



TOWN COUNCIL MINUTES

REGULAR MEETING

May 20, 2014

The Kure Beach Town Council held their regular meeting on Tuesday, May 20, 2014 at 6:30 p.m. The Town Attorney was present and there was a quorum of Council present.

COUNCIL MEMBERS PRESENT

Mayor	Dean Lambeth
Mayor Pro Tem	Craig Bloszinsky
Commissioner	Emilie Swearingen
Commissioner	David Heglar
Commissioner	Steve Pagley

STAFF PRESENT

Finance Officer – Arlen Copenhaver
Town Clerk – Nancy Avery
Building Inspector – John Batson
Fire Chief – Harold Heglar
Deputy Town Clerk – Nancy Hewitt

CALL TO ORDER AND WELCOME

Mayor Lambeth called the meeting to order at 6:30 p.m., delivered the invocation and led everyone in the pledge of allegiance.

APPROVAL OF CONSENT AGENDA ITEMS

1. Accept Sandra Whaley's resignation from the Board of Adjustment.
2. Accept Eric Vann's resignation from the Stormwater and Environmental Committee.
3. Approve Bryant Bass to move from an alternate to a regular member on the Board of Adjustment.
4. Appoint Richard Van Ham as an alternate on the Parks and Recreation Advisory Board.
5. Appoint Robin Sack as a member on the Community Center Committee.
6. Approve travel for Mayor Lambeth, Mayor Pro Tem Bloszinsky and Commissioner Pagley to attend the 2014 NCLM Town Hall Day in Raleigh, NC. The cost of meeting registration, hotel accommodations, meals and transportation totals approximately \$1,173.
7. Approve Budget Amendment 14-10 in the amount of \$2,700 for tax collection fees.
8. Approve letter of understanding from Bernard Robinson and Company, LLP, for auditing services.
9. Approve contract from Bernard Robinson and Company, LLP, to audit accounts for FY13-14 at a total of \$15,750.
10. YTD Finance Report
11. Police Department Report – April 2014

12. Fire Department Report – April 2014

13. Approve Meeting Minutes:

- April 10, 2014 budget work session #1
- April 15, 2014 regular session
- April 15, 2014 closed session
- April 23, 2014 budget work session #2

Said budget amendment, letter of understanding and contract are herein incorporated as part of these minutes.

MOTION – Commissioner Heglar made the motion to approve the Consent Agenda items, as presented.

SECOND – Commissioner Pagley

VOTE – Unanimous

ADOPTION OF THE AGENDA

Mayor Lambeth said that Michael Jones from the Pleasure Island Disc Golf Association would be unable to give his presentation and asked that he be removed from the agenda. He also asked that Items #1 and #2 under Old Business be switched.

MOTION – Commissioner Heglar made the motion to approve the agenda, as amended.

SECOND – Commissioner Pagley

VOTE – Unanimous

DISCUSSION AND CONSIDERATION OF PERSONS TO ADDRESS COUNCIL

1. Michael Davenport, 114 Myrtlewood Court – President of the Kure Dunes HOA
Mr. Davenport addressed Council regarding the Town-owned property on Sandman Drive. He stated that the HOA didn't feel a Council meeting was the appropriate forum to discuss this topic and said they'd rather meet with someone from Council in a separate meeting. He presented a schematic of the property on Sandman Drive and said the Kure Dunes HOA had concerns about information they received that the Town was thinking about selling lots on the property. He explained that, when the parcel was conveyed to the Town by the builder, it was a conditional conveyance for the Town to provide storm water run-off for the neighborhood. He said that, in 2000, the Town filled in the retention pond with sand which allows water to be soaked up, creating a drain-off function. The HOA's concern is that structures built on the property will create non-pervious surfaces that would encumber run-off for their subdivision and Beachwalk's subdivision. He said Beachwalk already has a festering issue with Kure Dunes because of primary remediation in their retention pond which, from Beachwalk's perspective, is partially Kure Dunes fault because of the storm water run-off. He also asked Council if the new owners would be subject to Kure Dunes' current restrictive covenants since the deed to the property doesn't reference those covenants. He said he understands the deed is a replacement deed that the builder, Joe Hearne, executed in exchange for an indemnity agreement that theoretically protects Kure Dunes HOA in the event they get sued by Beachwalk; the Town would be responsible for the cost of that defense. He mentioned that the Town hasn't paid HOA dues on the property for the last 15 years because it was supposed to be a retention pond and wasn't subject to the dues; but now that the Town is going to sell it, he wanted to know how it would come back under the restrictive covenant obligations.

He said there is also a practical issue on whether or not it is appropriate for the Town to speculate real estate to be sold for a profit in order to use the money for line item budget issues.

Commissioner Heglar asked Mr. Davenport to recognize that Council is unable to discuss it in confidentiality, unless he or the HOA is offering to purchase the property; if that was the case, Council could call a closed session. He explained that, back in January 2014, Council began looking for property on which to put its garbage trucks because Sunny Point was no longer allowing the trucks to be parked on their land. He said that's when Council looked at Sandman Drive but realized it would be a bad idea to put garbage trucks on the property; but that put the property on Council's radar and they decided to look into how it could be of value to the Town.

Mr. Davenport said that Kure Dunes HOA had no interest in buying the property but if Council is saying that the deed doesn't have anything in writing that restricts its use, it concerns the HOA on the issue of restrictive covenants. He said that, to the extent that Kure Dunes deeded property to the Town, there should be some consideration for the covenants to be enforced. He said that, on the original deed, it was agreed that the Town would take care of Kure Dunes run-off needs and it would assume the remediation responsibilities for the parcels; but, then the Town lost the original deed and the property owner signed the new one. He said he feels that the conveyance is unenforceable if there wasn't a quid pro quo. He said Kure Dunes can't gratuitously give the Town what is conceivably a million dollars' worth of property without having some equitable understanding.

Commissioner Heglar said he wasn't sure if Council would agree and they may need to ask the NC League of Municipalities about it because the storm water has been handled by the Town since the subdivision was built, and that was part of the deal.

Mr. Davenport said that, as far as he knows, the run-off from the former retention pond on Kure Dunes property is being routed to Beachwalk, and that's in writing. He said that Beachwalk is "rattling swords" about that, albeit very discretely at this time.

Commissioner Heglar reminded Mr. Davenport that the Town indemnifies Kure Dunes from that issue.

Mr. Davenport agreed that he has the written and signed indemnity agreement from former Mayor Fuller, but he still doesn't feel fully protected. He said that there's an argument to be made that Kure Dunes HOA can just tender the lawsuit to the Town and not be responsible for the cost of defense. He said, however, that he is more interested in talking to the Town about coming up with a solution.

Commissioner Heglar argued that, if the Town says there's no use for the property, then there's no reason for the Town to keep the property, and he explained that the property sale has nothing to do with balancing the Town's budget.

Mr. Davenport said he feels there's a solution that could address everyone's concerns, but the HOA needs some reassurance from Council.

Commissioner Heglar said he understands they are concerned that Council didn't tell them they were thinking about doing something with the property but said there is an ethical requirement that Council is not allowed to tell individuals or entities they are considering doing something with public property until it is announced in a public meeting in order to give everyone the information at the same time.

Mr. Davenport said that from his perspective, Kure Dunes is the third party beneficiary of the Town's obligations to Beachwalk, with respect to storm water run-off, so Kure Dunes should be given advanced notice because they're a sort of partner to the run-off component for that property. He said that Mayor Lambeth and Town Attorney Canoutas came to their board meeting a few years ago and feels that they gave Kure Dunes HOA the reassurance that they would be given advanced notice about anything going on with the property.

Commissioner Heglar said he agrees that the property should have the same restrictive covenants as the rest of the community, if Council sells the property, unless the Town wants to use it. He said that, if the Town was to ever use the property, it would be used for whatever was best for its citizens. He said if the town wants to put an auxiliary firehouse there, it could do it because of the way the deed was written; but Council is very sensitive to the community's needs and wouldn't build something on the property that would be a nuisance.

Mr. Davenport said it's obvious the property isn't subject to the restrictive covenants since the Town hasn't paid dues on it for 15 years. He stated that, if the Town built something like a firehouse on the property, there would be a "heck of a fight" because the community would certainly feel like that was absolutely counterbalanced with the quid pro quo of a reasonable conveyance. He said that the builder didn't give the Town the deed so the Town could put a firehouse in the neighborhood; those are the types of things that lawsuits are made of. He said the HOA wants to keep something like that from happening.

Mayor Pro Tem Bloszinsky asked if the main reason for talking to Council was to ensure they would require the restrictive covenants on the sale of the property, to which Mr. Davenport responded that was one of their biggest concerns, plus they also want to be good stewards and neighbors to Beachwalk.

Commissioner Heglar said that Council needs to learn more about the property before moving forward. He said it would be good to have a perk test done to see how much water the property is actually absorbing and, if it's substantially different than the area around it, the Town would have an issue that would have to be disclosed during any sale.

Mr. Davenport said that the most important point he wanted to discuss was the run-off issue, to know where the additional water is going to go and if Council has any interest in putting a retention pond somewhere else. He pointed out on the plot schematic the 20,000 square foot parcel of land in Beachwalk, adjacent to the Sandman Drive property.

Mayor Lambeth said that a green space and water garden had been discussed by Council for the Beachwalk and Kure Dunes properties, but Beachwalk wasn't inclined to do

anything with their property. He said that the Town trenched around the Kure Dunes property to get the water off of it, and it runs down the back of Beachwalk's property to their retention ponds.

Commissioner Swearingen asked who owned the Beachwalk property, to which Mayor Lambeth responded that all of the homeowners own it; it is common area.

Mayor Pro Tem Bloszinsky reviewed the two main concerns that Kure Dunes HOA has: they're worried about the restrictive covenants and they're worried about the storm water run-off.

2. Vince Defreitas, 612 Sandman Drive

Mr. Defreitas said he heard Council say that, if they sell the land, they will make a public disclosure.

Mayor Lambeth explained that the Council will hold a public hearing before any decision is made on what to do with the property and the homeowners are welcome to come to the meeting and voice their opinions.

Mr. Defreitas asked if the Town would consider leaving it as an open space.

Commissioner Swearingen said it hasn't even been discussed, and Commissioner Heglar said that Council wants to figure out what all of the options are first.

Mayor Pro Tem Bloszinsky explained that Council's intent was to see how this piece of land could be of benefit to the community: either financially or otherwise. He said the Town paid for the retention pond fill, it maintains the property by cutting the grass, but it doesn't make any tax income from it.

Mayor Lambeth explained that this came about when there was talk of other lots coming available that the Town might need to purchase to extend the Public Works department. He said that's the only reason the Town was considering selling the Sandman Drive property.

Commissioner Pagley agreed with Mayor Lambeth and said that is why the whole thing came up; there were no speculations of shortfalls in the budget.

DISCUSSION AND CONSIDERATION OF COMMITTEE BUSINESS

1. Planning & Zoning (P&Z) Commission

- a. Draft proposal to amend Chapter 19 Zoning, Article III RA-1A Residential District, Division I Generally, Section 84 K Avenue Mixed-use Overlay District, to add subsection E(5)h.

Town Clerk Avery asked Council if they wanted to schedule a public hearing on section E(5)h and explained the issue, as follows: P&Z brought a proposed ordinance for a K Avenue Mixed-use Overlay District to Council at their November 2013 meeting; this was done at the same time that an amendment to the illumination ordinance was brought to Council. Subsequently, two separate public hearings were scheduled in December for each proposed ordinance. There was no section E(5)h in the November paperwork for the

mixed-use ordinance, nor was it in the public hearing documentation in December. But, when P&Z submitted the mixed-use ordinance to Council for approval at their February 2014 meeting, the section had been added, but was mistakenly not pointed out to Council. So, when Council voted to adopt the ordinance, it's not clear if Council saw Section E(5)h had been added. After this discrepancy was discovered by Town staff, the Town Attorney said another public hearing needed to be held to discuss whether or not to add this section to the ordinance.

MOTION – Commissioner Heglar made the motion to advertise a public hearing to be held on June 17, 2014 at 6:00 pm, for the purpose of receiving comments on the draft proposal to amend Chapter 19 Zoning, Article III RA-1A Residential District, Division I Generally, Section 84 K Avenue Mixed-use Overlay District, to add subsection E(5)h.

SECOND – Commissioner Bloszinsky

VOTE – Unanimous

2. Shoreline Access, Beach Protection and Parking (SLABP&P) Committee

a. Signs

Committee Chairperson, Tony Gonsalves, said that the committee came up with an idea to erect a sign at the corner of K Avenue and Fort Fisher Boulevard. There would be multiple signs erected on an 8"x8" post. The top two signs would be permanent, as follows: the top sign would read "Welcome to Town of Kure Beach" and the sign below it would read "Ocean Front Park." He said there would be several, interchangeable signs under the two permanent signs to announce upcoming events at the park. He said that Council could have more interchangeable signs printed, including signs for things like mandatory evacuations, if desired. He demonstrated how the signs could slide in and out and asked for Council's approval to spend \$637.96 out of the committee budget for the post and signs, adding that the interchangeable signs cost \$19 each.

Questions were raised as to how the interchangeable signs would be secured to the post so they wouldn't fall out or go missing, and Mr. Gonsalves suggested trying it out as-is and then working any problems out as they occur.

MOTION – Commissioner Heglar made the motion to approve the expenditure of \$637.96 for a permanent 8"x8" post with multiple directional signs to be installed at the corner of K Avenue and Fort Fisher Boulevard; to be used to advertise Ocean Front Park events and other Town items; the funds are to come from the committee budget.

SECOND – Commissioner Pagley

VOTE – Unanimous

Mr. Gonsalves showed Council the 24 cigarette butt receptacles he put together and demonstrated how they work. He asked Council if they would direct Public Works to install them by Memorial Day. He said he has already explained to Public Works where they should be located.

Mayor Pro Tem Bloszinsky commended Mr. Gonsalves for putting all of the receptacles together on his own.

MOTION – Mayor Lambeth made the motion to direct Public Works to install the 24 cigarette receptacles by Memorial Day, in the locations designated by the Shoreline Access, Beach Protection and Parking Committee.

SECOND – Commissioner Heglar

VOTE – Unanimous

Mr. Gonsalves said he is happy to report that 96% of the signs his committee gave to Public Works are up, but there are four small “prohibited” signs that Public Works can’t find. He said the price to replace the signs would be \$52.03 each, which comes to a grand total of \$222.69 with tax.

Commissioner Swearingen suggested taking the expense out of the Public Works budget to replace the lost signs.

MOTION – Mayor Pro Tem Bloszinsky made the motion to purchase four replacement “prohibited” signs at a cost of \$222.69 with funds from the Public Works budget.

SECOND – Commissioner Heglar

VOTE – Unanimous

Mayor Lambeth asked the Town Clerk if she had gotten the signs for the Dow Chemical site, to which she responded that during the last conversation she had with Intercoastal Contracting, they told her they’d get the signs up by July 4th. She said she told them they had to get them up by June 30th for this fiscal year or there wouldn’t be any money.

Mr. Gonsalves reported that Jimmy Mesimer from Public Works will be going with Assistant Fire Chief Ed Kennedy to secure numbered signs on the lifeguard towers. He said that the 911 emergency dispatch center has a map of Kure Beach showing the numbers of the towers, in case they get any emergency calls.

- b. Authorization to submit CAMA pre application for improvements to E and I Avenues’ public parking areas

Mr. Gonsalves said the Town has an opportunity to request a grant, so he has been working with Diana Woolley to gather the information necessary. He said his committee is looking at improving the beach access parking lots at E and I Avenues and explained how the lots would be paved with pervious and non-pervious materials. He said that distinct parking lines would be painted on the asphalt which will be a benefit to the handicapped and there would be turtle-friendly solar lights that can be turned off. He asked Council to approve submitting a CAMA pre-application. He said that the cost of the project comes to \$72,142 and the Town’s in-kind contribution would be about \$24,047.

Commissioner Swearingen asked why they decided on pavers rather than a Hatteras ramp, to which Mr. Gonsalves said it would be cost-prohibitive.

When asked where the money for the Town’s portion of the project would come from, Finance Officer Copenhaver responded that it would have to come out of next year’s budget from the Contingency Fund.

Mr. Gonsalves said that, if they are able to do anything with the parking lots, it probably wouldn't be done until October or November of this year.

Commissioner Swearingen asked how people would find out that there are handicapped wheelchairs available for the beach, especially if they don't have access to a computer. She said that the Island Women have been working with Carolina Beach to put beach wheelchair information on the handicapped signs at the town's parking lots.

Mr. Gonsalves said that about 95% of the people today are on the internet and the Town's website has ample information on beach wheelchairs. He said the Town doesn't have any signs about the beach wheelchairs.

MOTION – Commissioner Heglar made the motion to approve moving forward to submit a CAMA pre-application for improvements to E Avenue and I Avenue public parking areas.

SECOND – Mayor Pro Tem Bloszinsky

VOTE – Unanimous

DISCUSSION AND CONSIDERATION OF DEPARTMENT HEAD BUSINESS

1. Administration and Finance

- a. Presentation of budget message, draft FY14-15 budget ordinance and fee schedule, with direction to Town Clerk to advertise for public hearing and inspection

Finance Officer Copenhaver reviewed the general information on the budget with Council, including Council's goals that were established at their January 2014 Council retreat. He said that the total budget is a little over \$5.9 million and reviewed the general fund highlights which include no change to the tax rate, the general fund fees or the number of full-time personnel, and also include a 1.5% COLA increase and a 3.5% merit increase for Town employees. He reviewed the expenses and revenues in all of the Town funds and thanked everyone who participated in developing the budget.

Council thanked the Finance Officer for his thorough and efficient work in presenting them with a balanced budget.

MOTION – Commissioner Heglar made the motion to accept the FY 14-15 budget message, draft budget ordinance and proposed revised fee schedule, and to authorize the Town Clerk to advertise the required Public Hearing to be held at Town Hall on Thursday, June 5, 2014 at 6:30 pm, or soon thereafter.

SECOND – Commissioner Swearingen

VOTE – Unanimous

Mayor Lambeth called for a five minute break at 7:50 p.m.

Mayor Lambeth called the meeting back to order at 7:55 p.m.

Before proceeding to the next item on the agenda, Town Clerk Avery informed Council that the installation of the sidewalk on K Avenue is complete. She said that the DOT will be in Kure Beach this Thursday, May 15th, for a final walkthrough, and she asked Council to take a look at it before then in case they have any questions or concerns. She

said that there were no problems with drainage during last week's heavy rainfall and thanked the SLABP&P Committee for their help on the project. She said she also called former Mayor Pro Tem, Chuck Keener, to let him know the project was finished, since he played an important part in it.

b. Computers for Council

Town Clerk Avery said she received a quote of \$6,500 for laptops to be used by Council during their meetings and has already built the funding into the FY 14-15 budget.

Mayor Lambeth said he didn't think it was necessary.

Commissioner Heglar said the Council should have computers available to them so they can view the agenda and packet information on the computer. He said Council should decide if they want computers or I-Pads, whichever is less expensive.

Town Clerk Avery said that it looks like there are still problems getting good Wi-Fi connectivity in the Council Chambers, and she will talk to the IT technician.

CONSENSUS – Council instructed the Town Clerk to purchase five laptops for Council to use during Town meetings; to be purchased with funds from next year's budget.

c. Department Head Evaluations

Town Clerk Avery explained that Council usually spends about 30 minutes evaluating each department head and evaluations should be done before the new fiscal year begins.

Commissioner Heglar suggested doing evaluations before the Public Hearing and Council meeting on Tuesday, June 17, 2014. He suggested scheduling them to begin at 3:30 p.m.

MOTION – Commissioner Heglar made the motion to hold Department Head evaluations at Town Hall on Tuesday, June 17, 2014, beginning at 3:30 p.m., and instructed the Town Clerk to send out the invitation via email so everyone can put it on their schedule.

SECOND – Commissioner Swearingen

VOTE – Unanimous

d. Consideration of attorney candidates for P&Z and BOA

Town Clerk Avery said she received four applications for attorney candidates who would work with P&Z and the BOA. She said she included their resumes in the agenda packet, along with a comparison chart. She asked Council how they wanted to proceed.

Commissioner Heglar suggested discussing it during the Department Head evaluations in a closed session, and he asked that the Town Attorney be there to give his feedback.

CONSENSUS – Council will discuss the proposals for a part-time attorney, with the Town Attorney present, immediately following the Department Head evaluations on Tuesday, June 17, 2014.

2. Building Department

a. Encroachment at 502 North Fort Fisher Boulevard

Building Inspector Batson explained to Council that there is a newly-built house that has front porch steps that encroach on a drainage easement that the Town holds. He said that, 45 days ago, he brought it to the attention of the builder but two weeks ago there were no changes to the steps and the builder had actually built more onto them. He said after getting a copy of the plot survey, it showed the steps didn't meet the easement requirements, so he informed the contractor that he needed to move the steps, and the contractor said he would. He said that several days later he went back and the steps were completely finished. He said he notified the Town Attorney and issued a Stop Work order; then, the property owner hired a real estate attorney who provided case law to the Town Attorney. The case law states that, since the Town isn't using the drainage easement, the property owner has every right to use it for his steps. He said he has now received notice from the Town Attorney that he should release the Stop Work order. He said he just wanted to let Council know about it.

Commissioner Swearingen asked what would happen if the Town needed to use the easement in the future, to which Inspector Batson said that the Town would have the right to dig up the steps to get to the drainage easement.

Town Attorney Canoutas said that he told the property owner's attorney this, and they both understand. He read the case law that states, "The owner of land that is subject to an easement has the right to continue to use his land in any manner and for any purpose that is not inconsistent with the reasonable use and enjoyment of the existing easement." He said that, if the Town isn't going to use it, then the property owner has the right to use it; and Public Works Director Beeker has said he has no use for it.

Inspector Batson asked Council what he should do in the future for this type of situation.

Mayor Pro Tem Bloszinsky said that he should continue to do what he has been doing and, if the property owners oppose it, he can let it move forward as long as he informs them they may have to rip out their encroaching structure if the Town needs access to the easement.

Commissioner Swearingen said that this information always needs to be put in writing to the property owners and sent via certified, return receipt mail, in case there's a problem in the future when this Council is no longer seated.

CONSENSUS – Council instructed the Building Inspector to mail a certified, return-receipt letter to the owner of 502 North Fort Fisher Boulevard to state that the Town will enforce its easement on the deed, if necessary for the interest of the Town. Inspector Batson is to keep a record of the letter so that the Town can prove that the property owner was informed of this.

b. Fencing at the Ocean Front Park

Building Inspector Batson said he obtained a quote of \$4,700 for 50 feet of fencing that Council wanted installed at the Ocean Front Park. He said the quote was high, so he is

looking to get a quote from a different fence company to see if he can get a cheaper quote.

At this point, Inspector Batson asked Council if they wanted to move up the discussion on the Sandman Drive property from Old Business since he was already up at the podium.

MOTION – Commissioner Heglar made the motion to move the discussion on the Sandman Property from item #4 under Old Business forward to item #1 on the agenda.

SECOND – Mayor Lambeth

VOTE – Unanimous

DISCUSSION AND CONSIDERATION OF OLD BUSINESS

1. Sandman Drive Property

Building Inspector Batson said, at their January Council meeting, Council asked him to have a surveyor draw up a plat of the Town's property on Sandman Drive. He said that the Planning and Zoning Commission approved the subdivision plat, as drawn, and the approval will be good for two years. He asked Council if they wanted to approve it so he could go to record the property with the Register of Deeds. He said that the way the lots are drawn meet the intent and structure of the Town ordinances.

Mr. Davenport asked if the subdivision plat addresses the run-off issues that would be created by the additional impervious surfaces from anything built on the property.

Inspector Batson said the lots meet the size requirements for the Town's ordinances, and the way the ordinances are written, storm water would either have to be retained on-site or sent to the street. He said that there are additional instances in Chapter 15 of the Town's ordinance that preclude plats of this size from having to obtain a State storm water permit. He said the Town has a storm water permitting process that is in play within the Town right now and the Town could make a stipulation on each lot's deed that the property owner would have to install and maintain a storm water system on each lot.

Mr. Davenport said that he has letters that were created by the consulting engineer company that did the original storm water permitting for the Kure Dunes and Beachwalk phases. He said the letters were mailed to Linda Lewis at NCDENR in 1998, and they address the additional run-off requirements for additional impervious areas if there are buildings on the plot. He read one of the letters which states, "The Town of Kure Beach does not plan to develop these lots at this time. However, we are requesting that this permit modification include approval for this eventuality to prevent the Town of Kure Beach from having to revisit the Kure Dunes Phase II Stormwater Permit again, in the future." He read another letter that states, "The design capacity for the existing Kure Dunes Phase II pond is 33,050 cubic feet. If the existing pond is removed and eventually developed as four additional lots, the following additional quantity of run-off could be expected;" and then the letter shows another 21,430 square feet of additional run-off. He pointed out that it seems as though 16 years ago there were concerns about whether or not the storm water permitting that was issued for Kure Dunes and Beachwalk would be sufficient to accommodate residential development on these properties. He said he wasn't arguing it wouldn't meet permitting, but he is concerned about the letters and that

Beachwalk's retention pond is already having a difficult time accommodating the current run-off.

Mayor Lambeth said that, at the public hearing, he would recommend that the lots be engineered so that no storm water runs off of them.

Commissioner Heglar said the letter says that, with the four lots built out, the pond is sufficient and has 3,424 cubic feet of surplus capacity in the Beachwalk Ponds for Kure Dunes Phase II storm water storage.

Mr. Davenport said that, elsewhere in the letters, it seems to suggest that it's only sufficient if the retention pond is there.

Commissioner Heglar said there are multiple issues that need to be figured out before the Town can have a public hearing.

Mr. Davenport said that he looked at the replacement deed that was executed in 2008, and it references the property as being designated as a retention pond. He said he's not a qualified real estate lawyer to know whether or not the retention pond designation precludes it from being subject to the restrictive covenants; so they would need to get an engineer's opinion on the run-off issue with a legal opinion from a qualified lawyer on the title issue associated with the restrictive covenants.

Commissioner Heglar volunteered to work with the Kure Dunes and Beachwalk HOAs as the Town's liaison, to work on all of the concerns. He said that Council is not in a hurry to sell the property, but they do want to classify what can be done with it to make a good decision.

CONSENSUS – Council asked Commissioner Heglar to be the Town's liaison to work with Kure Dunes and Beachwalk HOAs to identify all of the issues surrounding the Sandman Drive property and to determine how the Town should move forward.

2. Ad Hoc Committee to study traffic control

This item will be put on the June Council agenda.

3. Adopt 2014 Emergency Operations Plan

Commissioner Heglar said he didn't get any recommended updates from the Department Heads or Council for the Emergency Operations Plan but Commissioner Swearingen had some questions.

Commissioner Swearingen suggested revising the plan to include such things as heavy rainfall from nor'easters and the Sunny Point Buffer Zone.

Commissioner Heglar asked if she expected the Town to execute the emergency plan if the Town has a heavy rainfall, to which she replied that there was a nor'easter some time back that caused sinkholes, road problems for drivers and other hazardous conditions.

Commissioner Heglar said he would consider adding the items in the Hazards Analysis information to address heavy rainfall and the buffer zone.

Commissioner Swearingen also suggested updating Annex B1-A1, Tab A with information on social media communication and adding something about the EOC volunteers in the training section.

Commissioner Heglar said he needs to get additional information from the County to update the training requirements and would consider her proposal at the same time. He asked that Council, with the exception of the training requirements under Annex C, adopt the rest of the plan so the department heads can start their preparation work, in accordance with requirements that the plan be approved prior to June 1st each year.

MOTION – Commissioner Heglar made the motion to adopt the 2014 Emergency Operations Plan, with the exception of Annex C which needs to be updated with training requirements from the County. He will work on the changes and present Annex C to Council at their July meeting for approval.

SECOND – Commissioner Swearingen

VOTE – Unanimous

CONSENSUS – Council instructed the Town Clerk to direct the department heads make preparations for hurricane season 2014, in accordance with the adopted plan.

4. Update on proposed pool installation at 510 North Fort Fisher Boulevard
Mayor Lambeth said that the plans show the pool has been turned sideways so it doesn't extend as far into the dunes as it originally did. He said it used to extend 40 feet, but now it extends only 28 feet. He said the encroachment agreement states that, if the USACE tells the homeowner they have to tear out the pool, they will be required to comply at their own expense, or the Town can tear it out and bill the homeowner for the work.

MOTION – Commissioner Heglar made the motion to approve the encroachment agreement for the pool at 510 North Fort Fisher Boulevard, and, once properly executed, for the building inspector to issue the building permit.

SECOND – Mayor Pro Tem Bloszinsky

VOTE – PASSED four to one, as follows: Mayor Lambeth, Mayor Pro Tem Bloszinsky, and Commissioners Swearingen and Heglar FOR; Commissioner Pagley AGAINST.

DISCUSSION AND CONSIDERATION OF NEW BUSINESS

1. Fort Fisher parking opportunity

Mayor Pro Tem Bloszinsky said he approached the former owner of the Kure Beach Motel to use the lot located on Fort Fisher Boulevard for public parking. He said he mailed the owner a proposal for the Town to pay \$2,000 to use the lot, which the Town would also be responsible for maintaining. He said the owner responded that he would like to have \$7,500 from the Town to use the lot. He suggested dropping the proposal but wanted to know what Council thought about it.

Commissioner Heglar asked if it was a good idea to get the public used to having a parking lot that may one day be taken away from them.

CONSENSUS – Council agreed to withdraw the informal offer to pay the owner \$2,000 to use his lot for parking.

2. Weddings on the beach

Commissioner Swearingen said that she asked the Marketing Committee about marketing weddings in Kure Beach. She said she began looking into it when she received questions from a wedding planner and found that some websites say that weddings aren't allowed on the beach in Kure Beach. She asked if the Town required a permit to have a wedding on the beach, to which Inspector Batson said there was no permit required to have a wedding on the beach. She said the Town may want to take into consideration allowing weddings but no receptions on the beach and would like to see the Town be friendlier regarding beach weddings.

Inspector Batson said he gets a lot of calls from people wanting to have a wedding on the beach. He said that most people just want a simple ceremony on the beach and don't have much of a plan, including where everyone is going to park.

Commissioner Swearingen asked Inspector Batson if he would prohibit a wedding that wanted to erect more than 20 chairs, to which he responded that he would rather not know about it but, if he was asked, he would discourage that amount of chairs. He pointed out that there is no ordinance against having more chairs, though. He said that, over the last year, the Special Events Coordinator, Nikki Keely, has taken over the phone calls about weddings.

Commissioner Swearingen asked for a set of guidelines for weddings on the beach.

Town Clerk Avery reviewed the amount of weddings that are booked at the Ocean Front Park pavilion. She described how the first group of people who had a wedding at the pavilion tried to take the pavilion's nice, white chairs down onto the beach, but it was high tide and there wasn't enough room so they had to bring them back.

Inspector Batson said he has been asked if people could set up huge platforms and arbors, speakers, generators, lights and other equipment on the beach. He warned that too much equipment could impede emergency vehicles getting up and down the beach.

Commissioner Heglar said that he doesn't think the Town should encourage weddings on the beach any more than it already has.

Mayor Lambeth said there should only be walk-on/walk-off weddings allowed on the beach.

Mayor Pro Tem Bloszinsky said that the Town should actually be encouraging the use of the Ocean Front Park pavilion for weddings.

3. Liaisons to Town committees and their responsibilities

Mayor Lambeth said that Eric Vann, who resigned from the Stormwater and Environmental Committee, told him that one of the items on the committee's agenda was Seismic Testing.

BUDGET AMENDMENT
 FISCAL YEAR ENDING JUNE 30, 2014
 AMENDMENT DATE: 04/23/2014

Budget Amendment No.: 14-10

DESCRIPTION/PURPOSE OF AMENDMENT

Tax collection expenses are higher than anticipated due to a higher collection percentage and a billing from New Hanover County that related to FY 2013 that was not received until after the FY 2013 accounting records were closed. Additionally, the tax collection and credit/debit card fees relating to the Tag and Tax Together Program are higher than originally estimated. The offset to the increase in the tax collection expenses is the additional tax revenue received in excess of the budgeted amount.

ACCOUNTS AFFECTED

<u>Account No.</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
10-460-45-00	NHC Tax Collection Fee	\$500	
10-460-45-01	Motor Vehicle Tax Collection Fee	\$2,200	
10-301-00-00	Ad Valorem Tax - Current		\$500
10-301-01-00	Motor Vehicle Tax		\$2,200

NOTE: (a) Budget Officer may transfer between line item expenditures without limitation and without a report being required up to \$10,000 at any one time. (b) The Budget Officer may transfer amounts within departments and of the same fund and reported as part of the financial statements. He/She shall make an official report immediately to Council on such transfers. (c) The Budget Officer may not transfer amounts between funds without prior Council action.

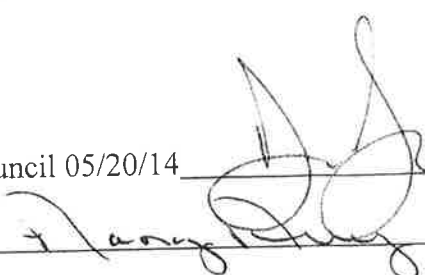
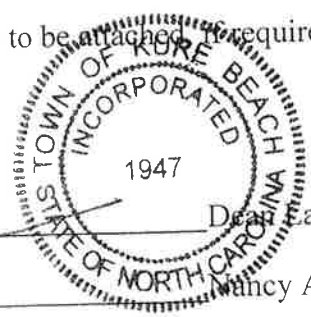
Requested By: Arlen Copenhaver, Finance/Budget Officer Date: 04/23/14

Approved By: Arlen Copenhaver, Finance/Budget Officer Date: 04/23/14

(Copies of actions/directives from Council Meeting to be attached if required as per NOTE above).

Approved by Council 05/20/14

ATTEST: _____

Dean Lambeth, Mayor

Nancy Avery, Town Clerk

April 15, 2014

Town of Kure Beach, North Carolina
117 Settlers Lane
Kure Beach, North Carolina 28449

We are pleased to confirm our understanding of the services we are to provide the Town of Kure Beach, North Carolina for the year ending June 30, 2014. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Town of Kure Beach, North Carolina as of and for the year ending June 30, 2014. Accounting standards generally accepted in the United States of America ("GAAP") provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Town of Kure Beach, North Carolina's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Town of Kure Beach, North Carolina's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis.
- Law Enforcement Officers' Special Separation Allowance – Schedule of Funding Progress
- Law Enforcement Officers' Special Separation Allowance – Schedule of Employer Contributions
- Other Postemployment Benefits – Schedule of Finding Progress.
- Other Postemployment Benefits – Schedule of Employer Contributions.

We have also been engaged to report on supplementary information other than RSI that accompanies the Town of Kure Beach, North Carolina's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to

the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

- Budgetary comparison of the general fund.
- Individual major and nonmajor fund financial statements and schedules.
- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Year Levy

Audit Objective

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles in the United States of America and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of accounting records and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the Town of Kure Beach, North Carolina's financial statements. Our report will be addressed to the Honorable Mayor and Members of the Town Council of the Town of Kure Beach, North Carolina. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the 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 may withdraw from this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You agree to assume all management responsibilities relating to the financial statements, related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities, for the selection and application of accounting principles; and for the preparation and fair presentation in the financial statements in conformity with accounting principles generally accepted in the United States of America.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Town of Kure Beach, North Carolina's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance, and we will not express such an opinion.

Engagement Administration, Fees, and Other

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

The audit documentation for this engagement is the property of Bernard Robinson & Company, L.L.P. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the North Carolina Local Government Commission or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Bernard Robinson & Company, L.L.P. personnel.

Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. The audit documentation for this engagement will be retained for a minimum of five years after the report release or for any additional period requested by the Town.

We expect to begin our audit in August 2014 and to issue our reports no later than October 31, 2014. Victor Blackburn is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$15,750. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our 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. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

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

Very truly yours,

Bernard Robinson & Company, L.L.P.

BERNARD ROBINSON & COMPANY, L.L.P.

RESPONSE:

This letter correctly sets forth the understanding of the management of the Town of Kure Beach, North Carolina.

By: _____

Title: _____

Date: _____

CONTRACT TO AUDIT ACCOUNTS**Town of Kure Beach, North Carolina**Of _____
Governmental Unit and Discretely Presented Component Unit (DPCU) if applicableOn this 15th day of April, 2014,Auditor: Bernard Robinson & Company, L.L.P. Auditor Mailing Address: 1501 Highwoods Blvd, Ste. 300Greensboro, North Carolina 27410 Hereinafter referred to as The Auditorand Town Council (Governing Board (s)) of the Town of Kure Beach, North Carolina

: hereinafter referred to as the Governmental Unit (s), agree as follows:

Governmental Unit (s)

1. The Auditor shall audit all statements and disclosures required by generally accepted accounting principles (GAAP) and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit (s) for the period beginning July 1, 2013, and ending June 30, 2014. The non-major combining, and individual fund statements and schedules shall be subjected to the auditing procedures applied in the audit of the basic financial statements and an opinion will be rendered in relation to (as applicable) the governmental activities, the business-type activities, the aggregate DPCU's, each major governmental and enterprise fund, and the aggregate remaining fund information (non-major government and enterprise funds, the internal service fund type, and the fiduciary fund types).
2. At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with generally accepted auditing standards. The Auditor shall perform the audit in accordance with *Government Auditing Standards* if required by the State Single Audit Implementation Act, as codified in G.S. 159-34. If required by OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, the Auditor shall perform a Single Audit. This audit and all associated workpapers may be subject to review by Federal and State agencies in accordance with Federal and State laws, including the staffs of the Office of State Auditor (OSA) and the Local Government Commission (LGC). If the audit and/or workpapers are found in this review to be substandard, the results of the review may be forwarded to the North Carolina State Board of CPA Examiners (NC CPA Board).

County and Multi-County Health Departments: The Office of State Auditor will designate certain programs that have eligibility requirements to be considered major programs in accordance with OMB Circular A-133 for the State of North Carolina. The LGC will notify the auditor and the County and Multi-Health Department of these programs. A County or a Multi-County Health Department may be selected to audit any of these programs as major.

3. If an entity is determined to be a component of another government as defined by the group audit standards - the entity's auditor will 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 unqualified opinion being rendered. The audit shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract.
5. If this audit engagement is subject to the standards for audit as defined in *Government Auditing Standards*, 2011 revisions, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in *Government Auditing Standards*. The Auditor agrees to provide a copy of their most recent peer review report regardless of the date of the prior peer review report to the Governmental Unit and the Secretary of the LGC prior to the execution of the audit contract (See Item 22). **If the audit firm received a peer review rating other than pass, the Auditor shall not contract with the Governmental Unit without first contacting the Secretary of the LGC for a peer review analysis that may result in additional contractual requirements.**

If the audit engagement is not subject to Government Accounting Standards or if financial statements are not prepared in accordance with GAAP and fail to include all disclosures required by GAAP, the Auditor shall provide an explanation as to why in an attachment.

6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to the State and Local Government Finance Division (SLGFD) within four months of fiscal year end. Audit report is due on: October 31, 2014. If it becomes necessary to amend this due date or the audit fee, an amended contract along with a written explanation of the delay must be submitted to the Secretary of the LGC for approval.

Contract to Audit Accounts (cont.) Town of Kure Beach, North Carolina
 Name of Governmental Unit and Discretely Presented Component Unit's (DPCU) if applicable

7. It is agreed that generally accepted auditing standards include a review of the Governmental Unit's systems of internal control and accounting as same relates to accountability of funds and adherence to budget and law requirements applicable thereto; that the Auditor will make a written report, which may or may not be a part of the written report of audit, to the Governing Board setting forth his findings, together with his recommendations for improvement. That written report must include all matters defined as "significant deficiencies and material weaknesses" in AU-C 265 of the *AICPA Professional Standards (Clarified)*. The Auditor shall file a copy of that report with the Secretary of the LGC.
8. All local government and public authority contracts for audit or audit-related work require the approval of the Secretary of the LGC. This includes annual or special audits, agreed upon procedures related to internal controls, bookkeeping or other assistance necessary to prepare the Governmental Unit's records for audit, financial statement preparation, any finance-related investigations, or any other audit-related work in the State of North Carolina. **Invoices for services rendered under these contracts shall not be paid by the Governmental Unit until the invoice has been approved by the Secretary of the LGC.** (This also includes any progress billings.) [G.S. 159-34 and 115C-447] All invoices for Audit work must be submitted by email in PDF format to the Secretary of the LGC for approval. The invoices must be sent to: lgc.invoice@nctreasurer.com. Subject line should read "Invoice – [Unit Name]. The PDF invoice marked 'approved' with approval date will be returned by email to the Auditor to present to the Governmental Unit for payment. Approval is not required on contracts and invoices for system improvements and similar services of a non-auditing nature.
9. In consideration of the satisfactory performance of the provisions of this contract, the Governmental Unit shall pay to the Auditor, upon approval by the Secretary of the LGC, the following fee, which includes any cost the Auditor may incur from work paper or peer reviews or any other quality assurance program required by third parties (Federal and State grantor and oversight agencies or other organizations) as required under the Federal and State Single Audit Acts:

Year-end bookkeeping assistance – [For audits subject to Government Auditing Standards, this is limited to bookkeeping services permitted by revised Independence Standards] None

Audit \$12,250

Preparation of the annual financial statements \$3,500

Prior to submission of the completed audited financial report, applicable compliance reports and amended contract (if required) the Auditor may submit invoices for approval for services rendered, not to exceed 75% of the total of the stated fees above. If the current contracted fee is not fixed in total, invoices for services rendered may be approved for up to 75% of the prior year audit fee. The 75% cap for interim invoice approval for this audit contract is \$ 11,812 **** NA if no interim billing**

10. If the Governmental Unit has outstanding revenue bonds, the Auditor shall include documentation either in the notes to the audited financial statements or as a separate report submitted to the SLGFD along with the audit report, a calculation demonstrating compliance with the revenue bond rate covenant. Additionally, the Auditor should be aware that any other bond compliance statements or additional reports required in the authorizing bond documents need to be submitted to the SLGFD simultaneously with the Governmental Unit's audited financial statements unless otherwise specified in the bond documents.
11. 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 and all of its component units prepared in accordance with GAAP, (c) supplementary information requested by the client 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 as soon as practical after the close of the accounting period.
12. If the audit firm is required by the NC CPA Board or the Secretary of the LGC to have a pre-issuance review of their audit work, there must be a statement added to the engagement letter specifying the pre-issuance review including a statement that the Governmental Unit will not be billed for the pre-issuance review. The pre-issuance review must be performed **prior** to the completed audit being submitted to the LGC. The pre-issuance report must accompany the audit report upon submission to the LGC.
13. The Auditor shall electronically submit the report of audit to the LGC when (or prior to) submitting the 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 SLGFD by any interested parties. Any subsequent revisions to these reports must be sent to the Secretary of the LGC. These audited financial statements are used in the preparation of official statements for debt offerings (the Auditors' opinion is not included) by municipal bond rating services to fulfill secondary market disclosure requirements of the Securities and Exchange Commission and other lawful purposes of the Governmental Unit without subsequent consent of the

Town of Kure Beach, North Carolina

Contract to Audit Accounts (cont.) _____
Name of Governmental Unit and Discretely Presented Component Unit's (DPCU) if applicable

Auditor. If it is determined by the LGC that corrections need to be made to the Governmental Unit's financial statements, they should be provided within three days of notification unless, another time frame is agreed to by the LGC.

If the OSA designates certain programs to be audited as major programs, as discussed in item #2, a turnaround document and a representation letter addressed to the OSA shall be submitted to the LGC.

The LGC's process for submitting contracts, audit reports and Invoices is subject to change. Auditors should use the submission process in effect at the time of submission. The most current instructions will be found on our website: <https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx>

14. 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 varied or changed to include the increased time and/or compensation as may be agreed upon by the Governing Board and the Auditor
15. If an approved contract needs to be varied or changed for any reason, the change must be made in writing, signed and dated by all parties and pre-audited if the change includes a change in audit fee. This document and a written explanation of the change must be submitted by email in PDF format to the Secretary of the LGC for approval. The portal address to upload your amended contract and letter of explanation documents is <http://nctreasurer.slgfd.leapfile.net> No change shall be effective unless approved by the Secretary of the LGC, the Governing Board, and the Auditor.
16. Whenever the Auditor uses an engagement letter with the Governmental Unit, Item #17 is to be completed by referencing the engagement letter and attaching a copy of the engagement letter to the contract to incorporate the engagement letter into the contract. In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract will control. Engagement letter terms are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item #23 of this contract. Engagement letters containing indemnification clauses will not be approved by the LGC.
17. Special provisions should be limited. Please list any special provisions in an attachment. **None**
18. 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 issued and the DPCU is included in the primary government audit, the DPCU must be named along with the parent government on this audit contract. Signatures from the DPCU Board chairman and finance officer also must be included on this contract.
19. The contract must be executed, pre-audited, physically signed by all parties including Governmental Unit and Auditor signatures and submitted in PDF format to the Secretary of the LGC. The current portal address to upload your contractual documents is <http://nctreasurer.slgfd.leapfile.net> Electronic signatures are not accepted at this time. Included with this contract are instructions to submit contracts and invoices for approval as of April, 2014. These instructions are subject to change. Please check the NC Treasurer's web site at www.nctreasurer.com for the most recent instructions.
20. The contract is not valid until it is approved by the LGC Secretary. 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.
21. 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.
22. Municipal & County Contracts: The Auditor acknowledges that any private employer transacting business in this State who employs 25 or more employees in this State must, when hiring an employee to work in the United States, use E Verify to verify the work authorization of the employee in accordance with N.C.G.S. §64 26(a). The Auditor acknowledges further that any such private employer and its subcontractors must comply with all of the requirements of Article 2 of Chapter 64 of the North Carolina General Statutes (North Carolina's E-verify law), and that such private employer has a duty under the law to ensure compliance by its subcontractors. The Auditor further acknowledges that this contract is of the type governed by S.L. 2013-418, which makes it unlawful for a local government to enter into certain types of contracts unless the contractor and its subcontractors comply with North Carolina's E-verify law, and that failure to comply with such law could render this contract void. The Auditor hereby covenants, warrants and represents for itself and its subcontractors that with respect to this contract the Auditor and its subcontractors shall comply with the provisions of North Carolina's E-verify law and that failure to comply with such law shall be deemed a breach of this contract and may render this contract void.
23. All of the above paragraphs are understood and shall apply to this contract, except the following numbered paragraphs shall be deleted: (See Item 16 for clarification). **None**

Town of Kure Beach, North Carolina

Contract to Audit Accounts (cont.)

Name of Governmental Unit and Discretely Presented Component Unit's (DPCU) if applicable

Communication regarding audit contract requests for modification or official approvals will be sent to the email addresses provided in the spaces below.

Audit Firm Signature:

Bernard Robinson & Company, L.L.P.

Name of Audit Firm

By Victor Blackburn

Authorized Audit firm representative name: Type or print

Victor Blackburn

Signature of authorized audit firm representative

vblackburn@brccpa.com

Email Address of Audit Firm:

Date 4/15/14

Governmental Unit Signatures:

By Dean Lambeth, Mayor

Mayor / Chairperson: Type or print name and title

Signature of Mayor/Chairperson of governing board

Date

By

DPCU Chairperson: Type or print name and title

Signature of Chairperson of DPCU if applicable

Date

Unit Signatures (continued):

By n/a

Chair of Audit Committee - Type or print name

**

Signature of Audit Committee Chairperson

Date

** If Governmental Unit has no audit committee, this section should be marked "N/A."

PRE-AUDIT CERTIFICATE: Required by G.S. 159-28 (a)

This instrument has been preaudited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act. Additionally, the following date is the date this audit contract was approved by the governing body.

By Arlen Copenhaver

Governmental Unit Finance Officer: Type or print name

Finance Officer Signature

acopenhaver@townofkurebeach.org

Email Address of Finance Officer

Date

(Pre-audit Certificate must be dated.)

Date Governing Body Approved Audit Contract - G.S. 159-34(a)

Board Approval Date - Primary Government

Board Approval Date - DPCU

Contract to Audit Accounts (cont.)

Name of Governmental Unit and Discretely Presented Component Unit's (DPCU) if applicable

Steps to Completing the Audit Contract

1. Complete the Header Information – NEW: If a DPCU is subject to the audit requirements as 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 issued for the DPCU and is to be included in the Primary Government's audit, the DPCU must be named with the parent government on this Audit contract. The Board chairman of the DPCU also must sign the Audit contract.
2. Item No. 1 – Complete the period covered by the audit
3. Item No. 6 – Fill in the audit due date. For Governmental Unit (s), the contract due date can be no later than 4 months after the end of the fiscal year, even though amended contracts may not be required until a later date.
4. Item No. 8 – if the process for invoice approval instructions changed, the Auditor should make sure he and his administrative staff are familiar with the current process. Instructions for each process can be found at the following link. <https://www.nctreasurer.com/slgl/Pages/Audit-Forms-and-Resources.aspx>
5. Item No. 9 – Complete the fee section as in the past but please note:
 - The cap on interim payments is 75% of the current audit fee for services rendered if the contracted fee amount is a fixed amount. If any part of the fee is variable, interim payments are limited to 75% of the prior year's total audit fee. If the contract fee is partially variable, we will compare the authorized interim payment on the contract to 75% of last year's actual approved total audit fee amount according to our records. There is a report of audit fees paid by each governmental unit on our web site: <https://www.nctreasurer.com/slgl/Pages/Non-Audit-Services-and-Audit-Fees.aspx> - Auditors and Audit Fees. Please call or email Steven Holmberg of our office at 919-807-2394 steven.holmberg@nctreasurer.com if you have any questions about the fees on this list.
 - For variable fees for services, are the hourly rates or other rates clearly stated in detail? If issued separately in an addendum, has the separate page been acknowledged in writing by the Governmental Unit?
 - For fees for services that are a combination of fixed and variable fees, are the services to be provided for the fixed portion of the fee clearly stated? Are the hourly rates or other rates clearly stated for the variable portion of the fee? See previous bullet point regarding variable fees.
 - If there is to be no interim billing, please indicate N/A instead of leaving the line blank.
6. Item No. 16 – If there is a reference to an engagement letter or other document (ex: Addendum), has the engagement letter or other document been acknowledged by the Governmental Unit and attached to the contract submitted to the SLGFD?
 - a. Do the terms and fees specified in the engagement letter agree with the Audit contract? *"In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract will control."*
 - b. Does the engagement letter contain an indemnification clause? **The audit contract will not be approved if there is an indemnification clause – refer to LGC Memo # 986.**

Town of Kure Beach, North Carolina

Contract to Audit Accounts (cont.)

Name of Governmental Unit and Discretely Presented Component Unit's (DPCU) if applicable

7. Item No. 22 – E-verify requirements now apply to **all municipal and county contracts**, including the audit contract. There is no e-verify requirement for the audit contract for other types of entities. The best approach to meeting e-verify requirements may be for the municipal or county local government to have its vendors with 25 or more employees in the State of North Carolina sign a document attesting that they have complied with the e-verify requirements for their staff and their sub-contractors. This language is included in Item 22 of the audit contract. Any municipal or county contracts executed Sept 4, 2013 or later whose audit firm has 25 or more employees in the State of North Carolina will need the addendum/language and will be returned to the unit if it is not included. If the e-verify requirements do not apply to your contract, either because you are a city or county but your audit firm has less than 25 employees, or you are an entity to which e-verify does not apply, please mark Item #22 “N/A” or exclude Item #22 by specifically excluding it in Item #23.
8. Signature Area – Make sure all signatures have been obtained. **The contract must be approved by your Governing Board pursuant to G.S. 159-34(a).** NEW - If this contract includes auditing a DPCU that is a Public Authority under the Local Government Budget and Fiscal Control Act it must be named in this Audit contract and the Board chairperson of the DPCU **must also sign** the Audit contract in the area indicated. If the DPCU has a separate Audit, a separate Audit contract is required for the DPCU.
9. Please place the date the Unit's Governing Board and the DPCU's governing Board (if applicable) approved the audit contract in the space provided.
 - a. Please make sure that you provide email addresses for the audit firm and finance officer as these will be used to communicate official approval of the contract.
 - b. Has the pre-audit certificate been signed and dated by the appropriate party?
 - c. Has the name and title of the Mayor or Chairperson of the Unit's Governing Board and the DPCU's Chairperson (if applicable) been typed or printed on the contract and has he/she signed in the correct area directly under the Auditor's signature?
10. If the Auditor is performing an audit under the yellow book or single audit rules, has year-end bookkeeping assistance been limited to those areas permitted under the revised GAO Independence Standards? Although not required, we encourage Governmental Units and Auditors to disclose the nature of these services in the contract or an engagement letter. Fees for these services should be shown in the space indicated in Item 9 of the contract.
11. Has the most recently issued peer review report for the audit firm been included with the contract? This is required if the audit firm has received a new peer review report that has not yet been forwarded to us. The audit firm is only required to send the most current Peer Review report to us once – not multiple times.
12. After all the signatures have been obtained and the contract and is complete, please convert the contract and all other supporting documentation to be submitted for approval into a PDF copy. Peer Review Reports should be submitted in a separate PDF file. These documents should be submitted using the most current submission process which can be obtained at the NC Treasurer's web site – <https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx>.

Commissioner Swearingen said she watched Mo Linquist put it on the committee's agenda but she is only a liaison and is not going to tell the committees what they can put on their agendas. She said she was on her way to appear at the Carolina Beach Town Council meeting when discussion took place, so she wasn't there to know what happened. She said she didn't discuss it or provide the committee with information.

Mayor Lambeth said he would ask Ms. Linquist why she brought it up.

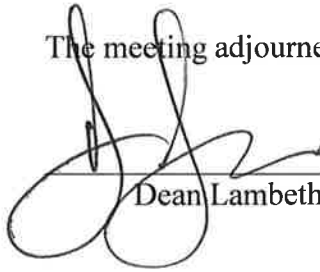
ADJOURNMENT

MOTION – Commissioner Heglar made the motion to adjourn.

SECOND – Mayor Pro Tem Bloszinsky

VOTE – Unanimous

The meeting adjourned at 8:55 p.m.



Dean Lambeth, Mayor



ATTEST:



Nancy Hewitt, Deputy Town Clerk

NOTE: These are action minutes reflecting items considered and actions taken by Council. These minutes are not a transcript of the meeting. Persons wishing to hear the recording of this meeting may request to do so by contacting the Town Clerk.