



REQUEST FOR BOARD ACTION

ITEM NO. 15,

DATE OF MEETING: August 4, 2014

REQUESTED BY: Bob Murphy, Interim County Manager

SHORT TITLE: Presentation and Resolution Accepting the FY 12-13 County Audit; Overview of the FY 13-14 Audit Process; Resolution Authorizing FY 14-15 Contracts and Purchase Orders for Audit and other Financial Services

BACKGROUND: Alan Thompson of Thompson, Price, Scott, Adams & Co., P.A. is present to review the FY 12-13 County audit. The audit (in draft form) has been completed and delivered to the County and LGC. Mr. Thompson will also present an overview of the proposed FY 13-14 audit process for which the audit is due the LGC by October 31, 2014.

Several contract and purchase order approvals are requested to be authorized by the Board for contracted services related to audit services and other financial services for FY 14-15:

1. Contract and purchase order approval for the County's auditing firm Thompson, Price, Scott, Adams & Co., P.A. for preparing the FY 13-14 county audit: \$35,500. This contract is subject to LGC approval.
2. Contract and purchase order approval for the firm of Nelson Price & Associates for reconciling FY 13-14 books, preparing journal entries, providing requested information to the auditors, coordinating all work necessary for the audit process, preparing reports as required by the LGC, and other tasks necessary to prepare for and complete the FY 13-14 county audit: Not-to-exceed \$24,000. This contract is subject to LGC approval.
3. A purchase order to Rick Benton, d/b/a Benton Consulting Services for providing management consulting services including facilitating county management transition and assisting the Board in facilitating financial operating issues and requirements: Not-to-exceed \$27,500. This contract has been approved by the Board, and does not require LGC approval, as it does not provide for auditing services.

SPECIFIC ACTION REQUESTED: To consider a resolution accepting the FY 12-13 County audit as presented by Mr. Thompson (subject to LGC approval); and authorizing contract and purchase order approval to: 1) Thompson, Price, Scott, Adams & Co., P.A. in the amount of \$35,500; 2) Nelson Price & Associates, in an amount not to exceed \$24,000; and 3) authorizing a purchase order for Rick Benton d/b/a Benton Consulting Services in an amount not to exceed \$27,500.

COUNTY MANAGER'S RECOMMENDATION

Respectfully recommend approval.

Dum

Initial

RESOLUTION

NOW, THEREFORE BE IT RESOLVED by the Pender County Board of Commissioners that:

the Board of Commissioners has been presented the FY 12-13 audit and hereby accept the audit report as presented subject to LGC approval; and the following contracts and/or purchase orders and amounts are hereby authorized: 1) a contract and purchase order to Thompson, Price, Scott, Adams & Co., P.A. in the amount of \$35,000 (Account 660-404501); 2) a contract and purchase order to Nelson Price & Associates an amount not to exceed \$24,000 (Account 660-404501); and 3) a purchase order to Rick Benton d/b/a Benton Consulting Services in an amount not to exceed \$27,500 (Account 660-404500). The contracts to Thompson, Price, Scott, Adams & Co., P.A. and Nelson Price & Associates are subject to Local Government Commission approval.

The Chairman/County Manager is authorized to execute any/all documents necessary to implement this resolution.

AMENDMENTS:

MOVED _____ SECONDED _____

APPROVED _____ DENIED _____ UNANIMOUS

YEA VOTES: Williams ___ McCoy ___ Brown ___ Tate ___ Ward ___

J. David Williams, Chairman

8/4/14
Date

ATTEST

8/4/14
Date

CONTRACT TO AUDIT ACCOUNTS
Of PENDER COUNTY
Governmental Unit

On this 16TH day of JUNE, 2014, THOMPSON, PRICE, SCOTT, ADAMS & CO, PA
Auditor
ADAMS & CO, PA PO BOX 398, WHITEVILLE, NC 28472
Mailing Address

_____ hereinafter referred to as
the Auditor, and THE BOARD OF COMMISSIONERS of PENDER COUNTY
Governing Board Governmental Unit
to as the Governmental Unit, agree as follows:

- 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 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 discretely presented component units, 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).
- 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 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).
- This contract contemplates an unqualified opinion being rendered. If financial statements are not prepared in accordance with GAAP, or the statements fail to include all disclosures required by GAAP, please provide an explanation for that departure from GAAP in an attachment.
- 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
- 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*, the Auditor shall provide an explanation as to why in an attachment. N/A
- 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.
- 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.
- 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] The process for

Contract to Audit Accounts (cont.) PENDER COUNTY
(Name of Governmental Unit)

invoice approval has changed. 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 through the portal at: <http://nctreasurer.slgfd.leapfile.net>. Subject line should read "Invoice - only. The PDF invoice marked 'approved' with approval date will be returned by email to the Auditor for them 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] N/A

Audit \$35,500

Preparation of the annual financial statements N/A

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 \$ 26,625**

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 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.

The LGC's process for submitting contracts, audit reports and Invoices are 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>

In addition, if the OSA designates certain programs to be audited as major programs, a turnaround document and a representation letter addressed to the OSA shall be submitted to the LGC.

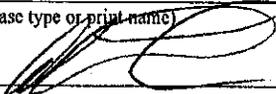
14. Should circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Governing Board in writing of the need for such additional investigation and the additional compensation required therefore. 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

Contract to Audit Accounts (cont.) PENDER COUNTY
(Name of Governmental Unit)

is <http://notreasurer.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 22 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. **ENGAGEMENT LETTER ATTACHED**
- 18. A separate contract should not be made for each division to be audited or report to be submitted. A separate contract must be executed for each component unit which is a local government and for which a separate audit report is issued.
- 19. The contract must be executed, pre-audited, physically signed by all parties and submitted in PDF format including Governmental Unit and Auditor signatures 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 2013. 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. All of the above paragraphs are understood and shall apply to this contract, except the following numbered paragraphs shall be deleted: (See Item 16.) N/A
- 23. All communications regarding audit contract requests for modification or official approvals will be sent to the email addresses provided in the spaces below.

Audit Firm Signature:
Firm THOMPSON, PRICE, SCOTT, ADAMS & CO, PA

By ALAN W. THOMPSON
(Please type or print name)

(Signature of authorized audit firm representative)

Email Address of Audit Firm:
alanthompson@tpsacpas.com

Date 7/16/2014

Governmental Unit Signatures:
By DAVID WILLIAMS, CHAIR
(Please type or print name and title)

(Signature of Mayor/Chairperson of governing board)

Date _____

Date Governing Body Approved Audit Contract - G.S. 159-34(a)
Governmental Unit Signatures (continued):

Unit Signatures (continued): N/A
(Chair of Audit Committee- please type or print name)

(Signature of Audit Committee Chairperson)

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

Michael W. Apple
Governmental Unit Finance Officer (Please type or print name)

(Signature)

Email Address of Finance Officer
MAAPPLE@pendercountync.gov

Date _____
(Preaudit Certificate must be dated.)



Thompson, Price, Scott, Adams & Co, P.A.

P.O. Box 398

1626 S Madison Street

Whiteville, NC 28472

Telephone (910) 642-2109

Fax (910) 642-5958

Alan W. Thompson, CPA

R. Bryon Scott, CPA

Gregory S. Adams, CPA

July 16, 2014

Pender County
PO Box 1578
Burgaw, NC 28425

To Management and Those Charged With Governance:

We are pleased to confirm our understanding of the services we are to provide Pender County for the year ended June 30, 2014. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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 Pender County as of and for the year ended June 30, 2014. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Pender County'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 Pender County's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's discussion and analysis.
2. Budgetary Comparison Schedules
3. GASB Required Supplementary Pension and OPEB Information

We have also been engaged to report on supplementary information other than RSI that accompanies Pender County'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:

1. Schedule of Expenditures of Federal and State Awards.
2. Combining Statements, Individual Fund Statements, and Supporting Schedules

Our responsibility for other information included in documents containing the entity's audited financial statements and auditors' report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether such other information contained in these documents is properly stated.

Members

American Institute of CPAs - N.C. Association of CPAs - AICPA Division of Firms

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on-

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a paragraph that states the purpose of the report is solely to describe (1) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (2) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance, and (3) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and OMB Circular A-133 in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. 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 or the Single Audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

Management Responsibilities

Management is responsible for the basic financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of your financial statements, schedule of expenditures of federal awards, and related notes. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and the schedule of expenditures of federal awards and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. You agree to assume all management responsibilities for any nonaudit services we provide; oversee the services by designating an individual, preferable from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. 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 also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written 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 or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review on June 30, 2014.

You are responsible for preparation of the schedule of expenditures of federal awards in conformity with OMB Circular A-133. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to make the audited financial statements readily available to intended users of schedules of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; (2) that you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information. With regard to using the auditors' report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents. With regard to electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

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 entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

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

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories (if material), 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 also 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 entity 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. Test of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures-Compliance

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

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* and related addenda for the types of compliance requirements that could have a direct and material effect on each of Pender County's major programs. The purpose of those procedures will be to express an opinion on Pender County's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

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

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The audit documentation for this engagement is the property of Thompson, Price, Scott, Adams & Co., P.A. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a federal agency providing direct or indirect funding, or the U.S. Government Accounting Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Thompson, Price, Scott, Adams & Co., P.A. personnel.

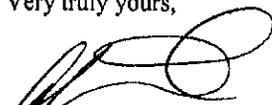
Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

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 federal cognizant agency. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit by approximately July 25, 2014 and to issue our reports no later than October 31, 2014, provided that all accounts are balanced and provided to us no later than September 15, 2014. Alan Thompson 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 \$35,500. Also, any additional fees incurred in obtaining required audit evidence (i.e. bank confirmations) will be billed directly to the County. 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. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to Pender County 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,



Alan W. Thompson, CPA
Thompson, Price, Scott, Adams & Co., P.A.

RESPONSE:

This letter correctly sets forth the understanding of Pender County.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____

CC: Board of Commissioners

July 17, 2014

Mr. Rick Benton
Pender County
PO Box 1578
Burgaw, NC 28425

RE: Proposal for reconciling all bank accounts for Pender County for fiscal year 2013-2014.

Dear Rick:

Nelson Price & Associates, P.A. will reconcile all bank accounts for Pender County in order to assist with completing the bookkeeping for the year and helping to insure that all transactions have been properly recorded so that the annual audit can be conducted.

We estimate that it will take approximately 20 hours per month to be reconciled for a total of 240 hours. Elaine Williamson will be doing the reconciliations and we will bill at her rate per hour of \$ 100.00, so we are looking at a total of \$ 24,000.00.

If you need further information please call me at (910) 738-6277.

Sincerely,

Gregory L. Price, CPA

"This instrument has been preaudited in
the manner required by the Local Government
Budget and Fiscal Control Act.

(Signature of Finance officer)

Date"

PENDER COUNTY

THIS CONTRACT is made, and entered into this 10th day of July, 2014, by and between PENDER COUNTY (hereinafter referred to as COUNTY), and RICK BENTON, d/b/a BENTON CONSULTING SERVICES (hereinafter referred to as "CONTRACTOR").

For and in consideration of mutual promises to each as hereinafter set forth, the parties hereto do mutually agree as follows:

1. Scope of Services

COUNTY desires and CONTRACTOR hereby agrees to provide management consulting services to assist COUNTY by facilitating a transition of county management and serving as interim County Manager effective July 10, 2014 until such time the Board appoints another interim or permanent County Manager. Services will include but may not be limited to 1) assisting the Board of Commissioners in assessing and identifying financial, budgetary and administrative issues related to the operations and programs of the county government for compliance with generally accepted local government management and financial practices and statutory requirements; 2) facilitating implementation of actions to address those matters that have been identified to assure compliance with generally accepted practices and statutes applicable to local government; and 3) serving in the County Manager capacity to include fulfilling those duties outlined in the general statutes and the County's job description for the County Manager. As interim County Manager CONTRACTOR shall have all the powers and authorities granted as set forth in the North Carolina General Statues. CONTRACTOR agrees to recommend the use of additional resources necessary to assist or perform tasks to effectively address and implement issues and operational needs that may be identified.

2. Term of Contract

The term of this Contract is from July 10, 2014 to June 30, 2015 unless sooner terminated or extended as provided herein.,

3. Payment to Contractor

CONTRACTOR shall receive payment for services provided under this Contract in the amount of \$175.00 per hour, payable monthly. CONTRACTOR shall submit to COUNTY by the third day of each month a written invoice including a summary report describing the services and accomplishments rendered for each month during the term of this contract. Payment to the CONTRACTOR shall be made by COUNTY no later than ten days after submission of each monthly invoice.

CONTRACTOR shall be reimbursed by COUNTY for any expenses related to the performance of services under this contract. In addition, CONTRACTOR shall be reimbursed for vehicle mileage

on the CONTRACTOR's vehicle used in performance of services, including mileage to and from the CONTRACTOR's office in Surf City and COUNTY offices. Reimbursement shall be at the current IRS rate on the last day of each month. All expenses including mileage shall be documented and submitted as a part of the monthly invoice to COUNTY.

4. Independent Contractor

COUNTY and CONTRACTOR agree that CONTRACTOR is an independent contractor and shall not represent itself as an employee of COUNTY for any purpose in the performance of CONTRACTOR's duties under this Contract. CONTRACTOR shall be responsible for payment of all federal, state and local taxes as well as business licenses fees arising out of CONTRACTOR's activities in accordance with this Contract. CONTRACTOR shall perform the services required under this Contract in a professional manner consistent with the standards of applicable professional associations.

5. Indemnity

CONTRACTOR shall indemnify and hold harmless COUNTY and its officials, agents, and employees from and against all claims, damages, losses, and expenses, direct, indirect or consequential arising out of or resulting from CONTRACTOR's performance or actions under this Contract. COUNTY shall indemnify and hold harmless CONTRACTOR from and against all claims, damages, losses and expenses, direct, indirect or consequential arising out of or resulting from CONTRACTOR's performance or actions under this Contract. This indemnification shall survive the termination of this Contract.

6. Health and Safety

CONTRACTOR shall be responsible for compliance with all health and safety regulatory law and rules in the performance of this Contract.

7. Governing Law

This Contract shall be governed by and in accordance with the laws of the State of North Carolina. All actions related in any way to this Contract shall be brought in the General Court of Justice in the County of Pender and the State of North Carolina.

8. Termination of Contract

This Contract may be terminated, without cause, by either party upon written notice to the other party. In the event this contract is terminated, payment to CONTRACTOR shall be made for the work performed up to the termination date. In the event of termination, CONTRACTOR agrees to provide COUNTY copies of all documents and materials generated in performing the services provided hereunder.

9. Extension of Contract Term

This Contract may be extended beyond the term provided for herein upon written agreement of the parties.

10. Successors and Assigns

CONTRACTOR shall not assign its interest in this Contract without the written consent of COUNTY. CONTRACTOR has no authority to enter into contracts on behalf of COUNTY except where authorized by the Board of Commissioners.

11. Compliance with Laws

CONTRACTOR represents that it is in compliance with all federal, state and local laws, regulations or orders, as amended or supplemented. The performance of this Contract shall be carried out in strict compliance with all federal, state and local laws.

12. Notices

All notices which may be required by this Contract or any rule of law shall be effective when received by certified mail sent to the following addresses:

PENDER COUNTY
Attention: David Williams, Chairman
Pender County Board of Commissioners
PO Box 5
Burgaw, North Carolina 28425

RICK BENTON, d/b/a BENTON CONSULTING SERVICES
1102 N. Topsail Drive
Surf City, North Carolina 28445

13. Audit Rights

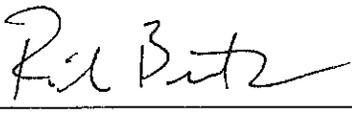
CONTRACTOR agrees to provide COUNTY copies of all documents and materials generated in performing the services provided hereunder. Additionally, COUNTY shall have the right to inspect, examine, and make copies of any and all books, accounts, invoices, records or other writings related to the performance of this Contract. Audits shall take place at times and locations mutually agreed upon by both parties. Notwithstanding the foregoing, CONTRACTOR must make the materials to be audited available within (1) week of the request for them by COUNTY.

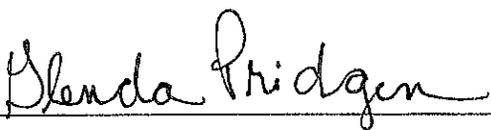
14. Entire Contract

This Contract shall constitute the entire understanding between COUNTY and CONTRACTOR. This Contract may be amended only by written mutual agreement of the parties.

IN TESTIMONY WHEREOF, the parties have expressed their agreement to these terms by causing this service Contract to be executed.

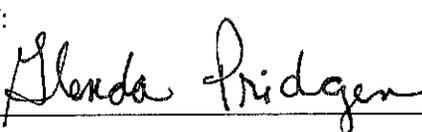
CONTRACTOR

By:  Date: 7-11-14
Rick Benton, d/b/a Benton Consulting Services

ATTEST:  Date: 7/11/14

COUNTY

By:  Date: 7/14/14
Chairman of the Board of Commissioners

ATTEST:  Date: 7/14/14

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

By: 
Signature

Name: Claiburn B. Watson