APPENDIX B

Developing People for Superior Service

J.D. Cloud & Co. L.L.P.

1100 Mercantile Center
120 East Fourth Street
Cincinnati, Ohio 45202
TEL 513-621-1168
FAX 513-621-3337
www.jdcloud.com

System Review Report

May 29, 2013

To the Shareholders
Potter & Company, P.A.
and the Peer Review Committee
of the North Carolina Association of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Potter & Company, P.A. (the firm) in effect for the year ended December 31, 2012. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Potter & Company, P.A. in effect for the year ended December 31, 2012, has been designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies), or fail.* Potter & Company, P.A. has received a peer review rating of *pass.*

J. D. Cloud & Co. L.L.P.

Certified Public Accountants

APPENDIX C

John W. Kapelar, CPA

Partner
Potter & Company, P.A.
Certified Public Accountants
114 North Church Street
Monroe, North Carolina 28112

Telephone 704-283-8189
Facsimile 704-289-3439

jkapelar@gotopotter.com

Professional History

- Potter & Company, PA, Certified Public Accountants (1994-Present)

Areas of Experience

- Financial reporting and auditing
- Taxation; research and planning
- Business development consulting
- Cost segregation analysis

Industry Experience

- Governmental
- Not-for-profit

Specific Service Areas

- Single audits
- Governmental auditing
- Management consulting
- Taxation
- Business valuations

Seminars and Courses

- Government Audit Quality Center 2014 Update (webcast)
- Documenting Compliance Testing Under OMB Circular A-133
- Accounting and Auditing Update
- NC Local Government Auditing and Reporting & Review
- Local Government Conference
- Step by Step Guide to Compliance Auditing
- Professional Ethics

Professional and Business Associations

- North Carolina Association of Certified Public Accountants
- American Institute of Certified Public Accountants (AICPA)
- Treasurer Union Academy Foundation
- Young CPA Cabinet – NCACPA
- Chairperson, NCACPA Charlotte Chapter Student Outreach Committee

Sheila B. Mulkey, CPA

Audit Manager
Potter & Company, P.A.
Certified Public Accountants
434 Copperfield Boulevard NE, Suite A
Concord, North Carolina 28025

Telephone 704-786-8189
Facsimile 704-786-4447

smulkey@gotopotter.com

Professional History

- Potter & Company, PA, Certified Public Accountants (August 2014 – present)
- RWBT, Inc., Salisbury, NC – CFO (2007-2014)
- Dixon, Hughes, Goodman, LLP (formerly Dixon Hughes PLLC) – Senior Manager, Manager, Supervisor, Staff Accountant (1987-2007)

Areas of Experience

- Financial reporting and auditing
- Internal controls
- Compliance auditing

Industry Experience

- Governmental
- Not-for-profit
- Manufacturing
- Employee benefit plans

Specific Service Areas

- Single audits
- Governmental auditing
- Employee benefit plan auditing
- Small business audits, reviews and compilations
- Financial statement preparation

Seminars and Courses

- Documenting Compliance Testing Under OMB Circular A-133
- Accounting and Auditing Update
- Professional Ethics
- Local Government Conference

Professional and Business Associations

- North Carolina Association of Certified Public Accountants
- American Institute of Certified Public Accountants (AICPA)
- Rowan Rotary
- Country Club of Salisbury, Treasurer
- American Cancer Society's Rowan County Relay for Life, Executive Committee

Daniel O. Morrow, CPA

Manager
Potter & Company, P.A.
Certified Public Accountants
434 Copperfield Boulevard N.E., Suite A
Concord, North Carolina 28025

Telephone 704-786-8189
Facsimile 704-786-4447

dmorrow@gotopotter.com

Professional History

- Potter & Company, P.A. (2002-2005 & 2007-Present)
- Finlay Motorsports, Controller (2005-2007)
- Deloitte & Touché LLP (1999-2002)

Areas of Experience

- Auditing and financial reporting
- Governmental accounting
- Not-for-profit accounting
- Compilations and financial reporting
- Taxation, including individual and corporate

Industry Experience

- Governmental
- Not-for-profit
- Construction
- Service organizations

Specific Service Areas

- Governmental auditing (including HUD audits)
- Assurance services
- Taxation
- QuickBooks
- Not-for-profit auditing

Seminars and Courses

- NC Local Government Auditing and Reporting and Review
- Single Audit Background and Overview
- Major Program Determination and Overview of OMB Compliance
- Single Audits
- Local Government Conference
- Documenting Compliance Testing Under OMB Circular A-133
- Professional Ethics

Professional and Business Associations

- North Carolina Association of Certified Public Accountants
- American Institute of Certified Public Accountants (AICPA)

POTTER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

INDIAN TRAIL, NORTH CAROLINA

INDIAN TRAIL
north carolina

Cost Estimate
to
Provide Audit Services

For The Years Ending

June 30, 2016, 2017 and 2018

SECTION II

◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆

The following sealed pages outline our proposed fees for the years ended June 30, 2016, 2017 and 2018

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Section Two:

Scope of Procedures, Audit Approach, Tentative Schedule and Proposed Fee..... 2 - 5

AUDIT APPROACH

Our audit process will be structured to include audit planning procedures, internal control evaluation and testing and compliance testing prior to year end. Final fieldwork, which is estimated at eight to ten days, will include completion of compliance testing and audit procedures on the balances included in the financial statements.

Prior to beginning our audit, we will hold a meeting with appropriate personnel to discuss the timing of fieldwork and provide a list of requested information. We will keep management informed of our progress and any issues that may arise throughout the audit.

During our planning procedures, we will gain an understanding of the system of internal control and accounting policies. Our procedures will include inquiry of personnel, observation of procedures in place and certain nonstatistical sampling techniques. Based on the results of our internal control procedures, we will design tailored audit programs to ensure an efficient and thorough audit of your accounts, accounting systems, and compliance with state and Federal laws and regulations. Where possible, we include the use of technology to select random samples and analyze account balances. We do not anticipate the use of computer audit specialists.

One of the ways in which we maintain close communication with our clients is through the development of management letters. During the course of our audit work, we often have opportunities to observe areas where efficiencies and stronger controls could be achieved. At the conclusion of an engagement, we prepare and submit a management letter containing recommendations for improvements in controls, operating policies, and procedures.

ASSISTANCE FROM TOWN STAFF

In addition to items that will be provided by Town personnel, as outlined in the RFP, assistance will be provided by the **Town of Indian Trail** personnel in pulling requested documentation to support selected transactions and client prepared schedules during our audit procedures.

TENTATIVE SCHEDULE

We propose to complete the June 30, 2016 audit according to the following time table.

Event	Timing - 2016
Commence planning and testing of internal controls and compliance	May or early June
Field work	Late August – Completed by mid September
Preliminary draft of financial statements, adjusting journal entries and grouping of trial balance to the financial statements	Early October
Submission of audit to Local Government Commission	October 31st

The organization of the audit team and percentage of time spent is explained in Section I of our proposal on pages 8-9, Item 5 – Professional Experience.

PERSONNEL TIME AND COSTS

Based on our experience in governmental auditing, we estimate our fee for the 2016 audit of the **Town of Indian Trail** to be $22,500.

The fee is based on the following:

1. The above fee includes all travel and supply costs.

2. Estimated time budget for the audit June 30, 2016:

Staff Member	Work Area	Hours	Discounted Hourly Rate	Extended Rate
Partner	On-site interim work	4	$ 200	$ 800
	Year end on-site work	16	200	3,200
	Work performed in auditor's office	8	200	1,600
	Partner total	28		**5,600**
Manager	On-site interim work	20	185	3,700
	Year end on site work	30	185	5,500
	Work performed in auditor's office	15	185	2,775
	Manager total	65		**11,975**
Staff	On-site interim work	20	100	2,000
	Year end on site work	20	100	2,000
	Work performed in auditor's office	5	100	500
	Staff total	45		**4,500**
Clerical	Work performed in auditor's office	8	60	**480**
	TOTAL	146		**22,555**
			Rounded	**$ 22,500**

COST ESTIMATE: June 30, 2016 through 2018

The following is a list of the proposed fees for the years ended June 30, 2016 through 2018, assuming no significant change in the scope of the engagement:

June 30, 2016	$	22,500
June 30, 2017 (estimate)	$	23,200
June 30, 2018 (estimate)	$	23,700

Basis/methodology of cost estimate

The cost estimate included for years 2017 through 2018 is based on estimated cost of living adjustments, past history with comparable sized clients, the experience level of Potter & Company personnel assigned to the engagement, the experience level of the Town's team, and the compliance programs required to be tested. The amounts included for the June 30, 2016 through 2018 estimates are "not to exceed" amounts.

SUMMARY OF AUDIT COSTS SHEET

1.	Base Audit Includes Personnel costs, travel, and on-site work	$	13,000
2.	Financial Statement Preparation		9,500
3.	Extra Audit Service $_____ per hour		-
4.	Other (explain)_____		-
5.	Other (explain)_____		-
	TOTAL	$	22,500

Rowell, Craven & Short – Mint Hill NC

Staff in Firm- unknown; Four CPAs

PERSONNEL/YEARS OF EXPERIENCE

Partner in Charge: Ann Craven	30 years
Senior Level Personnel: 2	15 years/50 years
Others: none	

CURRENT GOVERNMENTAL CLIENTS/LENGTH OF TIME

Includes:

The Town of Mint Hill	36 years
The Town of New London	3 years
City of Locust	8 years

LAST PEER REVIEW/OPINION

September 2015	Pass

PROFESSIONAL MEMBERSHIPS

Government Audit Quality Center
NCACPA
AICPA

THINGS TO CONSIDER

The two Senior Level are not staff members. Both are subcontractors. The one with 15 years experience will be on site, the one with 50 years will be assisting audit procedures and preparations of Financial Statements.
Partner in Charge will be on site during the field work.

RC S
Rowell, Craven & Short, PA
Certified Public Accountants

7540 Matthews-Mint Hill Road
Charlotte, NC 28227
Phone: 704-545-9771
Fax: 704-545-0946
www.rowellcravenshort.com

April 27, 2016

Mr. Jim Woftowicz
Finance Director
Town of Indian Trail
P. O. Box 2430
Indian Trail, North Carolina 28079

Re: Proposal for Audit of Town of Indian Trail

Dear Mr. Woftowicz:

We are pleased to have this opportunity to submit this proposal to become your independent Certified Public Accountants. As you know when you select a firm of independent Certified Public Accountants to meet your accounting and consulting needs, it is important that you have confidence in the firm, the approach it uses, and the personnel involved. We believe our firm has the expertise to handle your accounting and consulting functions and the following information will give you the confidence in our firm to begin a beneficial business relationship. To assist you in making your decision for the year ended June 30, 2016, the following qualifications and information is presented.

Firm Qualifications

Our firm currently has 4 Certified Public Accountants with expertise in varied industries. Our professional staff continues to upgrade their knowledge and expertise by attending continuing education courses sponsored by the American Institute of Certified Public Accountants and the North Carolina Association of Certified Public Accountants.

Our broad range of services consist of attest services which include audits, reviews and compilations, tax return preparation, tax planning, special accounting and tax services and management consulting services. We have a particular emphasis on non-profit entities and municipalities.

Our firm is a member of the Government Audit Quality Center and the designated audit quality partner has fulfilled all requirements of the Government Audit Quality Center. Members of our firm are also active in various other professional associations so the firm can maintain its reputation for quality service.

Scope of Service

We will audit the financial statements of the governmental activities, the business-type activities, and each major fund, which collectively comprises the entity's basic financial statements, of Town of Indian Trail, as of and for the year ended June 30, 2016. We will conduct our audit in accordance with generally accepted auditing standards (GAAP); *Government Auditing Standards,* the latest revision issued by the Comptroller General of the United States, Office of Management and Budget Circular No. A-133, *Audits of States, Local Governments, and Non-Profit organizations,* including revisions published in *Federal Register* June 27, 2003 and June 26, 2007 and any other revisions; the State Single Audit Implementation Act of 1996, and any other applicable procedures for the audit of a government's financial statements prepared in accordance with GAAP.

Auditor's Responsibility

Our responsibility is to express opinions on your financial statements based on our audit conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, Office of Management and Budget Circular No. A-133, *Audits of States, Local Governments, and Non-Profit organizations,* including revisions published in *Federal Register* June 27, 2003 and June 26, 2007 and any other revisions; the State Single Audit Implementation Act of 1996, and any other applicable procedures for the audit of a government's financial statements prepared in accordance with GAAP. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Audit Procedures -- General

We will perform procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected will depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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 errors, fraudulent financial reporting, misappropriation of assets, or 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 an audit is designed to provide reasonable, but not absolute assurance 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. In addition, an audit is not designed to detect immaterial misstatements that do not have a direct and material effect on the financial statements. However, we will inform the governing body of any material errors and any fraudulent financial reporting or misappropriation of assets that comes to our attention.

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, 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.

Audit Procedures -- Internal Control

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, we will inform the governing body of any matters involving internal control and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants. Significant deficiencies involve matters coming to our attention relating to the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We will also inform you of any other matters involving internal control, if any, as required by *Government Auditing Standards.*

At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

Management Responsibilities

Management is responsible for establishing and maintaining internal control and for compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of the controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making all financial records and related information available to us. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. As part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on the financial statements. That responsibility includes the establishment and maintenance of adequate records and effective internal control over financial reporting and compliance, the selection and application of accounting principles, and the safeguarding of assets. Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the 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 (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are also responsible for 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 and regulations.

The information contained in the following pages should address your questions and provide the information necessary to help you make an informed decision in the auditor selection process.

Section One

General Information

1. The audit will be staffed from our Mint Hill office with Ann R. Craven, CPA being the partner in charge of the engagement with senior level personnel, Chuck Hicks and Teresa Howard assisting. All personnel are senior level personnel and will be on-site at various times during the audit.

2. Current governmental audit clients include the following:

   The Town of Mint Hill
   Brian Welch, Town Manager
   Naida Sergel, Finance Director
   P. O. Box 23457
   Mint Hill, NC 28227
   704-545-9726

   Audit of financial statements and report to management. Engagement years are from June 30, 1979 through June 30, 2015.

   Town of New London
   Ms. Susan Almond, Town Clerk
   114 West Gold Street
   New London, NC 28127
   704-463-5423

   Audit of financial statements and report to management. Engagement years are from June 30, 2012 through June 30, 2015.

   City of Locust
   Tim Fesperman, City Administrator
   Stephania Morton, Finance Director
   211 Town Center Drive
   Locust, North Carolina 28097
   704-888-5260

   Audit of financial statements and report to management. Engagement years are from June 30, 2007 through June 30, 2015.

3. We have assisted the above entities in applying for grants and providing technical assistance in the budgetary process and provided accounting solutions for problems arising throughout the year. We have also assisted them in preparing and submitting their Annual Financial Information Reports to the U.S. Census.

4. Our firm strives to maintain the highest standards of audit quality, and we currently participate in the following quality control programs:

   - We participate in the AICPA's Quality Review Program. Our last Peer Review was completed on September 3, 2015, and we received the highest attainable opinion. A copy of this report is enclosed for your convenience.

   - We participate in the American Institute of Certified Public Accountants (AICPA) Governmental Audit Quality Center, which allows our firm access to comprehensive resources that assist us in further enhancing the quality of the governmental audits we perform.

5. All personnel that will be handling the audit are senior level personnel and have extensive professional experience, educational background in governmental and non-profit audits.

   - Ann R. Craven, CPA CFP, CSEP, is a Partner with Rowell, Craven, & Short, P.A. Mrs. Craven is a certified public accountant with more than thirty years of experience. Her background includes audits of clients in various industries including municipalities, HUD, non-profit, and construction. She also has extensive experience in tax and estate planning and consulted on a

wide range of needs from clients including software implementation. Ann speaks at seminars to non-profit groups about tax and accounting issues. She attends annual updates on governmental accounting including Annual Local Government Conference sponsored by the NCACPA and A-133 seminars to stay abreast of current matters and further her knowledge and expertise. Ann graduated magna cum laude from the University of North Carolina at Greensboro. She is a member of the NCACPA and AICPA. Mrs. Craven will be the senior in charge of the audit and will be on site during fieldwork of the audit.

- Teresa Howard, CPA (Terri) is a subcontractor with Rowell, Craven & Short, P.A. Ms. Howard is a certified public accountant with more than fifteen years of experience. Her background includes audits and reviews of non-profits and municipalities. Terri received a Bachelor of Science in Accounting from University of North Carolina at Charlotte. She is a member of the NCACPA and AICPA. She attends numerous seminars sponsored by the NCACPA related to audits and reviews of non-profits and non-public clients. Terri will be on-site and assisting in the fieldwork of the audit.

- In addition, we have on retainer, Mr. Charles Hicks, CPA. Mr. Hicks is a certified public accountant with more than fifty years of experience. His background includes audits of non-profits, municipalities and HUD. He performs work with the state auditor's office and the North Carolina State Board of CPA Examiners related to CPA standards. He is a member of the AICPA and NCACPA. Mr. Hicks will be assisting in the review of our audit procedures and preparation of the financial statements at the conclusion of the audit.

6. See Number 5

7. See Number 5

8. All members of our audit team have performed compliance audits on recipients of Federal and State awards.

9. See Number 2

10. Our firm strives to maintain the highest standards of audit quality and has developed a firm Statement of Policy and Procedures regarding Independence under *Governmental Auditing Standards.* The firm maintains a document of Quality Control Policies and Procedures which includes "Relevant Ethical Requirements" which states the firm's position on Independence. A copy of the firm's "Relevant Ethical Requirements" section of its Quality Control Policies and Procedures is enclosed for your convenience.

11. The Firm has professional liability coverage with a major insurance carrier and the coverage is adequate to cover any potential claims.

12. Our firm has not been subjected to any regulatory action by the North Carolina State Board of CPA Examiners or any other regulatory agency.

We appreciate the opportunity to submit this statement of our qualifications. If you need further information or have additional questions you need answered, please contact us, and we will provide a prompt response.

Sincerely,

Rowell, Craven & Short, P.A.

Rowell, Craven & Short, P.A.

Cherry Bekaert LLP
CPAs & Advisors

System Review Report

September 3, 2015

To the Partners of **Rowell, Craven & Short, P.A.**
and the Peer Review Committee of the North Carolina Association of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of **Rowell, Craven & Short, P.A.** (the firm) in effect for the year ended March 31, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of **Rowell, Craven & Short, P.A.** in effect for the year ended March 31, 2015, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. **Rowell, Craven & Short, P.A.** has received a peer review rating of *pass*.

Cherry Bekaert LLP

Cherry Bekaert LLP
Charlotte, North Carolina

AICPA Peer Review Program
NCACPA Peer Review Program
NCACPA Peer Review Program for Non-Members
Administered by the North Carolina Association of CPAs

December 21, 2015

Ann Reynolds Craven
Rowell, Craven & Short, P.A.
7540 Matthews Mint Hill Rd
Charlotte, NC 28227

Dear Ms. Craven:

It is my pleasure to notify you that on December 17, 2015, the North Carolina Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next peer review is September 30, 2018. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,
Mary C. Kelly
Peer Review Coordinator
mckelly@ncacpa.org

cc: Jeffrey T. Sabetta

Firm Number: 10092583
Review Number: 377891

Letter ID: 1044335A

Rowell, Craven & Short, P.A.

Quality Control Policies and Procedures

Effective January 1, 2012

The firm's quality control policies and procedures for the six elements of quality control are presented below. All employees of the firm are provided copies and are responsible for understanding, implementing, and adhering to these policies and procedures.

The firm is a member of the AICPA Governmental Audit Quality Center (Center) and has agreed to establish policies and procedures specific to the firm's governmental audit practice to comply with the applicable professional standards and the membership requirements of the Center. These policies and procedures are documented and communicated by this document.

As required by the membership requirement of the Center, it is the policy of the firm that all eligible audit partners be members of the AICPA. It is the responsibility of the managing partner to annually advise each audit partner that AICPA membership is mandatory. Also, as required by the membership requirements of the Center, the managing partner annually designates an audit partner to assume firm-wide responsibility for the quality of the firm's governmental audit practice.

It is the firm's policy to adhere to all applicable unconditional and presumptively mandatory requirements of SQCS No. 8, A Firm's System of Quality Control, as evidenced by the policies and procedures within this quality control document. Any questions, concerns, or recommendations about the firm's quality control system should be communicated to the partners.

LEADERSHIP RESPONSIBILITIES FOR QUALITY

It is the firm's policy to promote a culture of quality that is pervasive throughout the firm's operations through the development of its system of quality control. Firm management, under the direction of the partners, assume responsibility for the firm's system of quality control and design the system to (a) emphasize the importance of performing work that complies with professional standards and regulatory and legal requirements and (b) issue reports that are appropriate in the circumstances. In maintaining a culture of quality, the firm emphasizes the importance of ethics and integrity in every decision that personnel make, particularly at the engagement level. The firm ensures compliance with this policy by implementing the following procedures:

1) The firm dedicates sufficient and suitable resources to its quality control system and quality initiative and assigns the operational responsibility for the firm's quality control system to individuals with the experience, ability, and authority to identify, develop, and implement the necessary QC policies and procedures based upon their comprehensive understanding of SQCS No. 8. The firm appropriately communicates clear, consistent, and frequent actions and messages that emphasize the firm's quality control policies and procedures. Such actions and messages include—

    a) Providing a copy of the firm's system of quality control document to all new professional employees and reviewing the document and its importance with them.

    b) Reviewing the firm's quality control policies and procedures, especially in areas where questions or problems have arisen, with personnel during firm training sessions.

2) The partners evaluate client relationships and engagements to ensure that commercial considerations are not placed ahead of the firm's commitment to quality control. Additionally, the firm's compensation and advancement policy and procedures (covered in the human resources QC document) do not place commercial considerations ahead of the quality of work performed.

3) The partners in the firm demonstrate the importance of quality by their actions.

4) The engagement partner assumes responsibility for the overall quality of each audit engagement to which he or she is assigned and sets an appropriate example throughout all stages of the engagement for the other engagement team members to follow.

5) The firm establishes a formal code of conduct (located in the personnel manual) that reflects the firm's core value of quality and guides personnel to make appropriate decisions throughout their workday. The code of conduct is regularly communicated and reiterated to all employees and is posted in various common areas throughout the office.

6) The firm hires, compensates, and promotes individuals who possess and exhibit high levels of integrity, as covered in the human resources QC policies and procedures.

7) The firm rewards personnel who demonstrate a commitment to quality through its performance evaluation, compensation, and advancement system, as covered in the human resources QC policies and procedures.

8) The firm does not allow unethical behavior to occur unchallenged and addresses instances of noncompliance with the firm's quality control system through swift disciplinary action or, in extreme cases, termination of the offending employee.

9) At least annually, the firm's leadership responsibilities policy and procedures are reviewed to determine if they are appropriate and operating effectively. See the MONITORING section of this document for further information.

RELEVANT ETHICAL REQUIREMENTS

It is the firm's policy that all professional personnel be familiar with and adhere to relevant ethical requirements of the AICPA, contained in the *Code of Professional Conduct*, the North Carolina State Board of CPA Examiners, and the North Carolina Association of CPAs in discharging their professional responsibilities. Furthermore, it is the policy of our firm that, for engagements subject to *Government Auditing Standards* and other applicable regulatory agencies, all professional personnel be familiar with and adhere to the relevant ethical requirements included in those standards and that personnel will always act in the public interest. Additionally, when the firm and its professional personnel encounter situations that raise potential independence threats, but such situations are not specifically addressed by the independence rules of the AICPA *Code of Professional Conduct*, the situation will be evaluated by referring to the *Conceptual Framework for AICPA Independence Standards* and applying professional judgment to determine whether an independence breach has occurred. The firm will take appropriate action to eliminate those threats or mitigate them to an acceptable level by applying safeguards. If effective safeguards cannot be applied, the firm will withdraw from the engagement or take other corrective actions as appropriate to eliminate the breach. The firm ensures compliance with this policy by implementing the following procedures:

1) All professional personnel are required to sign a representation letter when hired (and annually thereafter) that acknowledges their familiarity with the firm's relevant ethical requirements policy and procedures, particularly with regard to independence. Such signed representation letters are also required from part-time, seasonal, and contract professionals and any other individuals who work on accounting and auditing engagements and are required to be independent. Ethics training is provided for professional personnel annually as required by the NC State Board of Accountancy. Such training covers the firm's relevant ethical requirements policy and procedures and the independence and ethical requirements of all applicable regulators.

2) Additions to the firm's client list are on the practice software and available to all personnel.

3) If a potential threat to independence is identified, the managing partner accumulates and communicates relevant information to appropriate personnel so (a) firm management and the engagement partner can determine whether they satisfy independence requirements, (b) the engagement partner can take appropriate action to address identified threats to independence, and (c) the firm can maintain current independence information. For clients of whom the firm is not independent, only compilation services are performed.

4) Current copies of all applicable independence, integrity, and objectivity requirements are maintained on the network.

5) The work programs and standard forms in the accounting and auditing manuals used by the firm include steps that require:

a) A determination of complying with relevant ethical requirements on each new and recurring client.

b) A consideration of unpaid fees.

c) Documentation of any inquiry of an outside consultant or other auditor. If such inquiry should result in any performance on a segment of an audit, review, or attestation (including forecast and projection) engagement, our quality control procedures require that we have independence representation affirmations from all personnel outside our firm, including consultants and other auditors. An annual confirmation of the independence is required should any inquiry of or performance by an outside consultant or other auditor extend beyond the current engagement.

d) Appropriate reporting on compilations in which the firm is not independent.

e) A consideration of whether actual or threatened litigation has an effect on the firm's independence with respect to the client.

f) A determination of whether all professional personnel are independent of the financial reporting entity, if the firm is engaged as the principal auditor to report on the basic financial statements of the financial reporting entity.

g) A consideration of whether the firm was party to a cooperative arrangement with a client that was material to the firm or the client.

6) The engagement partner has the primary responsibility to identify all nonattest services performed for an attest service client and for determining if such nonattest services impair independence with respect to that client. Reviewing nonattest services performed for attest clients includes obtaining and documenting an understanding with the client regarding the client's responsibilities for the nonattest services performed by the firm. Where applicable, this includes determining whether such nonattest (nonaudit) services impair independence under the independence rules in *Government Auditing Standards* for ongoing, planned, and future audits. Firm engagement work programs for all attest and compilation engagements include steps to ensure compliance with this procedure.

7) All relevant ethical requirements matters (including questions from the representation letters and those from other sources) are resolved by the partners. Documentation of the resolution of a relevant ethical requirements matter is filed in the client's permanent workpaper files.

8) The partners are responsible for determining actions to be taken when professional personnel violate firm independence policies and procedures. The action for each incident is determined based on its unique circumstances and may include eliminating a personal impairment, requiring additional training, drafting a reprimand letter, or even termination.

9) The partners are responsible for monitoring the firm's independence of attest clients at which partners or other senior personnel have been offered management positions or have accepted offers of employment. The independence, integrity, and objectivity questionnaire used by the firm and the client acceptance checklists used by the firm in attest engagements include questions to help ensure compliance with this requirement.

10) If a breach of independence is identified, the firm promptly communicates the breach and the required corrective actions to (a) the engagement partner, who (along with the firm) has the responsibility to address the breach and (b) other relevant personnel in the firm and those subject to the independence requirements who need to take appropriate action. The engagement partner confirms to the firm when required corrective actions related to the breach and noncompliance with these policies and procedures has been taken.

11) At least annually, the partners review the firm's ethical requirements policy and procedures to determine if they are appropriate and operating effectively. See the MONITORING section of this document for further information.

Section Two

RCS
Rowell, Craven & Short, PA
Certified Public Accountants

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April 27, 2016

Mr. Jim Wojtowicz
Finance Director
Town of Indian Trail
P. O. Box 2430
Indian Trail, NC 28079

Re: Proposal for Audit of Town of Indian Trail

Dear Mr. Wojtowicz:

We are pleased to have this opportunity to submit this quote of our fee and scope of the audit. The following information contains our procedures, time line and fee.

Fees and Scope

- The primary contact person at the Firm will be Ann R. Craven, CPA at 704-545-9771 (ext 103).
- We currently use governmental audit programs designed by Practitioners Publishing Company, and we modify them to meet the needs of each client.
- We use random sampling in our audit procedures to pull samples to test particular attributes.
- We will not use computer audit specialists.
- Management letter contents generally include control deficiencies in internal control and suggestions on how to improve upon those deficiencies. Operational cost-saving ideas are communicated where appropriate.
- We would appreciate assistance in preparing confirmation requests, locating vendor invoices as requested, preparing a listing of capital expenditures and preparation of account analysis where appropriate.
- A tentative schedule for completing the audit is as follows:

  June 13-15, 2016 – Preliminary Work
  July 28 – August 6, 2016 – Field Work

  25 copies of report to be issued by October 31, 2016, if approved by the Local Government Commission.

- Fee quote for the June 30, 2016 audit is as follows:

Estimates are as follows:

On Site interim work (includes preplanning)	
Senior Staff 24 hours x $145/hr	$ 3,480
	$ 3,480
On Site final field work	
Senior Staff 16 hours x $145/hr	$ 2,320
Senior Staff 60 hours x $ 85/hr	5,100
	$ 7,420
Office work (report preparation and discussions with LGC)	
Senior Staff 15 hours x $145/hr	$ 2,175
Senior Staff 20 hours x $ 85/hr	1,530
Senior Staff Review 10 Hours x $200	2,000
Clerical 12 hours x $ 55/hr	660
	$ 6,365
Total fee proposed	$ 17,265
Round to nearest $100.	$ 17,300

The above fee includes report preparation by our clerical staff and is based on providing you 25 copies of the report. We would charge an hourly rate of $55 per hour to prepare additional report copies if it becomes necessary. This quote assumes that we encounter no major problems and all accounts are properly reconciled. If additional time is needed to reconcile accounts and perform bookkeeping procedures, we will charge an additional $55-60 per hour. We will discuss this with you in advance of performing the procedures. There are no travel costs since we are a local firm.

We estimate the fee for the years ended June 30, 2017 and 2018 to be $18,000 and $18,750, respectively. This quote is based on an estimated inflation rate of 4%. It also assumes no major changes in the Town's method of operations, additions of major funds, and no additional reporting requirements.

We appreciate the opportunity to submit this quote. If you need further information or have additional questions you need answered, please contact us and we will provide a prompt response.

Sincerely,

Rowell, Craven & Short, P.A.

Rowell, Craven & Short, P.A.