEMBERS

BLACK HISTORY MONTH:

1. Mayor Pro-Tem Crissy Thomas reported that February is Black History Month and thanked City Staff for posting information about this notable event. She also shared that short video clips about black history would be viewed by students in the school system and remarked that great things are happening in the community.

   In addition, Ms. Thomas stated two virtual events are scheduled to be livestreamed on the City's Facebook page on Saturday, February 5 in honor of Black History Month.

APPOINTMENT: CITY COUNCIL VACANCY:

2. Mayor Gibbons announced that City Council will select and appoint an individual to fill the vacancy created by the resignation of former Councilman Ben Willis and serve the balance of the term. The oath of office will be administered to the successful individual at the February 11 Strategic Planning Retreat.

   Mayor Gibbons then asked City Councilmembers for nominations for the vacant position.

   Councilmember Perdue stated he along with City Council, reviewed everyone's resume and experience, and emphasized this was a critical decision for Council due to how much former Councilman Willis accomplished during his tenure on Council. However, he stated that after careful thought and consideration, City Council recommends Mr. Kent Greer to fill the vacant seat and to serve a two-year term.

   There being no additional nominations by City Council, Mayor Gibbons closed the nominations.

Motion
Upon the recommendation and motion by Councilmember Perdue, Council voted 6 to 0 to appoint Mr. Kent Greer to fill the vacant Council seat until November 2023 that was created by the recent resignation of Councilman Ben Willis and to serve a two-year term.

On behalf of City Council, Mayor Gibbons congratulated Mr. Greer upon his appointment and stated Council was looking forward to working with him. Mayor Gibbons said Mr. Greer will take his oath of office at the February 11 Strategic Planning Retreat to be held at the Community Room of Blue Ridge Energies.

Mr. Greer thanked City Council for their vote and support and remarked he was very humbled by their decision.

Mayor Gibbons thanked all of the remaining candidates for being a part of this process and stated Council appreciates their interest and commitment in wanting to be involved with local government. Mayor Gibbons also reminded the candidates of the opportunity to also serve on one of the City's Authorities, Boards and Commissions and stated applications were available on the City's website.

X. ADJOURNMENT

A. There being no further business, the meeting was adjourned at 6:26 p.m.

Shirley M. Cannon, City Clerk

Joseph L. Gibbons, Mayor

Resolution Leasing Property for One Year or Less

WHEREAS, the City of Lenoir owns the improvements and lands located within the property described in Book 1094, at Page 1690, and located northwest of the City Public Services Complex and including the paved parking areas, the Garage Building and the rear parking area, located at 510 Greer Circle that it does not currently have use for; and

WHEREAS, Bernhardt Furniture Company (parent company of Bernhardt Transportation, LLC) owns adjoining lots and buildings; and

WHEREAS, the City and Bernhardt Transportation, LLC have agreed upon a lease, under which Bernhardt Transportation, LLC will lease a portion of the city's lot/building for the term of one year beginning January 1, 2023, for a consideration of $18,000, payable in twelve (12) monthly payments; and

WHEREAS, North Carolina General Statute § 160A-272 authorizes the city to enter into leases of one year or less upon resolution of the City Council adopted at a regular meeting; and

WHEREAS, the City Council is convened in a regular meeting;

THEREFORE, THE CITY COUNCIL OF THE CITY OF LENOIR RESOLVES THAT:

The City Council hereby approves lease of the City property described above to Bernhardt Transportation, LLC and directs the City Manager to execute any instruments, including terms and conditions necessary to execute the lease.

Adopted this the 1st day of February, 2022.

SEAL

Joseph L. Gibbons, Mayor

ATTEST:

Shirley M. Cannon, City Clerk

Prepared by: Groome, Tuttle, Pike & Blair, RLLP

STATE OF NORTH CAROLINA

COUNTY OF CALDWELL LEASE AGREEMENT

This Lease Agreement, made and entered into this ____ day of ___________, 2022, by and between CITY OF LENOIR, a North Carolina municipal corporation of Caldwell County, North Carolina, (hereinafter called "Lessor"), and BERNHARDT TRANSPORTATION, LLC, a North Carolina limited liability company, with its principal office located in Lenoir, Caldwell County, North Carolina, (hereinafter called "Lessee");

WITNESSETH:

1. Demise of Premises. Lessor leases unto Lessee the real property and the building thereon (hereinafter called "Premises") which is located in the City of Lenoir, Caldwell County, North Carolina, subject to the Reservations set forth herein, and described more particularly as follows:

> The improvements and lands located within the property described in Book 1094, at Page 1690, and located northwest of the Public Works/Public Utilities Office Building and including the paved parking areas, the Garage Building and the rear parking area, but excluding the Used Oil Containment Building. See attached map of leased area which is incorporated herein by reference.

2. Term of Lease.

A. The original term of this Lease shall be for One (1) year and the commencement date shall be January 1, 2023. If requested, the parties shall execute a short form Memorandum of Lease in recordable form containing such matters as the parties may agree upon including, however, as a minimum, the commencement date and the expiration date (which date shall be One (1) year from said commencement date).

B. This lease is subject to certain Reservations by Lessor as set forth below:

a. In the area designated on the attached map, Lessor retains the exclusive right and option to use the wash bay and equipment in the Garage Building on Wednesday of each week. Lessee agrees to not interfere with Lessors use of the Garage premises on Wednesdays. Lessor staff will exercise due care and diligence in the use of the wash bay.

b. In the area designated on the attached map, Lessor retains the right to have parking and storage in the paved parking areas for its Public Works/Public Utilities Office Building including an area adequate to install a covered shed and including an adequate physical area sufficient to construct a chain link fence, installation of additional gates, and new secondary traffic patterns throughout the facility. Lessor agrees to cooperate with Lessee in carrying out such reservations should Lessor determine such reservations are necessary.

c. In the area designated on the attached map, Lessor retains the right to have secure storage of new rollout garbage carts on the demised premises. Such secure storage shall be inside an Enclosed Material Storage Trailer (53 ft) which shall be provided by Lessee at no cost to Lessor.

3. Rentals.

Lessee shall pay rental to Lessor at a rate of One Thousand Five Hundred ($1,500.00) Dollars per month or $18,000.00 per year. Rental shall be due and payable in twelve (12) equal monthly installments of One Thousand Five Hundred ($1,500.00) Dollars each, in advance, on the first (1st) day of each calendar month for and during the term.

In addition, Lessee shall carry, at its own expense, policies of property insurance with extended coverage insuring Lessee's personal property located on the premises against loss or damage to its furnishings, fixtures, inventory, equipment and other property situated or placed upon, in or about the Premises with companies and in amounts acceptable to itself.

4. Acceptance of Premises. Lessee acknowledges that the act of taking possession of the premises shall constitute acceptance thereof and conclusive evidence that Lessee has inspected and examined the entire premises and utility installations and that the same were, and are, in good and satisfactory condition, and Lessee accepts the same "as is".

5. Assignment or Subletting. Lessee shall not have the right to assign the Lease or to sublet the Premises in whole or in part without the prior written consent of Lessor. If Lessee is a corporation, then the passage of control of Lessee to parties other than those who presently control Lessee, as of the date of this Agreement, shall constitute an assignment of this Lease.

6. Compliance with Legal Requirements. Both parties shall comply with all the legal requirements of any governmental or quasi-governmental body including City, County, State or Federal boards having jurisdiction thereof, respecting any operation conducted or any equipment, installations or other property placed upon, in or about the Premises. Both parties shall neither create nor permit the creation of any nuisance upon, in or about the Premises, and neither shall not make any offensive use thereof.

7. Utilities. Lessee shall pay for all water and sewer services consumed or used on the Premises. Lessor shall pay for electricity and gas service to the premises. The lack of availability or failure of utility service shall not be deemed constructive eviction.

8. Additions, Alterations, Changes and Improvements. Lessee shall not make, nor have the right to make any alterations, changes or improvements, structural or otherwise, in or to the Premises without Lessor's prior written consent. If such consent is given, all such alterations, changes and improvements, shall be promptly made in a workman-like manner, be promptly paid for allowing no liens to attach either to the Premises of to Lessor's interest therein, and shall become the property of Lessor at the termination of this Lease Agreement. Lessor shall have the right to require Lessee to provide such assurances as Lessor shall reasonably require (such as bonds, escrows, etc.) to protect Lessor against unpaid-for work.

9. Repairs. Lessor shall not be responsible for making any repairs including

structural repairs and repairs of a capital nature to the exterior walls and to the roof. Lessee shall at its own expense keep and maintain all the premises and all parts and systems thereof including all repairs to windows and/or plate glass, and all utility installations and equipment (including repairs of a capital nature), in good maintenance, replacement and repair, properly painted and decorated. All repairs shall be performed in a prompt, workman-like manner, shall be promptly paid for by Lessee and no liens shall be allowed to attach either to the Premises or to Lessor's interest therein. Other than as specifically stated herein, Lessor has no obligation to make any repairs.

10. Safe and Sanitary Conditions. Lessee shall not permit, allow or cause any act or deed to be performed upon, in or about the premises which shall cause or be likely to cause injury to any person or to the Premises, the building or improvements located thereon, or to any adjoining property. Lessee shall at all times keep the premises in a neat and orderly condition and keep the premises and the entryways, parking areas, sidewalks and delivery areas adjoining the premises clean and free from rubbish, dirt, snow, standing water and ice.

11. Trade Fixtures. Lessee shall be permitted to install trade fixtures on the premises. In addition, Lessee shall be permitted to remove said trade fixtures installed during the term of this lease from the premises upon the termination of this Lease Agreement; provided that if Lessee does so remove such trade fixtures, it shall return the Premises to the same condition as existed at the time of the original entry, ordinary wear and tear excepted. This provision is not intended to allow Lessee to remove approved structural improvements by Lessee to the Premises. All such improvements belong to Lessor at the termination hereof and shall not be removed or damaged by Lessee's removal of its trade fixtures. If Lessee does not remove the trade fixtures at termination, Lessor shall have the option either to declare such fixtures abandoned and shall become the owner thereof or to demand that Lessee remove the same at it's own expense, returning the Premises to the condition required herein.

12. Lessor Not Liable for Damages or Injuries. Lessor shall not be responsible to Lessee or any other person, firm, partnership, association or corporation for damages or injuries by virtue of or arising out of burst water pipes, leaks from sprinkler or air conditioning systems, leaks from the roof, or by virtue of earthquakes, riots, windstorms, overflow of water from surface drainage, rains,

water, fire or by the elements or acts of God, or by the neglect of any person, firm, partnership, association or corporation. Lessee shall indemnify and hold Lessor harmless from any and all claims for damages to person or property to the full extent permitted by law.

13. Indemnification. Both parties covenant to indemnify and hold the other party harmless from the claims of any and all persons, firms, partnerships, associations or corporations for personal injury or damage to property or both arising out of or in connection with either parties' use and/or occupancy of the Premises. In addition, Lessee shall carry public liability insurance in the minimum amount of $1,000,000.00 bodily injury per occurrence, and $500,000.00 property damage per occurrence, and Lessee shall deliver to Lessor a memoranda of the policy of such coverage with a company satisfactory to Lessor and which names Lessor as additional insured therein.

14. Fire or Casualty. If, during the term of this lease, the Premises shall be partially destroyed (as that term is herein defined) by fire or other casualty, Lessee shall have the right to terminate this Lease Agreement. If this option is not exercised by Lessee, Lessor may, in its sole discretion, effect the required repairs and reconstruction of the Premises. If Lessor elects to make the repairs or reconstruction, during such time as said repairs or reconstruction are being made, the rentals hereinabove provided shall not abate. Any other provisions contained herein notwithstanding, Lessor shall be required and obligated to effect repairs or reconstruction only to the extent of any sums of money, if any, which are received by Lessor under insurance coverage as a direct result of said fire or other casualty.

15. Waiver of Subrogation. Neither Lessee nor anyone claiming by, through, under or in Lessee's behalf shall have any claim, right of action or right of subrogation against Lessor or based upon any loss or caused by fire, explosion or any other casualty (not limited to the foregoing) relating to the premises or any property upon, in or about the Premises, whether such fire, explosion or casualty shall arise from the negligence of Lessor, their agents, representatives or employees, or otherwise.

16. Subordination to Mortgages. This Lease Agreement and the rights of Lessee are subordinate to and shall be subordinate to the lien of any mortgage or deed of trust (hereafter called "Mortgage") whether such Mortgage is a lien on the

Premises or hereafter becomes a lien on the Premises and no further agreements or documents shall be required to render this Lease and Lessee's rights subordinate to such Mortgage. Lessee shall at all times upon request of Lessor promptly furnish documents stating that this lease is in full force and effect, that no defaults of Lessor exist, and such other matters as are customarily contained in what is known as an "estoppel letter" or a "good-standing letter". Should Lessee fail to deliver such documents within 10 days of Lessor's request therefor, Lessor shall be deemed Lessee's attorney-in-fact for the purpose of executing such documents in the name of Lessee.

17. Inspection. Lessor shall have the right at all reasonable times to enter and inspect the Premises.

18. Condition of Premises Upon Termination. Upon the termination of this Lease Agreement, Lessee shall return the Premises to Lessor substantially in the same condition as when received ordinary wear and tear and approved improvements excepted.

19. Holding Over. In the event Lessee remains in possession after the expiration of the Term without the execution of a new lease, Lessee shall not acquire any right, title or interest in or to the Premises. In such event, Lessee shall occupy the Premises as a tenant from month-to-month and shall otherwise be subject to all of the conditions, provisions and Obligations of this Lease agreement insofar as the same shall be applicable.

20. Default. Each of the following events shall constitute a default or breach of this lease by Lessee:

a) The filing of a petition in bankruptcy or insolvency or for reorganization under any bankruptcy act or the making of general assignment for the benefit of creditors.

b) Involuntary proceedings under any bankruptcy or insolvency act instituted against Lessee, or if a receiver or trustee shall be appointed for all or substantially all of the property of Lessee and such proceedings are
not dismissed, or the receivership or trusteeship vacated within 10

days after the institution or appointment;

c) Failure to pay rent when the same shall become due and a continuing failure to pay rent for 10 days after notice thereof from Lessor to Lessee. For purposes hereof, all funds due from Lessee shall constitute rental whether denominated as rental or otherwise elsewhere herein;

d) If Lessee fails to fully perform and comply with each and every condition and covenant of this Lease Agreement, and such failure of performance continues for a period of 30 days after notice thereof;

e) Vacates or abandons the Premises;

f) If the interest of Lessee is transferred, levied upon or assigned to any other person, firm or corporation whether voluntary or involuntary except as herein permitted;

21. Remedies In Event of Default. In the event of any default hereunder as set forth in the foregoing Section 20, Lessor shall be entitled to re-enter and re-take the Premises and exercise all their rights under the laws of the State of North Carolina.

22. Breach. Upon any breach hereof, regardless of what such breach is or if such breach becomes, an "event of default", either party shall be reimbursed by the other party for any reasonable attorney's fees incurred in connection with such breach.

23. Waiver. No failure to exercise any rights hereunder to which Lessor may be entitled shall be deemed a waiver of the right to subsequently exercise same. Lessee shall gain no rights nor become vested with any owner to remain in default under the terms hereof by virtue of Lessor's failure to timely assert rights. No waiver of an acceleration of rentals, regardless of how often occurring, which Lessor chose to ignore by thereafter accepting rental or other performance by Lessee shall constitute a waiver of the right to thereafter accelerate rentals.

24. Law Applicable. This Lease is entered into in North Carolina and shall

be construed under the laws, statutes, and ordinances of such jurisdiction.

25. Severability. The provisions hereof are independent covenants and should any provision or provisions contained in this Lease be declared by a court or other tribunal of competent jurisdiction to be void, unenforceable or illegal, then such provision or provisions shall be severable and the remaining provisions hereof shall remain at Lessor's option in full force and effect.

26. Easements, Restrictions and Right of Way. The Premises are demised subject to all easements, restrictions and right of way legally affecting the Premises.

27. Binding Effect and Complete Terms. The terms, covenants, conditions and agreements herein contained shall be binding upon and inure to the benefit of and shall be enforceable by Lessor and by their respective heirs, successors and assigns. All negotiations and agreements of Lessor and Lessee are merged herein. No modification hereof or other purported agreement of the parties shall be enforceable unless the same is in writing and signed by Lessor and Lessee.

28. Rental Payments. All rental payments, unless otherwise designated in writing, shall be made to Lessors at such place as Lessor may from time to time designate in writing.

29. Lessor's Performance of Lessee's Covenants. Should Lessee, after seven days' notice from the Lessor, fail to do any of the things required to be done by it under the provisions of this Lease, Lessor, in addition to any and all other rights and remedies, may (but shall not be required to) do the same or cause the same to be done, and the amount of any money expended by Lessor in connection therewith shall constitute additional rental due from Lessee to Lessor and shall be payable as rental on the date for payment of rentals next following such expenditure.

30. Covenant of Title and Quiet Enjoyment. Lessor covenants and warrants to Lessee that they have full right and lawful authority to enter into this Lease for the term hereof and provided Lessee is not in default hereunder, Lessee's quiet and peaceable enjoyment of the Premises shall not be disturbed by anyone claiming through Lessor.

31. Construction. This Lease shall not be construed more strictly against either party regardless of which party is responsible for the preparation of the same.

32. Notice. Any notice to a party to this lease shall be given at the following address:

Lessor: City of Lenoir
Attn: Scott Hildebran, Manager
Shildebran@CI.LENOIR.NC.US
Post Office Box 958
Lenoir, North Carolina 28645

Lessee: Bernhardt Transportation, LLC
Attn: Kevin McDougall, General Counsel
1839 Morganton Blvd.
Lenoir, North Carolina 28645
Kevinmcdougall@bernhardt.com

IN WITNESS WHEREOF, the parties have signed and sealed this Lease Agreement, this day and year first above written.

LESSOR:

CITY OF LENOIR (SEAL)
a North Carolina municipal corporation

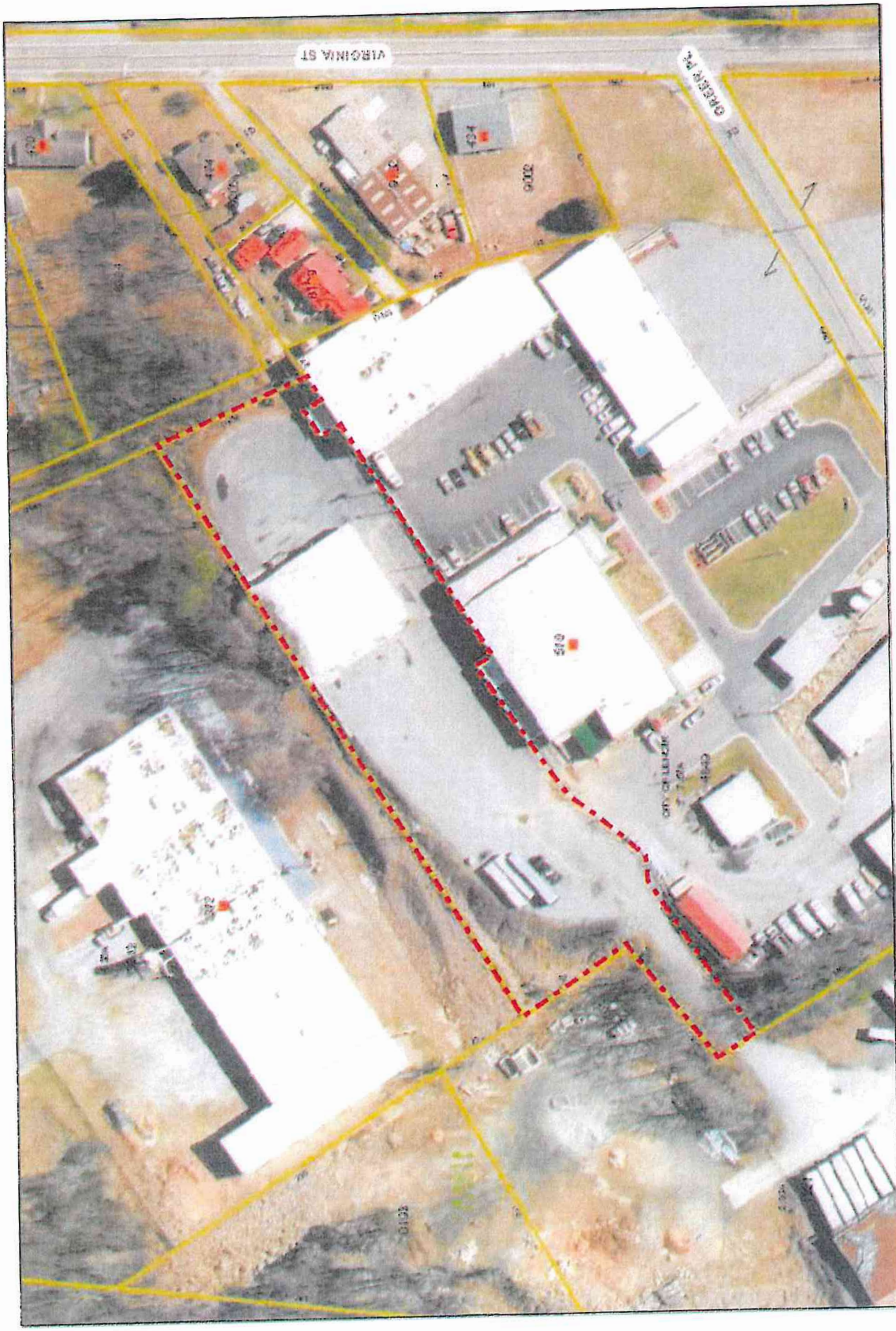
By: ______________________________
Scott Hildebran
Manager

LESSEE:

BERNHARDT FURNITURE COMPANY (SEAL)

By: ______________________________

Caldwell County



1:1,196

0 0.01 0.02 0.04 mi

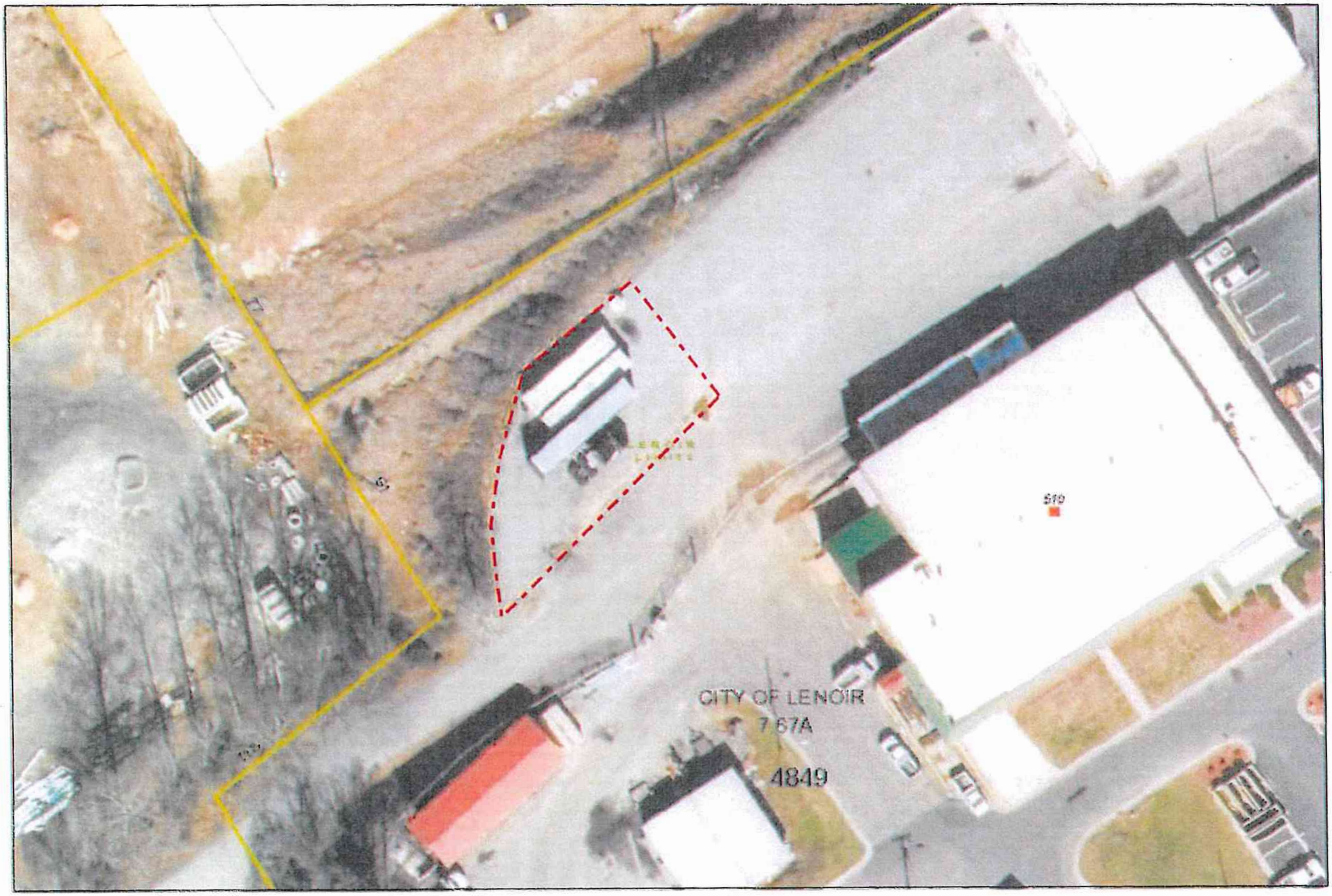
0 0.015 0.03 0.06 km

This map is NOT of land survey quality and is NOT suitable for such use.

Exhibit A - Overall Plan

October 9, 2020

Caldwell County



October 9, 2020

This map is NOT of land survey quality and is NOT suitable for such use.

1:598

0 0.005 0.01 0.02 mi

0 0.0075 0.015 0.03 km

Exhibit B - Parking & Storage Area

2021-2022 Fiscal Year

Budget Amendment

1-Feb-22

Request for amendments to be made to the annual budget ordinance for the fiscal year ending June 30, 2022 as follows:

ITEM 1: TRANSFER ARP ADVANCE TO ARP REVENUE ACCOUNT

Account Number	Department	Increase	Decrease
20-50-2400-000	ARP ADVANCE (LIAB)		692,200.00
20-50-3457-724	ARP FUNDING	692,200.00	
	TOTAL INCREASE/DECREASES	692,200.00	692,200.00
NET EFFECT ON THE GENERAL FUND BALANCE		-	-

ITEM 2: ALLOCATE FUNDING FOR EXPENDITURES FOR PREMIUM PAY

Account Number	Department	Increase	Decrease
20-50-3457-121	FT PREMIUM PAY - ARP	689,300.00	
20-50-3457-123	PT PREMIUM PAY - ARP	2,900.00	
20-50-3457-500	CAPITAL EQUIPMENT		692,200.00

American Recovery Plan Capital Project - Amended
CITY OF LENOIR
COUNCIL ACTION FORM

BE IT ORDAINED by the City Council Members of the City of Lenoir, North Carolina that, pursuant to Section 13.2 of Chapter 159 of the General Statutes of North Carolina, the following capital project ordinance is hereby amended:

Section 1: The project to authorize activities for American Recovery Plan Capital Project to include the expenditure of federal funds for the capital items, premium pay and project administration for the American Recovery Plan Capital Project. The project will be funded with federal stimulus funds.

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:

Capital Improvements/Equipment	$3,142,491.00
Premium Pay	$ 692,200.00

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

Federal Funding	$3,834,691.00

Section 5: The Finance Officer is hereby directed to maintain within the Capital Project Fund sufficient specific detailed accounting records to satisfy the requirements of the Project Ordinance.

Section 6: The Finance Officer is directed to report, on a quarterly basis, on the financial status of each project element in Section 3.

Section 7: The Budget Officer is directed to include a detailed analysis of past and future costs and revenues on this capital project in every budget submission made to this Board.

Section 8: Copies of this capital project ordinance shall be furnished to the Budget Officer and the Finance Officer for direction in carrying out this project.

Adopted this 1st day of February 2022.

Joseph L. Gibbons
Mayor

Shirley M. Cannon
Clerk

C. Randolph CPA, PLLC
Certified Public Accountant
560 Beaver Creek School Rd.
West Jefferson, North Carolina 28694
Phone: (336) 846-3211
Fax: (336) 846-1142

To the Honorable Mayor and City Council January 28, 2022

City of Lenoir
PO Box 958
801 West Avenue NW
Lenoir, NC 28645

We are pleased to confirm our understanding of the services we are to provide City of Lenoir for the year ending June 30, 2022. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, 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 City of Lenoir as of and for the year ending June 30,2022. 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 City of Lenoir'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 City of Lenoir'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 U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

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

We have also been engaged to report on supplementary information other than RSI that accompanies City of Lenoir'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) Schedule of Expenditures of Federal and State Awards.
2) Combining and Individual Fund Schedules
3) Schedules of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

1) Schedule of Ad Valorem Taxes Receivable
2) Analysis of Current Tax Levy-City-wide Level
3) Schedule of Cash and Investment Balances
4) Capital Assets Used in the Operation of Governmental Funds
5) Statistical Section

Audit Objectives

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 report will be addressed to the Honorable Mayor and City Council of the City of Lenoir. We will make reference to other auditors of City of Lenoir ABC Board in our report on your financial statements. 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 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, an unavoidable risk exists that some 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 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.

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 and state 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 and state 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 City of Lenoir'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 and state statutes, regulations, and the terms and conditions of federal and state 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 City of Lenoir's major programs. For federal and state 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 City of Lenoir'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 and state awards, and related notes of City of Lenoir in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by you. These non-audit 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 and state 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) 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 and state 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 and state awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal and state 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, including identification of all related parties and all related-party relationships and transactions, (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 of each opinion unit 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 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 and state 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 October 15, 2022.

You are responsible for identifying all federal and state awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal and state 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 and state awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal and state awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal and state 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 and state awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal and state 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 and state 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 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.

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

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal and state awards, and related notes, and any other non-audit 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 and state awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal and state awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the non-audit 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.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for the interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

Engagement Administration, Fees, and Other

We understand that your employees 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 and state 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 City; 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 C. Randolph CPA, PLLC 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 the Local Government Commission or its designee, a federal or state 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 C. Randolph CPA, PLLC 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 Local Government Commission. If we are aware that a federal and state 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 in approximately mid-August and to issue our reports no later than October 31, 2022. Cynthia D. Randolph is the engagement CPA and is responsible for supervising the engagement and signing the reports.

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 $14,000. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. 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(s). 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.

You have requested that we provide you with a copy of our most recent external peer review report and any subsequent reports received during the contract period. Accordingly, our 2018 peer review report accompanies this letter.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

We appreciate the opportunity to be of service to City of Lenoir 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.

Very truly yours,

Cynthia D. Randolph

Cynthia D. Randolph, CPA

RESPONSE:

This letter correctly sets forth the understanding of City of Lenoir.

Management signature: ______________________

Title: ______________________

Date: ______________________

Governance signature: ______________________

Title: Mayor

Date: ______________________

KWH **Koonce, Wooten & Haywood, LLP**
CERTIFIED PUBLIC ACCOUNTANTS

Report on the Firm's System of Quality Control

To the Owner of C. Randolph CPA, PLLC and the
Peer Review Committee, North Carolina Association
Of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of C. Randolph CPA, PLLC (the firm) in effect for the year ended October 31, 2018. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

Engagements selected for review included an engagement performed under *Government Auditing Standards* and an audit of an employee benefit plan.

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of C. Randolph CPA, PLLC in effect for the year ended October 31, 2018, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail.* C. Randolph CPA, PLLC has received a peer review rating of pass.

Koonce, Wooten & Haywood, LLP

Koonce, Wooten & Haywood, LLP

December 4, 2018

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

919 782 9265
919 783 8937 FAX

Durham
3500 Westgate Drive
Suite 203
Durham, North Carolina 27707

919 354 2584
919 489 8183 FAX

Pittsboro
579 West Street
Post Office Box 1399
Pittsboro, North Carolina 27312

919 542 6000
919 542 5764 FAX

Directory of Governmental Unit and Audit Firm Officials

City of Lenoir
Governmental Unit

C. Randolph CPA, PLLC
Auditor for the 2021-2022 Fiscal Year

GOVERNMENTAL UNIT

1. **ELECTED OFFICIAL:**
(Mayor for Municipalities and chairperson of governing board for all other units)

Joe L. Gibbons
Name

Mayor
Title

2. **MANAGER:**
(Or person who serves in this capacity e.g. Administrator, Executive Director, etc.)

Scott Hildebran
Name

City Manager
Title

3. **FINANCE OFFICER:**

Donna Bean
Name

Finance Director
Title

(828) 757-2180
Phone No.

(828) 394-1096
Fax No.

dbean@ci.lenoir.nc.us
E-Mail Address

AUDITOR

1. **CONTACT PERSON:**
Partner or other person with legal authority to contract for the firm)

Cynthia D. Randolph
Name

CPA
Title

(336) 846-3211
Phone No.

(336) 846-1142
Fax No.

cindy@crandolphcpa.com
E-Mail Address

2. **AUDITOR ANTICIPATES PREPARING THE FOLLOWING TYPE OF REPORT:**

(Check the appropriate box)

__ General Purpose Financial Statements with combining, individual fund, and account group financial statements, and schedules required by the LGC

X Annual Comprehensive Financial Report (ACFR) including schedules required by the LGC

Notes:

1. Please type all information on this questionnaire.
2. The audit firm representative, the elected official, and the finance officer reported on this questionnaire should agree with the persons reported on the Contract to Audit Accounts.
3. The information on this questionnaire will be used in official correspondence from the Local Government Commission, and the Commission must be notified of any changes in the persons holding these positions.

S. Eric Bowman, P.A.
CERTIFIED PUBLIC ACCOUNTANT

403 South Green Street
P.O. Box 1476
Morganton, NC 28680
Telephone (828) 438-1065
Fax (828) 438-9117

City of Lenoir
Lenoir, North Carolina

We are pleased to confirm our understanding of the non attest services we are to provide City of Lenoir for the year ending June 30, 2022. Our responsibility will include the following:

1) Making year end journal entries to the accounts.
2) Adjust balance sheet accounts for each fund
3) Provide copies of all work papers to Auditors on work that we perform
4) Prepare draft Financial Report including grant schedule

We will not provide any audit services. All audit services plus report preparation changes will be provided by your auditors.

Your Auditors will be responsible for the following:

1) Preparation of workbook which goes to the LGC along with the final audit report
2) Preparation of AFIR
3) Preparation of Data Collection Form
4) Assistance with other information required by the GFOA

Our fees for our services will be a contract amount of $34,000.

We appreciate the opportunity to be of service to City of Lenoir 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 in the area below and return this letter to us.

Very truly yours,

S. Eric Bowman

S. Eric Bowman, P.A.
Certified Public Accountant

____
Scott Hildebran

____
Title

____
Date