CITY OF MONROE - GENERAL SERVICES COMMITTEE
CITY HALL CONFERENCE ROOM
300 W. CROWELL STREET, MONROE, NC 28112
Thursday, February 2, 2023 - 4:00 PM

AGENDA
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1. General Services Committee Meeting Minutes from December 1, 2022

2. Fiscal Year 2023 Audit Contract for City of Monroe

3. Lease with Charter Jet Transport – Offices in Airport Main Terminal

4. Diversity, Equity, and Inclusion Committee Funding Request

Other Items

CITY OF MONROE
GENERAL SERVICES COMMITTEE MEETING
City Hall Conference Room
300 W. Crowell Street
Monroe, NC 28112
December 1, 2022 4:00 PM

MINUTES

Present: Committee Member Lynn Keziah (Chairman), Committee Member Mayor Pro Tem Gary Anderson, Committee Member Julie Thompson

Absent: None

Staff: Brian Borne, City Manager; Lisa Strickland, Finance Director; Ashley Ivey, Accounting Manager; Ryan Jones, Director of Parks and Recreation; Mujeeb Shah-Khan, City Attorney; Angela Duncan, Senior Budget Analyst; Lisa Kerner, Grant Administrator; Sara Tinsley, Budget Analyst; Matt Black, Downtown Director; Pete Hovanec, Director of Communication and Tourism, Sara McAllister, Director of Engineering; Bradley Lucore, Communication Specialist

Visitor(s): None

The General Services Committee met in the City Hall Conference Room at 4:00 p.m. on December 1, 2022. A quorum was present. Chairman Lynn Keziah presided.

Item 1. General Services Committee Meeting Minutes from November 3, 2022.
The minutes from the November 3, 2022 General Services Committee meeting were presented for the Committee's approval.

Mayor Pro Tem Gary Anderson moved to approve the Minutes of the General Services Committee Meeting of November 3, 2022.

Committee Member Julie Thompson seconded the motion, which unanimously passed with the following votes:

AYES: Chairman Keziah, Mayor Pro Tem Anderson, Committee Member Thompson

NAYS: None

Item 2. Franklin Street and Jefferson Street Conversion Study.
Matt Black, Director of Downtown, requested the General Services Committee (1) consider the proposal received from American Engineering for the planning of the conversion of Franklin Street and Jefferson Street from one-way to two-way streets; (2) recommend Budget Ordinance (BO-2022-13) transferring funding from General Fund Balance Formally Assigned for Downtown Parking Lots to Capital Project Study One-way Conversion and (3) award the contract to American Engineering by City Council.

Sarah McAllister and other engineering staff were directed by the General Services Committee to move forward with the conversion of Franklin Street and Jefferson Street to two-way streets in May of 2019. Staff advertised a Request for Letters of Interest (LOI) on October 21, 2019 for an updated traffic study, updated estimated costs for design, engineering plans, and construction as well as a recommended path for bringing

the conversion of the streets through the North Carolina Department of Transportation (NCDOT)/Charlotte Regional Transportation Planning Organization (CRTPO) rating and funding process.

Three LOI's were received on December 16, 2019. Each of the responses were reviewed and separately scored by a staff committee. American Engineering and RK&K received the highest scores and were selected for follow-up interviews. The two firms were interviewed on January 17, 2020 with staff notifying American Engineering shortly thereafter that they had been selected for the project. Both interviews went well with American Engineering demonstrating more familiarity with the Monroe area, its residents, and various events held here. American Engineering then initiated a project scoping meeting with staff and ultimately submitted a proposal for the planning, analysis, and future funding phase of converting Franklin Street and Jefferson Street to two-way streets.

American Engineering will provide project development, environmental and funding application services for the conversion of Franklin Street & Jefferson Street from one-way to two-way. The services provided will be video recording, project funding application, traffic studies, environmental studies, and geo-environmental report. The planning Phase will consist of one public meeting, one public enterprise meeting, one city council meeting, and up to six scheduled downtown events. The planning phase will involve working with engineering, downtown, water/sewer, energy services, parks and recreation, planning, and first responder staff.

American Engineering will help in submitting a letter to the Charlotte Regional Transportation Planning Organization to justify and request the addition of Jefferson Street to the Federal Aid System. With Jefferson Street in the Federal Aid System it will be eligible for federal funding. However, this will not guarantee that the request for Jefferson Street to be added to the Federal Aid System will be successful.

The American Engineering Project Team will perform Capacity Analysis, Safety Analysis, Conceptual Designs and Cost Estimate. The results of this will be assessed to help strengthen the application for various federal and state funding. Also the American Engineering Project Team will draft emails or letters to be sent to NC DOT to request considering Spot Safety, Highway Safety Improvement Program, Spot Mobility, and/or High Impact/Low Cost Funding to the project.

The American Engineering Project Team will prepare a design memorandum for approval by City Staff. Also an alternative analysis will be included in the evaluation of up to two roundabout and two conventional intersection concepts as an alternative. Data collection on traffic, crashes, traffic projections, and future traffic analysis for the area will be gathered as well. Environmental/Natural resource Studies will be prepared to communicate potential community impacts.

The attached Budget Ordinance Amendment (BO-2022-13) is needed to set up a new project account to fund the $393,358 fee proposal submitted by American Engineering. Funding is to be appropriated from the General Fund Balance Formally Assigned for Downtown Parking Lots/One-Way Conversion Study.

Matthew Black recommends approval of (1) Budget Ordinance (BO-2022-13); (2) award of a contract in the amount of $393,358 to American Engineering for the planning, analysis, and future funding phase converting Franklin Street and Jefferson Street from one-way streets to two-way streets and (3) authorization of the City Manager to execute a contract on behalf of the City of Monroe with American Engineering.

Mayor Pro Tem Anderson was concerned that there were too many projects going on right now without this. Mayor Pro Tem Anderson would like to see the Police Station, Science Center, Station 6 or temporary Station 6, and the Senior Center up and running since they have already been approved and work has been started on it. A financial hardship was another concern and is afraid that if a study is done then it could still take years before anything started happening.

Committee Member Julie Thompson brought up the concern that the cost of this project could be up $15 to $18 million project cost, however City Manager, Brian Borne stated that the project could cost $20 million in today's market. Matt Black spoke with Downtown Hendersonville Director and just one block, like this project for the City of Monroe, is going to cost them about $2.5 million.

Chairman Lynn Keziah suggested that the Morgan-Windsor alley way project was more important and

should be focused on for now. The alley way project alone would cost $1.9 million and even then there is concern for more money because the project has not got started yet. Mayor Pro Tem Anderson is concerned that more projects such as the Police Station, Station 6, and even the Senior Center could need more money to finish these projects. Committee Member Thompson stated this project is not priority right now.

Mayor Pro Tem Anderson moved to not approve conversion study.

Committee Member Thompson seconded the motion to not approve, which unanimously did not pass with the following votes:

AYES: None

NAYS: Chairman Keziah, Mayor Pro Tem Anderson, Committee Member Thompson

Bridgette to remove from Council agenda.

Item 3. Utility Fee Grant Program Update.
Lisa Strickland, Finance Director, provided to the General Services Committee information to fulfill reporting requirements of the Utility Fee Waiver Program and Resolution R-2015-41. The goal of the Utility Fee Waiver program is to encourage homes to be built for people who are certified to be income eligible at the time of purchase and to ensure that the program is meeting City expectations. So far everyone that has been helped from the program has remained in the home.

Lisa Strickland presented this as an informational update only. No action was required.

Item 4. Parks and Recreation Department Donation from Friends of the Fitzgerald.
Ryan Jones, Director of Parks and Recreation, requested that the Parks and Recreation Department accept a donation of a kiln from the Friends of the Fitzgerald for use at the Ellen Fitzgerald Senior Center.

The Parks and Recreation Department has been asked to receive a kiln for use at the Ellen Fitzgerald Senior Center. The kiln is valued at approximately $4,000.00. The Friends of the Fitzgerald have donated this item for programming purposes.

Ryan Jones requests approval from the General Services Committee to accept this donation and forward to City Council for approval.

Mayor Pro Tem Anderson moved to approve and forward to City Council for approval.

Committee Member Thompson seconded the motion, which unanimously passed with the following votes:

AYES: Chairman Keziah, Mayor Pro Tem Anderson, Committee Member Thompson

NAYS: None

Item 5. Parks and Recreation Purchase of Easement Property for Bearskin Creek Greenway Phase III Project.
Ryan Jones presented to the Committee a report to inform them that the Parks and Recreation Department plans to acquire permanent easement interest in approximately .74 acres and 1.06 acres respectively of riparian buffer along Bearskin Creek as part of the Bearskin Creek Greenway Phase III project. On April 6, 2022, the Board of Directors for the Catawba Lands Conservancy approved disbursement of funds of up to $53,000.00 to the Parks and Recreation Department in order to support transaction costs associated with the Bearskin Creek Greenway Phase III project.

On August 9, 2022, Council approved budget ordinance BO-2022-14 to appropriate funds from the Catawba Lands Conservancy to the Greenway Construction Project PR1602 to purchase easement properties. Staff has secured two easements related to Phase III of the Bearskin Creek Greenway project. Agreements have been made involving property owned by the Union County Chamber of Commerce and the Buggy Factory, LLC. The two easements secured are through agreements with the following entities:

Buggy Factory, LLC property can be identified through Tax parcel 09228228 and includes 1.23 acres (Area A - .49 acres; Area B - .30 acres; Area C - .44 acres) that will assist in connecting Don Griffin Park to Creft Park along Bearskin Creek. This portion of the property includes easement and appropriate buffer and is listed in the attached feasibility study labeled Buggy Factory Easement Map. The total amount to purchase this easement property is $19,915.99 and is available in the greenway construction project (PR1602).

The Union County Chamber of Commerce property can be identified as Tax Parcel 09229098 and includes .14 acres (Area D - .14 acres) that will assist in connecting adjacent neighborhoods to the current greenway trail. This portion of the property includes easement and appropriate buffer and is listed in the attached feasibility study labeled Union County Chamber of Commerce Easement Map. The total amount to purchase this easement property is $17,993.76 and is available in the greenway construction project (PR1602).

Ryan Jones stated that this was only for informational purposes and that no action was required.

Item 6. Budget Amendment for Parks and Recreation Donation from Monroe-Union Breakfast Rotary Club and Pilgrim's Pride.

Ryan Jones requested the Committee accept a $14,000.00 donation from the Monroe-Union Breakfast Rotary Club and Pilgrim's Pride and requests a budget amendment.

The Parks and Recreation Department has been selected to receive a $14,000.00 donation from Monroe-Union Breakfast Rotary Club and Pilgrim's Pride. These funds will be used to provide inclusive recreational equipment at Belk Tonawanda and Dickerson Parks. Both organizations have been past partners of our department and assist in providing opportunities at special events. This donation is evidence of their continued effort to support this community and our department.

Ryan Jones requested approval from the General Services Committee to accept this donation and appropriate and designate the funds and forward to full Council for approval.

Mayor Pro Tem Anderson moved to approve and forward to City Council for approval.

Committee Member Thompson seconded the motion, which unanimously passed with the following votes:

AYES: Chairman Keziah, Mayor Pro Tem Anderson, Committee Member Thompson

NAYS: None

Item 7. Ordinance Amending Fiscal Year 2022-2023 Fees Schedule to Increase Membership Fees at Monroe Aquatics and Fitness Center.

Ryan Jones recommended increasing membership fees for the Monroe Aquatics and Fitness Center Fee schedule and requests the approval of the ordinance to amend the MAFC fee schedule.

The Monroe Aquatics and Fitness Center was substantially affected by the COVID-19 pandemic. The facility recorded unprecedented loss of revenue when fitness centers were ordered to close through executive orders. Fortunately, we have seen consistent growth in revenue in FY22 and continue to see that growth in the current year. This growth was made possible due to operational budget cuts, as well as, vacant positions. Staff was able to operate the facility with less staff while the facility was closed and was able to successfully maintain a high level of customer service as membership grew over the last year.

With this growth happening faster than anticipated, staff must be prepared to recruit staff effectively. Understanding this need, Ryan Jones recommends increasing MAFC fees for the first time since 2001. The increase includes a 15% increase in membership fees and a $25.00 increase in joining fees.

Justification of this increase includes the following:

1. In order for the facility to be available as it was pre-covid (Sundays), we need staff. The staffing shortage is preventing us from hiring needed staff to open on Sundays. This will assist with that.

2. The increase would bring our facility closer to comparable market rates for fitness facilities, yet still remain affordable.
3. The increase will allow us to sustain revenue moving forward.
4. The increase will assist our facility in keeping up with cost increase across the board as it relates to general supplies and maintenance items.
5. The increase will allow us a better opportunity to increase part time salaries which will positively affect the morale of staff in general and will assist us with retaining staff.

Ryan Jones requested that the General Services Committee recommend City Council approve the proposed fee schedule and Ordinance to amend the MAFC fee schedule, Ordinance – O-2022-74.

Committee Member Julie Thompson recommended to do a 20% increase to all the monthly fees. Mayor Pro Tem Anderson and Chairman Keziah agreed that increasing by 20% across the board was a good plan and still was a reasonable amount for all the services and features offered at the aquatics center.

Mayor Pro Tem Anderson moved to approve the 20% increase and forward to City Council for approval.

Committee Member Thompson seconded the motion, which unanimously passed with the following votes:

AYES: Chairman Keziah, Mayor Pro Tem Anderson, Committee Member Thompson

NAYS: None

Other:

Ryan Jones made a comment on the Home & Community Care Block Grant opportunity. To be eligible for one level of the grant is to have a scope of excellence for senior care. There are levels to the grant and if the senior center is up to excellence then there will be $28,000 granted, if all requirements are met. The other level is senior center operations money and it is a 10% match that is through Centralina and AAA. Right now there is a facility maintenance fee, but to be eligible for this grant that fee needs to be waived. Ryan will bring more information next month.

There being no further business the meeting adjourned at 4:40 p.m.

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Committee Chairman, Lynn Keziah

City of Monroe
Where Heartland Meets High Tech

STAFF REPORT

TO: General Services Committee

VIA: Brian J. Borne, City Manager

DATE: February 2, 2023

FROM: Lisa Strickland, Finance Director

PREPARED BY: Ashley Ivey, Accounting Manager

SUBJECT: Fiscal Year 2023 Audit Contract for City of Monroe

SUMMARY STATEMENT

The purpose of this report is to provide information regarding the contract for audit services for the City of Monroe to Martin Starnes & Associates, CPA's, P.A. for the year ending June 30, 2023.

REVIEW

A Request for Proposals was done in February 2014 and Martin Starnes & Associates, CPA's P.A. was the firm selected by the Finance Committee's audit selection team. The City first contracted with Martin Starnes & Associates, CPA's P.A. for the fiscal year 2014 audit. A new five-year service agreement was approved by City Council in fiscal year 2018 that will last through fiscal year 2023. If approved, this will be the tenth year with this audit firm. The cost estimate given by the firm for the next year is as follows:

$81,150 Fiscal Year 2023

There were no disputes or conflicts with the audit firm in the prior year and the City received the audit report and financial statements in a timely manner in order to meet the Local Government Commission's submission deadline of October 31st.

The proposed contract for audit services for the City for the fiscal year ending June 30, 2023 is $81,150. This fee reflects maintaining the current level of audit services. This includes testing of internal controls to ensure that the City's financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles, preparation of the annual financial statements and an audit to maintain compliance with single audit act requirements.

RECOMMENDATION

Staff recommends and requests approval by the General Services Committee of the audit contract with Martin Starnes & Associates, CPA's, P.A. for $81,150.

Attachment:
Audit Contract
Engagement Letter

The	Governing Board: City Council
of	Primary Government Unit: City of Monroe, NC
and	Discretely Presented Component Unit (DPCU) (if applicable): N/A

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

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

Hereinafter referred to as Auditor

for	Fiscal Year Ending	Date Audit Will Be Submitted to LGC
	06/30/23	10/31/23

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 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.

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, the Governing Board, and the Auditor.

17. A copy of the engagement letter, issued by the Auditor and signed by both the Auditor and the Governmental Unit(s), shall be attached to this contract, and except for fees, work, and terms not related to audit services, shall be incorporated by reference as if fully set forth herein as part of this contract. In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract shall take precedence. Engagement letter terms that conflict with the contract are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item 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. T**he 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.

FEES 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:***
Lisa Strickland	Finance Director, City of Monroe	lstrickland@monroenc.org

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 FEES

Primary Government Unit	City of Monroe, NC
Audit Fee	$ 73,125
Additional Fees Not Included in Audit Fee:	
Fee per Major Program	$
Writing Financial Statements	$ 8,025
All Other Non-Attest Services	$

DPCU FEES (if applicable)

Discretely Presented Component Unit	N/A
Audit Fee	$
Additional Fees Not Included in Audit Fee:	
Fee per Major Program	$
Writing Financial Statements	$
All Other Non-Attest Services	$

SIGNATURE PAGE

AUDIT FIRM

Audit Firm* Martin Starnes & Associates, CPAs, P.A.	
Authorized Firm Representative (typed or printed)* Amber Y. McGhinnis	Signature* Amber Y. McGhinnis
Date* 01/20/23	Email Address* amcghinnis@msa.cpa

GOVERNMENTAL UNIT

Governmental Unit* City of Monroe, NC	
Date Primary Government Unit Governing Board Approved Audit Contract* (G.S.159-34(a) or G.S.115C-447(a))	
Mayor/Chairperson (typed or printed)* Marion Holloway, Mayor	Signature*
Date	Email Address mholloway@monroenc.org

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

GOVERNMENTAL UNIT – PRE-AUDIT CERTIFICATE

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

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

Primary Governmental Unit Finance Officer* (typed or printed) Lisa Strickland, Finance Director	Signature*
Date of Pre-Audit Certificate*	Email Address* lstrickland@monroenc.org

SIGNATURE PAGE – DPCU
(complete only if applicable)

DISCRETELY PRESENTED COMPONENT UNIT

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

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

DPCU – PRE-AUDIT CERTIFICATE

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

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

DPCU Finance Officer (typed or printed)* N/A	Signature*
Date of Pre-Audit Certificate*	Email Address*

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

PRINT

KWH Koonce, Wooten & Haywood, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report on the Firm's System of Quality Control

To the Shareholders of Martin Starnes & Associates, CPAs, P.A. and the
Peer Review Committee, Coastal Peer Review, Inc.

We have reviewed the system of quality control for the accounting and auditing practice of Martin Starnes & Associates, CPAs, P.A. (the firm) in effect for the year ended December 31, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

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

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Martin Starnes & Associates, CPAs, P.A. in effect for the year ended December 31, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Martin Starnes & Associates, CPAs, P.A. has received a peer review rating of pass.

Koonce, Wooten & Haywood, LLP

Koonce, Wooten & Haywood, LLP

May 4, 2021

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

Smithfield
212 East Church Street
Post Office Box 2348
Smithfield, North Carolina 27577

919 934 1121
919 934 1217 FAX

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

January 20, 2023

Lisa Strickland
City of Monroe
P.O. Box 69
Monroe, NC 28111

The following represents our understanding of the services we will provide the City of Monroe.

You have requested that we audit the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Monroe, NC, as of June 30, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City of Monroe's basic financial statements as listed in the table of contents.

In addition, we will audit the entity's compliance over major federal and state award programs for the period ended June 30, 2023. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on each opinion unit and an opinion on compliance regarding the entity's major federal and state award programs. The objectives of our audit of the financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

The objectives of our compliance audit are to obtain sufficient appropriate audit evidence to form an opinion and report at the level specified in the governmental audit requirement about whether the entity complied in all material respects with the applicable compliance requirements and identify audit and reporting requirements specified in the governmental audit requirement that are supplementary to GAAS and *Government Auditing Standards*, if any, and perform procedures to address those requirements.

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

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

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

- Combining and individual fund financial statements
- Budgetary schedules
- Other schedules
- Schedule of Expenditures of Federal and State Awards

Schedule of Expenditures of Federal and State Awards

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

Also, the document we submit to you will include the following other additional information that will not be subjected to the auditing procedures applied in our audit of the basic financial statements:

- Introductory section
- Statistical section

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

Data Collection Form (if applicable)

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

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

Audit of the Financial Statements

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. As part of an audit of financial statements in accordance with GAAS and in accordance with *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Monroe's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the City of Monroe's basic financial statements. Our report will be addressed to the governing body of the City of Monroe. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

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

Audit of Major Program Compliance

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

The Uniform Guidance and the State Single Audit Implementation Act require that we also plan and perform the audit to obtain reasonable assurance about whether material noncompliance with applicable laws and regulations, the provisions of contracts and grant agreements applicable to major federal and state award programs, and the applicable compliance requirements occurred, whether due to fraud or error, and express an opinion on the entity's compliance based on the audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the entity's compliance with the requirements of the federal or state programs as a whole.

As part of a compliance audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit. We also identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

Our procedures will consist of determining major federal and state programs and, performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the

types of compliance requirements that could have a direct and material effect on each of the entity's major programs, and performing such other procedures as we consider necessary in the circumstances. The purpose of those procedures will be to express an opinion on the entity's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance and the State Single Audit Implementation Act.

Also, as required by the Uniform Guidance and the State Single Audit Implementation Act, we will obtain an understanding of the entity's internal control over compliance relevant to the audit in order to design and perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the entity's major federal and state award programs. Our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report. However, we will communicate to you, regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we have identified during the audit.

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

Management's Responsibilities

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

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
3. For identifying, in its accounts, all federal and state awards received and expended during the period and the federal and State programs under which they were received;
4. For maintaining records that adequately identify the source and application of funds for federal and state funded activities;
5. For preparing the Schedule of Expenditures of Federal and State Awards (including notes and noncash assistance received) in accordance with the Uniform Guidance and State Single Audit Implementation Act;
6. For designing, implementing, and maintaining effective internal control over federal and state awards that provides reasonable assurance that the entity is managing federal and state awards in compliance with federal and state statutes, regulations, and the terms and conditions of the federal and state awards;
7. For identifying and ensuring that the entity complies with federal and state laws, statutes, regulations, rules, provisions of contracts or grant agreements, and the terms and conditions of federal and state award programs, and implementing systems designed to achieve compliance with applicable federal and state statutes, regulations and the terms and conditions of federal and state award programs;
8. For disclosing accurately, currently and completely the financial results of each federal and state award in accordance with the requirements of the award;
9. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
10. For taking prompt action when instances of noncompliance are identified;

11. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
12. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
13. For submitting the reporting package and data collection form to the appropriate parties;
14. For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance;
15. To provide us with:
    a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements including the disclosures, and relevant to federal and state award programs, such as records, documentation, and other matters;
    b. Additional information that we may request from management for the purpose of the audit;
    c. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
    d. A written acknowledgement of all the documents that management expects to issue that will be included in the annual report and the planned timing and method of issuance of that annual report (if applicable); and
    e. A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditor's report (if applicable).
16. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year or period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
17. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
18. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
19. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant roles in internal control and others where fraud could have a material effect on compliance;
20. For the accuracy and completeness of all information provided;
21. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
22. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

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

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

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

If you intend to publish or otherwise reproduce the basic financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Nonattest Services

We will perform the following nonattest services:

- Draft of financial statements and footnotes
- GASB 34 conversion entries

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

The City of Monroe's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Our responsibilities and limitations of the nonattest services are as follows:

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

Other Matters

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

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet 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.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

During the course of the engagement, a portal will be in place for information to be shared, but not stored. Our policy is to terminate access to this portal after one year. The City is responsible for data backup for business continuity and disaster recovery, and our workpaper documentation is not to be used for these purposes.

Provisions of Engagement Administration and Fees

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

Our fees for these services are as follows:

Audit Fee	$ 73,125
Financial Statement Drafting	8,025
	$ 81,150

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

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

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

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

Changing Laws and Regulations

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

Incorrect Accounting Methods or Errors in Client Records

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

Failure to Prepare for the Engagement

In an effort to minimize your fees, we assign you the responsibility for the preparation of schedules and documents needed for the engagement. We also discuss matters such as availability of your key personnel, deadlines, and work space. If your personnel are unable, for whatever reasons, to provide these items as

previously agreed upon, it might substantially increase the work we must do to complete the engagement within the scheduled time.

Starting and Stopping Our Work

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

Our fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our fees for such services range from $85-$390 per hour.

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

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

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.
We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

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

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

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

The audit documentation for this engagement is the property of Martin Starnes & Associates, CPAs, P.A. and constitutes confidential information. However, we may be requested to make certain audit documentation available to the Local Government Commission, Office of the State Auditor, federal or state agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under

the supervision of Martin Starnes & Associates, CPAs, P.A.'s personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

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

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

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

Respectfully,

Martin Starnes & Associates, CPAs, P.A.

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

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of the City of Monroe by:

Signature: _____

Title: _____

Date: _____

City of Monroe
Where Heartland Meets High Tech

STAFF REPORT

TO: General Services Committee

VIA: Brian J. Borne, City Manager

DATE: February 2, 2023

FROM: Peter Cevallos, Airport Manager

PREPARED BY: Peter Cevallos, Airport Manager

SUBJECT: Lease with Charter Jet Transport – Offices in Airport Main Terminal

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SUMMARY STATEMENT

Charter Jet Transport is interested in leasing two offices, a reception area, and the Airport Terminal Conference Room. The lease would be five years with a renewal option of five years, and Charter Jet Transport pledges to make improvements to the leasehold as part of the request.

REVIEW

Charter Jet Transport has submitted a letter of intent to lease offices in the Main Terminal: two offices, a reception area, and the conference room. Charter Jet Transport is seeking a long term lease as they plan to make over $25,000 in renovations to the one of the offices, the reception area and the conference room.

The City was leasing the two offices and the reception area to Aerowood Aviation, LLC, which lease expired on November 30, 2022. This new lease request includes the Airport conference room; the Airport has previously controlled the use of this room for its own meetings and as an amenity to the visiting Airport customers as a meeting space.

Staff supports the offered renovations to the offices and reception area, and there is also a lease provision where Charter Jet Transport must allow the City, or parties it authorizes, access and use of the conference room with a 24-hour prior written notice. Also, there is a requirement for all current lease agreements the City has with Aerowood Aviation to be brought into compliance,

including the provision to provide proper documentation with matter of the Aerowood Aviation maintenance operations, and the matter to transfer the utilities for Hangar #9 (Quonset Hangar) from the City of Monroe to Aerowood Aviation.

To comply with NC General Statutes - Chapter 160A Article 12, 'Sale and Disposition of Property', Paragraph § 160A-272. Lease or Rental of Property, staff is proposing a lease term of five years, with a renewal option of an additional 5 years. With the lease rate being $13 per square foot, per year, as established in City Fee Schedule, the initial annual lease for the requested space is $14, 244, and the lease has an annual increase of three percent.

The Airport Commission recommended at their January 9, 2022 meeting to forward the lease to City Council for its approval.

RECOMMENDATION

Staff and the Airport Commission recommend that the General Services Committee recommend City Council approve the proposed lease agreement with Charter Jet Transport for the requested office space in the Airport Terminal, and authorize the Mayor to execute any and all documents, provided all terms of compliance are met.

Attachment(s):
Charter Jet Transport - Letter of intent - FBO offices
Proposed Airport Office Space Lease

Peter Cevallos

From: Brandon Atkinson <brandon@aerowoodaviation.com>
Sent: Tuesday, November 8, 2022 08:40
To: Peter Cevallos
Subject: Charter Jet Transport - Letter of intent - FBO offices

Mr Cevallos,

As you are aware we have moved the flight school from our offices in the Fbo to the Quonset Hut. This move has given us the space to operate our flight school to its fullest potential. We are expanding Charter Jet Transport and the offices in the Fbo is a great location for our operation. Per our last conversation you and I agree that those offices need to be renovated. These offices were not renovated when the rest of the Fbo was years ago. There are over 15 hols in the wall where Economic Development had signage and the wallpaper is peeling off in multiple areas. We had the carpet cleaned a few years ago but there were stains that would not come out. The conference room is also outdated with the same wall covering and stained flooring. The furniture in the conference room shows its wear and needs to be replaced as well. As we discussed earlier, it makes logistical sense for the conference room to be added to the lease, because the only way to access will be to enter in and through our current office space.

Charter Jet Transport is requesting a 10 year lease on the current 2 offices that Aerowood leases in addition to the conference room. This 10 year lease will allow us to completely renovate all three spaces from the walls to the floor along with all new furniture. We will use this space for meeting and dispatching charter customers out of Monroe. We estimate this renovation will cost over $25,000.00, this does include upscale furniture for offices and conference room. We are willing to invest into this space with a 10 year lease commitment. We feel like this will be a great space for us to continue to grow and service our customers in Monroe.

Thanks,

Brandon Atkinson
President
Aerowood Aviation, LLC

STATE OF NORTH CAROLINA

UNION COUNTY

CHARLOTTE-MONROE EXECUTIVE AIRPORT
TERMINAL SPACE LEASE AGREEMENT

THIS LEASE AGREEMENT ("Agreement") is made and entered into this _____ day of _____**, 20___,** between the ***City of Monroe*** (hereinafter referred to as the "LESSOR"), and ***Charter Jet Transport, LLC*** having its principal place of business at ***Airport Terminal Building,*** hereinafter referred to as the ("LESSEE").

WHEREAS, the Lessor hereby leases to Lessee a portion space in the Main Terminal at the Charlotte-Monroe Executive Airport. The Office Space shall be used and occupied by Lessee solely for the general office purposes in the conduct of its aviation-related business.

WITNESSETH:

That, in consideration of the rental hereinafter set out and the obligation of Lessee to operate an aviation-related business on the subject Premises and subject to the terms and conditions hereinafter set forth, said Lessor does hereby let and lease unto said Lessee and the said Lessee does hereby accept as Lessee of the said Lessor certain real property described herein with all improvements located thereon.

1. The Lessor hereby leases to Lessee, and Lessee accepts from the Lessor, a portion of space totaling one thousand ninety-five point seven square feet (1,095.7 sq. ft.) in the **Main Airport Terminal, 3900 Paul J. Helms Dr., Monroe, NC 28110**, consisting of the following:

   Office #9, with a dimension of 12.2 feet by 12.5 feet (or having 152.5 square feet); Office #21, with a dimension of 23.3 feet by 13.25 feet (or having 308.6 square feet); Storage #22, with a dimension of 3.0 by 3.0 (or having 9.0 square feet); and a Reception/Waiting area #23 having 222.2 square feet in dimension; Conference Room #24, with a dimension of 16.6 feet by 24.3 feet (or having 403.4 square feet), in the Charlotte-Monroe Executive Airport Terminal Building, hereinafter called "the Premises" as described on Exhibit A attached hereto and made a part hereof.

2. TERM. The term of this Agreement shall commence on the effective date _____**, 2023** and be for **five (5) years**, with an option to renew for another five (5) years, unless terminated by either Lessee or Lessor with thirty (30) days prior written notice. Written notice of renewal must be provided at least six months prior to end of the first term.

3. RENT. The Lessee shall pay to the Lessor as rental the amount per square foot set forth in the fees schedule by the City of Monroe, which is subject to be reviewed and amended annually. Current rental rate: **$13.00 per sq. ft. per year = $14,244 per year ($1,187 per month)**. At the agreed upon regular intervals of every year, the annual rental shall be adjusted upward to reflect an increase of three (3%) percent during the term of the lease. In no event shall the rental for the current period be less than the rental payable during the previous period. Rent shall be paid monthly in advance on or before the first day of each month and is due upon receipt. Unpaid invoices over thirty (30) days from the invoice date are considered past due. The Lessor will automatically add a 2% delinquent payment penalty to the past due balance or minimum $5 fee, whichever is greater, per month. Lessee shall pay the first month's rent at time of Agreement signing. The Lessor has the right to adjust the rental rate as required, and will provide a 30-day notice of such adjustment.

4. If at any time Lessee fails to pay rent accruing to the Lessor and such amount totals thirty (30) days arrearages, then the parties agree that the Lessor, without any advance notice, may take possession of the leasehold in such a manner as Lessor may deem desirable, including but not limited to locking same until such time as all rentals and other applicable charges have been paid, and such costs of locking said leasehold and other applicable charges have been paid by Lessee. During any period of lockout, Lessor shall not be held liable in any manner for the safe keeping and condition of the Lessee's personal property held within the leasehold. After sixty (60) days from the date when the Lessor takes possession of leasehold and all the property located within and sends notice thereof by certified mail, return receipt requested, to the address listed below under "FORFEITURE FOR NONCOMPLIANCE " or any subsequent address on file with the Lessor, the personal property may be sold for public auction. The remedy provided in this paragraph is in addition to and not in lieu of any other remedies which the Lessor may have by virtue of statute or otherwise. In any action or proceeding for the collection of any sums which become payable according to this Agreement, the Lessee agrees to pay the Lessor a reasonable sum for Lessor's expenses and attorney's fees, if Lessor is the prevailing party.

5. UTILITIES. This Agreement does not include utilities. With the premises being 1,095.7 sq. ft. of the total Main Terminal's 6,166 sq. ft., which constitute 17.7 percent of the building, the Lessee shall be responsible for paying utilities based on the usage for the pro-rata share for that space against the total usage of terminal's square footage.

6. USE OF PREMISES. Lessee covenants that it will use the space for the operation of an aviation-related business and will use the property for no other purpose without the written consent of Lessor. Lessee shall allow the Lessor, or parties it authorizes, to have access to the Conference Room space on twenty-four (24) hours' notice. The Lessor shall notify the Lessee in writing by either a letter provided to Lessee's representative, or by an email to Lessee's representative. Once Lessor provides this notice, access shall be provided for the times and dates requested by Lessor. Failure to do so by Lessee shall be treated as a breach of this lease. Lessee shall conform to all the requirements of applicable federal, state and local statutes, regulations, ordinances and policies, and shall comply in all respects with the rules and regulations duly

adopted by the Lessor in Chapter 131 of the Monroe Code of Ordinances and any other policies applicable to all aircraft storage facilities and fueling at the Charlotte-Monroe Executive Airport. In addition, this Lease Agreement shall be governed by, and the Lessee expressly agrees to, the following:

a. If during the term of this Lease Agreement, the United States Government or any other governmental agency acquires possession of the Premises herein by virtue of any laws now in effect or which may become effective during the term of this Lease Agreement, then this Lease Agreement shall terminate.
b. It is agreed and understood between the parties that during the term of this Lease Agreement or any renewal thereof, the Federal Aviation Agency (FAA) or any other Federal or State agency shall be permitted to enter said Premises.
c. Lessee shall not enter into any transaction which would deprive the Lessor of any of the rights and powers necessary to perform all covenants of the Grant Agreements or other obligations under various type agreements or which would deprive Lessor of rights to terminate this Lease Agreement under the terms herein.
d. The Lessee agrees in its operation and use of said airport, it will not, on the grounds of race, color, creed, age, handicap, sex or natural origin, discriminate or permit discrimination against any person or group of persons in any manner prohibited by Part 15 of the Federal Aviation Regulations as amended or succeeded. The Lessor hereby reserves the right to take such action as the FAA may direct to enforce such covenant of nondiscrimination.

The non-exclusive use of driveway and parking facilities to be provided in the Charlotte-Monroe Executive Airport as required by clients, staff and other necessary personnel connected with the activities to be carried out upon the Premises of the Agreement. The non-exclusive use of such other land and buildings adjoining the properties as is required to enable ingress and egress from doors and other areas leading from and into the Premises is also included.

7. MAINTENANCE AND REPAIRS. The Lessee shall keep the lease space in a neat and well-kept manner and be responsible for all routine repairs and maintenance to the Premises as may be reasonably necessary to keep the same in proper, safe, sanitary, secure and useful condition unless such repairs are agreed to be made by the Lessor. The Lessee shall take reasonable precautions to prevent damage to the Premises from fire or other causes, and to prevent bodily and personal injury.

   The Lessee shall provide all routine janitorial services at its own expense. Provisions for contract janitorial service shall include workman's compensation insurance, general liability insurance and employee bonds.

   At the end of the term of this Agreement or at the earlier termination thereof, Lessee agrees to return said Premises peaceably and promptly in as good as condition as they were in at the beginning of the term (except for ordinary wear and tear), loss by fire or other hazard and depreciation from normal and reasonable usage excepted.

The Lessor shall be responsible for maintenance associated with the structural components of the buildings (such as roof and building shell). Additionally, the Lessor shall maintain the exterior of the building including painting and other related maintenance items. The Lessor shall also maintain landscaping around the buildings.

8. CONFORMANCE TO STATUTES. The Lessee shall comply with all applicable statutes and provisions relating to occupancy by a certain number of persons, building code provisions for kitchens, fire regulations, and provisions governing food preparation and handling and any other governmental rules and regulations which are applicable.

9. STAFFING AND EQUIPMENT. The Lessee shall be responsible for all necessary staffing, programming and operations of the general office purposes in the conduct of its aviation-related business and shall provide all equipment necessary for program operations. All equipment and furnishings owned by the Lessor shall be maintained and operated in a safe and sanitary condition.

10. IMPROVEMENTS BY LESSEE. It is understood and agreed that the Lessee shall make the improvements to the Premises as described in Appendix "B" of this agreement. The improvements to the Premises to be made by Lessee shall be in a color preference and quality subject to the written consent of the Lessor, which consent shall not be unreasonably withheld and given prior to the start of construction, provided such alterations and improvements do not weaken the structural integrity of the building. Work will be completed within the first sixty (60) days after lease execution, utilizing a bonded contractor for the work, and Lessee will hold the Lessor harmless from any liability thereon. Any additional improvements, whether in the form of alterations, additions or painting, cannot be made without the prior written approval of the Lessor, and that such improvements will be at the sole expense of the Lessee who will hold the Lessor harmless from any liability thereon unless said improvements are agreed to be made by the Lessor.

11. INSURANCE. Lessee shall maintain in full force and effect for the period covered by this Lease Agreement insurance coverage against bodily injury, personal injury, including death, property damage insurance, and product liability coverage, if applicable, with an insurance carrier satisfactory to the Lessor. All insurance required herein shall meet the following conditions at all times:

    a. It must cover complete contractual liability and personal injury as well as bodily injury.
    b. Coverage shall contain a provision requiring the insurance carrier to give the Lessor thirty (30) days prior written notice of any cancellations of such insurance, or a reduction in coverage, or any other major change in such insurance.
    c. Coverage must name the City of Monroe as additional insured for liability purposes.
    d. Copies of policies and/or certificates of insurance shall be filed with the Lessor.
    e. Any failure by Lessee to maintain the required insurance shall be deemed a material breach and sufficient cause for termination of this Lease Agreement by the Lessor.

12. HOLD HARMLESS AGREEMENT. Lessee shall indemnify and save harmless Lessor from and against any and all loss, claims, judgment cost including attorney's fees, damages, expense and liability caused by any accident or other occurrence causing bodily injury or property damage to any person or property arising from the use or occupancy of the Premises by the Lessee, and the Lessee, at its own expense, will carry bodily injury insurance in an amount of not less than $1,000,000 combined single limit, naming the Lessor as an additional insured on the policy, in an insurance company acceptable to the Lessor which is authorized to do business in the State of North Carolina, and will furnish certificates of such insurance to the Lessor with the provisions that Lessor will be given thirty days written notice of any intent to terminate or modify such insurance by either Lessee or the insuring company.

    Lessee hereby indemnifies, and shall protect and hold Lessor harmless from and against all liabilities, losses, claims, demands, costs, expenses, and judgments of any nature arising, or alleged to arise, from or in connection with the following, including claims by Lessee and by third parties: (a) any injury to, or the death of any person or loss or damage to property on or about the Premises or any adjoining property arising from or connected with the Lessee's use of the Premises during the term; (b) performance of any labor or services or the furnishing of any materials or other property in respect of the Premises or any part thereof by Lessee or at the Lessee's request; and (c) the storage or use of Hazardous Materials by Lessee, provided, however, nothing contained herein shall allow such storage or use by Lessee. "Hazardous Materials" shall mean hazardous wastes, hazardous substances, hazardous constituents, toxic substances or related materials, whether solids, liquids or gases, including but not limited to substances defined as "hazardous wastes," "hazardous substances," "toxic substances," "pollutants," "contaminants," "radioactive materials," or other similar designations in, or otherwise subject to regulation under, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 ("CERCLA"), 42 U.S.C. §§ 9601 et seq.; the Toxic Substance Control Act ("TSCA"), 15 U.S.C. §§ 2601 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. §§ 1802 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. §§ 9601 et seq.; the Clean Water Act ("CWA"), 33 U.S.C. §§ 1251 et seq.; the Safe Drinking Water Act, 42 U.S.C. §§ 300(f) et seq.; the Clean Air Act ("CAA"), 42 U.S.C. §§ 7401 et seq.; any law, rule, or regulation, federal, state or local, now or hereafter in existence, governing or relating to the creation, use, storage, sale, retention, or transportation of hazardous or toxic substances and wastes; and in the plans, rules, regulations or ordinances adopted, or other criteria and guidelines promulgated pursuant to the preceding laws or other similar laws, regulations, rule or ordinance now or hereafter in effect; and any other substances, constituents or wastes subject to environmental regulations under any applicable federal, state or local law, regulation or ordinance now or hereafter in effect. Lessee will be responsible for any legal costs suffered by the Lessor in defending any action, suit or proceeding brought against Lessor due to any such occurrence.

13. DAMAGE OR DESTRUCTION. It is mutually covenanted and agreed that if, during the term of the Agreement, said Premises as they now exist shall be substantially destroyed by fire, windstorm, tornado, or other casualty, or are otherwise rendered

permanently unusable at the discretion of the Lessor, then this Agreement, at the option of either party and upon ten days' notice in writing to the other party, shall cease and terminate and both parties shall be re from further obligation hereunder. If, however, during the term of this Agreement, the said Premises as they now exist shall be only partly destroyed by fire, windstorm, tornado, or other casualty, or if the Lessor, at its sole discretion, considers the Premises temporarily unusable, then the Lessor, at its discretion, may or may not repair the Premises. Any repairs by the Lessor shall be made as speedily as possible at its own expense. If the Lessor considers the Premises usable, then the required rent shall not abate. If the Lessor considers the Premises unusable, either from damage or destruction or otherwise, then the rent shall abate during the period required for repairs or until the Lessor considers the Premises usable again.

Notwithstanding any other provision of this agreement, the Lessor shall only be responsible for repairing fire or other casualty damage to the extent of the proceeds payable from fire insurance policies in force at the time of the loss.

Damage to such an extent as to render forty percent or more of the floor space unusable for the purposes of the Lessee's operations shall be "a substantial destruction" within the meaning of this agreement, and damage which renders less than forty percent of floor space usable for the purposes of the Lessee's business, but which cannot be repaired within sixty days, shall likewise be deemed "a substantial destruction."

14. WAIVER OF SUBROGATION. The Lessor agrees to maintain fire, extended coverage, vandalism and malicious mischief insurance on the Premises and on personal property of the Lessor contained therein to the extent of its full insurable value; the Lessee shall do the same with respect to its property located in or on the Premises. The Lessor and Lessee hereby mutually release and discharge each other from all claims or liabilities arising from or caused by fire or other casualty covered by the above insurance on the Premises.

15. RIGHT OF INSPECTION. The Lessor shall have, during the term of this Agreement, the right, upon reasonable notice (excepting emergencies), to enter upon the Premises and inspect the same for any and all purposes, provided Lessor shall provide prior reasonable notice to Lessee and shall not unreasonably interfere with Lessee's business conducted on the Premises

16. PROHIBITION OF SUBLEASING. This Agreement may not be assigned or the Premises sub without the written consent of the Lessor.

17. BREACH OF LEASE AGREEMENT. The happening of any one or more of the following listed events shall constitute a breach of this Lease Agreement on the part of the Lessee:

    a. The failure of the Lessee to pay any rent or any other amount payable under this Lease Agreement when the same become due and payable.

b. The failure of the Lessee to perform any term or terms of this Lease Agreement and the failure of the Lessee to remedy such default within a period of 30 days after receipt of written notice to remedy such default.
c. The assignment by Lessee of any or all of the property or assets covered by this Lease Agreement except assignment to and among other commonly owned and affiliated entities of the Lessee, or the subleasing of any of the space by the Lessee.
d. Failure of the Lessee to abide by Chapter 131 of the Monroe Code of Ordinances and any other duly adopted rules, regulations, or policies regulating the use of the Charlotte-Monroe Executive Airport including any duly promulgated rule, regulation, or policy of the FAA or other relevant federal or state agency.
e. The conduct of illegal activities on the Premises.

Upon the happening of any event of default as defined in this Lease Agreement the Lessor may, at its option terminate this Lease Agreement and take possession of personal property of the Lessee from the leasehold. Exercise by Lessor of the right of termination set out herein shall not preclude Lessor from pursuing any other remedy available at law or equity.

18. FORFEITURE FOR NONCOMPLIANCE. It is expressly agreed that if Lessee shall neglect to do and perform any matter or thing herein agreed to be done and performed by it and shall remain in default thereof for a period of thirty (30) days after written notice from Lessor calling attention to such default, Lessor may declare this Agreement terminated and canceled and take possession of said Premises without prejudice to any other legal remedy it may have on account of such default. Said notice may be given to the person at such time in charge of said Premises or sent by registered mail to Lessee addressed at:

    Charter Jet Transport
    3900 Paul J Helms Drive
    Monroe, NC 28110
    Attention: Brandon Atkinson

    It is expressly agreed that if Lessee shall cease to use the property for the operation of its intended aviation business for a continuing, uninterrupted period of 180 days, Lessor may declare this Agreement terminated and cancelled and take possession of said Premises without prejudice to any other legal remedy it may have on account of such default.

19. E-VERIFY REQUIREMENT. Lessee shall comply with the requirements of Article 2 of Chapter 64 of the General Statutes. Further, if Lessee utilizes a subcontractor, Lessee shall require the subcontractor to comply with the requirements of Article 2 of Chapter 64 of the General Statutes.

ENTIRE AGREEMENT

This instrument shall constitute the entire understanding between the parties, superseding any and all previous understandings oral or written pertaining to the subject matter contained herein.

Lessor:

THE CITY OF MONROE, NC

BY: _____
Marion Holloway, Mayor

Attest:

_____
Bridgette Robinson, City Clerk

Lessee:

Charter Jet Transport, LLC

BY: _____
(Print name)

TITLE: _____

SIGNATURE: _____

DATE: _____

Attest:

_____
Treasurer

EXHIBIT A: AEROWOOD LEASE SPACE
AIRPORT MAIN TERMINAL

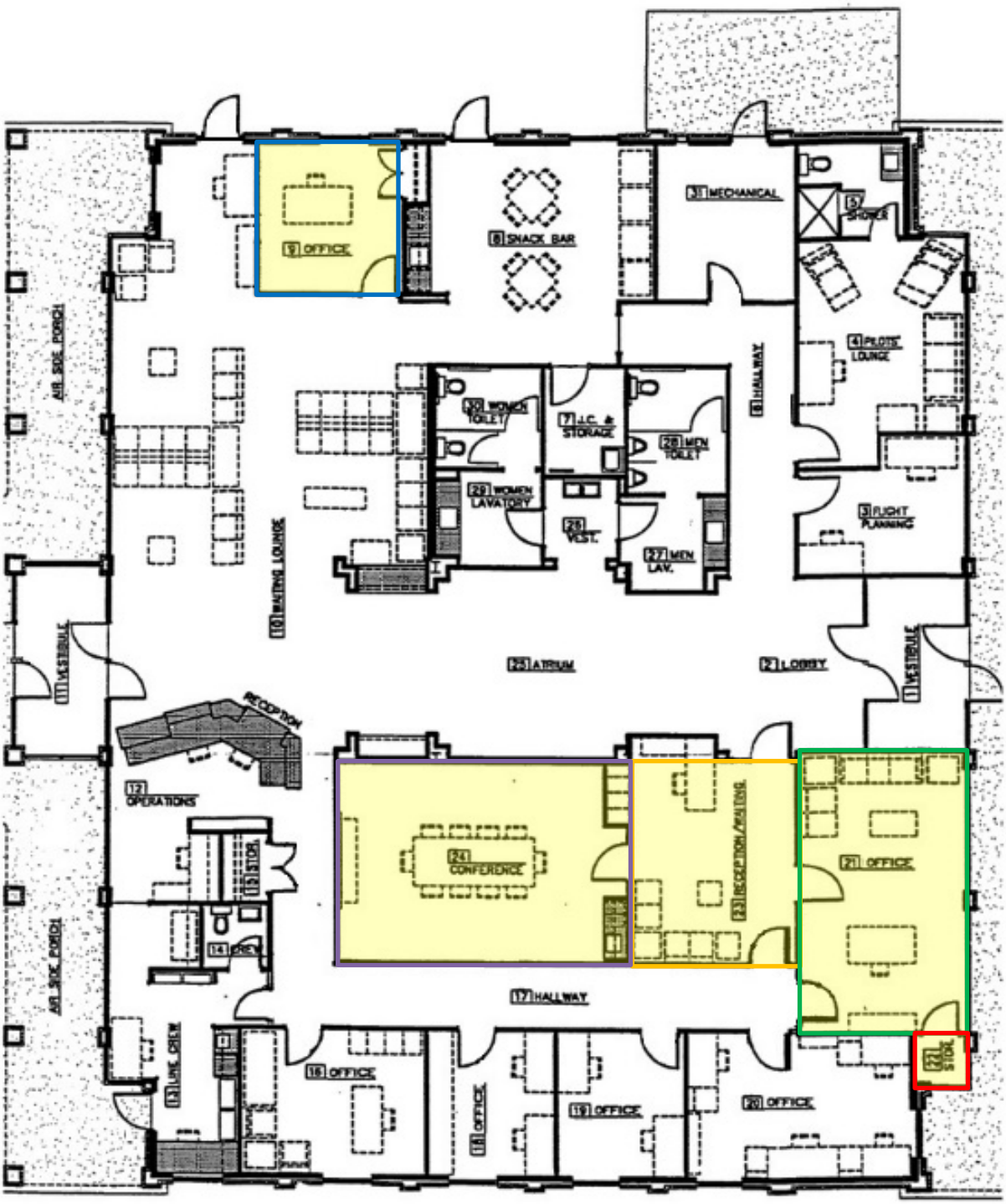

EXHIBIT B: CHARTER JET TRANSPORT'S ITEMIZED LIST OF LEASEHOLD RENOVATIONS

Office #9:

- Remove all wall coverings "wallpaper" from interior walls and replace with primer and paint.
- Remove flooring and replace with new floor covering, along with baseboard.
- Replace the ceiling panels "tiles".

Office #21:

- Remove all wall coverings "wallpaper" from interior walls and replace with primer and paint.
- Remove flooring and replace with new floor covering, along with baseboard.
- Replace overhead lighting.
- Replace the ceiling panels "tiles".

Office #22 (Storage):

- Remove all wall coverings "wallpaper" from interior walls and replace with primer and paint.
- Remove flooring and replace with new floor covering, along with baseboard.
- Replace overhead lighting.
- Replace the ceiling panels "tiles".

Office #23 (Reception Area):

- Remove all wall coverings "wallpaper" from interior walls and replace with primer and paint.
- Remove flooring and replace with new floor covering, along with baseboard.
- Replace overhead lighting.
- Replace the ceiling panels "tiles".
- Remove and replace wall cabinetry and replace with coffee bar.

Office #24 (Conference Room):

- Remove all wall coverings "wallpaper" from interior walls and replace with primer and paint.
- Remove flooring and replace with new floor covering, along with baseboard.
- Replace overhead lighting.
- Replace the ceiling panels "tiles".
- Remove wall cabinetry and TV to replace with projector and electric screen.
- Remove non-working mini refrigerator and replace with a new one.
- Remove existing base cabinets and replace with a more updated/modern version.

STAFF REPORT

TO: General Services Committee

VIA: Brian J. Borne, City Manager

DATE: February 2, 2023

FROM: Debra Chestnut Reed, Director of Human Resources

PREPARED BY: Debra Chestnut Reed, Director of Human Resources

SUBJECT: Diversity, Equity, and Inclusion Committee Funding

SUMMARY STATEMENT

Staff will provide information regarding funding request for the Diversity, Equity, and Inclusion Committee.

REVIEW

Staff is requesting funding for the Diversity, Equity, and Inclusion Committee in the amount of $14,000 for cost related items during the months of February through June 2023. Funding includes cost of a facilitator for six follow-up sessions to provide direction and input, promotional materials, advertising cost, and other necessary cost incurred by the committee.

RECOMMENDATION

Staff request a favorable recommendation from the Committee to proceed with presenting this request to Council at the February 14, 2023 meeting.

CITY OF MONROE
BUDGET AMENDMENT
BA-2023-02

Amendment necessary to appropriate funding for Diversity, Equity, and Inclusion Committee.

General Fund:

Revenues:	
Appropriation from Unassigned Fund Balance	$ 14,000
Expenditures:	
General Government	$ 14,000

Adopted this 14th day of February, 2023.

_____
Marion Holloway, Mayor

Attest:

_____
Bridgette H. Robinson, City Clerk