

July 10, 2013

Mandy Cartrette
Finance Officer
Town of Pittsboro
P.O. Box 759
Pittsboro, North Carolina 27312

Dear Ms. Cartrette:

Rives & Associates, LLP is pleased to submit this proposal in response to the Town of Pittsboro's request for proposal (RFP) for auditing services for the period July 2012 through June 2013, and the following two fiscal years. It is our intention to respond to your RFP and demonstrate our qualifications and professionalism in order to start a mutually beneficial auditor-client relationship.

Dedicated to service

We have a twenty five year history of exceeding the expectations of our clients. Our Firm was founded on the premise that our clients should have high expectations of us and that we have even higher expectations of ourselves. The result has been an accounting firm that provides trusted, long-term relationships, with the depth of services that larger accounting firms offer, at lower costs to our clients.

Proposal breakdown

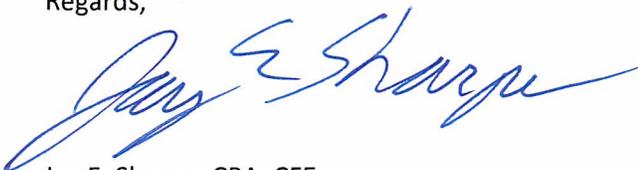
As requested in the RFP, we have two distinct sections. The first section describes who we are, our qualifications and our experience. The second section contains our pricing along with a discussion of our audit methodology. If further information is needed, we will quickly respond to any further request.

True professionalism requires more than a marginal response.

We consider your reliance on us a revered trust. As professionals, we hold the welfare of clients and the spirit of agreements over the details of a contract.

This proposal is a firm offer of our services for any and all periods indicated. We are available for further interview or verbal presentation for clarification of any part of this proposal. We appreciate your consideration of our proposal and look forward to your response.

Regards,



Jay E. Sharpe, CPA, CFE
Senior Audit Manager



Rives & Associates, LLP
Certified Public Accountants
and Consultants

**RESPONSE TO RFP for
AUDITING SERVICES
For**

The Town of Pittsboro

Contact Person:

Jay E. Sharpe
702 Oberlin Road, Suite 410
Raleigh, North Carolina 27605
Phone: (919) 832-6848
Email: jsharp@rivescpa.com



**THE TOWN OF PITTSBORO
RFP FOR AUDIT SERVICES
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Corporate Background and Experience

A - Executive Summary

Rives & Associates, LLP is a professional limited liability partnership licensed by the North Carolina State Board of CPA Examiners and is engaged in the practice of public accounting with three offices in North Carolina. Rives & Associates, LLP was established in 2004 by W. Leon Rives and Leon L. Rives II. The Lexington practice was originally founded by W. Leon Rives in the early 1980s, doing business as W. Leon Rives CPA (sole proprietorship). The Firm added offices in Charlotte and Raleigh in order to facilitate growth and to serve existing clients across the state. With a staff of more than 40, Rives & Associates, LLP has evolved to serve North Carolina clients for over twenty-five years.

We have a primary objective to provide high quality audit, accounting, tax and advisory services to clients in the best professional manner. Our Partners, Managers, and Staff are expected to comply with this statement of philosophy in order to achieve that objective. "Professionalism" in the accounting profession means integrity, objectivity, independence where required, adherence to professional standards and applicable laws and regulations, and a demonstrated will to maintain and improve the quality of professional services and to withstand all pressures, competitive and otherwise, to compromise on principles, standards, and quality. Particularly in the field of auditing, professionalism requires an understanding of and dedication to the public interest. The public interest in audited financial statements has placed the public accounting profession in a unique position of public trust. Moreover, there is also a significant public interest in the way in which the Firm carries out accounting, tax, and advisory services. Therefore, no client or Firm consideration is allowed to interfere with our ability to carry out our commitment to professionalism.

Our Governmental Audit Team takes the audit service beyond the basics, by providing advice throughout the audit process to improve operations and ensure compliance with regulations and general statutes. We are a member of the American Institute of Certified Public Accountants Governmental Audit Quality Center, North Carolina Association of Certified Public Accountants, North Carolina Association of School Board Officials, and the American Institute of Certified Public Accountants Private Practice Center.

B - Background Information and Experience

Rives & Associates, LLP initiated its practice in the governmental service industry in response to our observation that larger firms were devoting fewer and fewer resources to their smaller and mid-size clients. The collective and extensive experience of our Governmental Audit Team has developed one of the fastest growing service areas of Rives & Associates, LLP. Ever-changing accounting standards, economic conditions, and the continued rise in operating costs have propelled our Governmental Audit Team to help entities alleviate the pressures facing the governmental industry. Our commitment to the governmental industry is reflected in the significant growth of our practice, the retention of those clients and the low turnover of our employees. In 2010 Rives & Associates, LLP was named in the Top 5 North Carolina Small Businesses and in 2011 was named in the Top 50 Small Businesses in the South.

The experience and capabilities of our Governmental Audit Team includes: financial audits, single audits, program specific audits, agreed-upon procedures, forensic audits, performance audits, management reviews, risk assessment and remediation, strategic planning, internal controls, efficiency studies and staff training seminars.

SECTION 1

1 – OFFICE ORGANIZATION

Rives & Associates, LLP currently has three office locations: Lexington, Raleigh and Charlotte. Due to the proximity of both the Lexington and Raleigh offices will handle the audit of the Town of Pittsboro. We plan on having one manager and one to two staff out of the Raleigh office. The partner and possible an additional staff will be out of the Lexington office for this engagement.

2 - CURRENT GOVERNMENT CLIENTS

<u>Current Governmental Audit Clients</u>	<u>Services Provided</u>	<u>Years Served</u>
Caldwell Community College and Technical Institute	Financial Statement Audit	1
Davidson Community College	Financial Statement Audit	Currently Engaged
Town of Goldston	Financial Statement Audit	Currently Engaged
Anson County Schools	Financial Statement Audit, Single Audit - OMB Circular No. A-133	3
Charlotte Area Fund	Financial Statement Audit, Single Audit - OMB Circular No. A-133	1
Davie County Schools	Financial Statement Audit, Single Audit - OMB Circular No. A-133	4
Durham Public Schools	Financial Statement Audit, Single Audit - OMB Circular No. A-133	4
Ellis Cross-County Fire Department, Inc.	Financial Statement Audit, Yellow Book	6
Goldston Rural Fire Department	Financial Statement Audit, Yellow Book	6
Goldston-Gulf Sanitary District	Financial Statement Audit, Single Audit - OMB Circular No. A-133	6
Lexington City Schools	Financial Statement Audit, Single Audit - OMB Circular No. A-133	4

Metrolina Regional Scholars Academy	Financial Statement Audit, Single Audit - OMB Circular No. A-133	2
Newton-Conover City Schools	Financial Statement Audit, Single Audit - OMB Circular No. A-133	4
Regional Consolidated Services	Financial Statement Audit, Single Audit - OMB Circular No. A-133	6
Rowan County Rescue Squad, Inc.	Financial Statement Audit, Single Audit - OMB Circular No. A-133	5
Rutherford County Schools	Financial Statement Audit, Single Audit - OMB Circular No. A-133	4
Stanly County Schools	Financial Statement Audit, Single Audit - OMB Circular No. A-133	5
Thomasville City Schools	Financial Statement Audit, Single Audit - OMB Circular No. A-133	4
Union Academy	Financial Statement Audit, Single Audit - OMB Circular No. A-133	3
Union County Community Action	Financial Statement Audit, Single Audit - OMB Circular No. A-133	5
Wake County Board of Education	Financial Statement Audit, Single Audit – OMB Circular No. A-133	1
Yadkin County Schools	Financial Statement Audit, Single Audit - OMB Circular No. A-133	5

3 – ADDITIONAL SERVICES PROVIDED TO GOVERNMENTAL CLIENTS

Rives & Associates will occasionally provide consulting services to governmental clients, but these services are limited as to remain independent on audit engagements.

4 – PEER REVIEW

Rives & Associates, LLP is a member of the American Institute of Certified Public Accountants (AICPA) and participants in the AICPA Peer Review Program. The AICPA Peer Review Program, administered by the North Carolina Association of Certified Public Accountants in North Carolina, requires enrolled firms to have a peer review conducted by an independent evaluator, once every three years, of their accounting and auditing practice. Such review assures that the services we provide to our clients meet the highest level of standards in the accounting profession. Our most recent peer review for the year ended March 31, 2011, received a “pass” rating, the highest rating of quality controls. See a copy of the peer review report in Attachment A.

It is the policy of our Firm that our quality control system be monitored on an ongoing basis to provide the Firm with reasonable assurance that the policies and procedures established by the Firm for each of the other quality control elements (including quality control elements and activities not formalized in writing) of quality control are suitably designed and are being effectively applied. The adequacy and effectiveness of the Firm’s quality control system is monitored on an ongoing basis by the Firm’s quality control partner. As an integral part of the monitoring process, our quality control system is inspected annually to determine whether the Firm has complied with its stated quality control policies and procedures.

5 – AUDIT PLAN

We plan on being onsite for approximately a week to perform fieldwork. The following is our preliminary audit plan.

This is a tentative schedule. Actual dates will be determined in a preliminary meeting with the Town’s management (this plan may change in future years in that the audit process will begin earlier, but due to lateness of the awarding of the audit, the process will start later for 2013).

August 2013	Rives & Associates is awarded the audit. Engagement letter / contracts are prepared. A preliminary meeting with management is set. A letter is issued by the Town letting the predecessor auditor know that the Town has engaged Rives & Associates to conduct their audit. Rives & Associates will set up a time to review the prior year workpapers.
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August	Signed engagement letters / contracts are returned to Rives & Associates. Rives & Associates reviews prior auditor’s workpapers. Preliminary fieldwork, if considered necessary, will be performed. This would consist of internal control testing at the Town and would last one or two days (preliminary work will not occur in 2013 due to the timing of the award of the audit).
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Engagement Planning

August	Planning and our risk assessment will be completed. We will also send the Town a list of the items we will need to complete our regular fieldwork at this time along with any bank, loan (if applicable) and revenue confirmations.
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August Rives & Associates, LLP will receive trial balances in advance of fieldwork so we can enter into our system and conduct preliminary analysis. We know staff at the Town are very busy in their routine responsibilities. Our goal is to limit the disruption. We use a paperless engagement system, so documents can be sent ahead of fieldwork.

Engagement Fieldwork

August / September Rives & Associates, LLP will conduct final fieldwork. The exact dates will be discussed with management. We anticipate being on site for approximately one week. Any issues we note during our audit will be discussed with staff before fieldwork is complete.

Engagement Conclusion

September / October Financial statements will be prepared by Rives & Associates, drafts will be presented for approval. Once approval is received from the Town, we will submit a draft to the LGC for their review and approval. Finalized financial statements will be issued upon their approval.

November Audits will be presented to Boards and Committees as required or requested.

Client Assistance and Methodology

Our Firm uses state of the art technology in addition to e-mail and file sharing as much as possible, **eliminating all unnecessary paper** and removing geographic limitations. We customarily utilize paperless and electronic engagement software in the field to share data with staff working on the same engagement using Virtual Office CS – Creative Solutions Accounting Products and Engagement. Therefore, the items outlined in the Request for Proposal (RFP) and other requested items are preferred in electronic format whenever possible. In addition to the environmental benefit, this can save significant amounts of time in calculations, sampling, procedures, and record keeping ultimately reducing audit costs. The audit can be expedited by having as much documentation ready prior to the start of fieldwork.

Computer Audit Specialist

We do use a computer audit specialist when a need arises. However, due to the heavy investments that our Firm has made in technology and the knowledge that our staff has, we are typically able to handle computer related issues without the need of a specialist. Our staff will obtain an understanding of the internal controls surrounding the computer systems to identify any potential weakness that may have a direct and material impact on the financial statements and we will make recommendations directly to management in areas where weakness are identified.

Anticipated Hours:

Partner Level	20 hours
Manager Level	68 hours
Staff Level	126 hours

See Cost Proposal section for breakdown of billing rates per staff level.

6 – PROFESSIONAL EXPERIENCE

Rives & Associates, LLP employs approximately forty professionals over its three offices in North Carolina. Leon L. Rives II, Partner, W. Leon Rives, Partner, Jay E. Sharpe, Senior Manager and Evan Rives, Audit Manager, will be designated to the engagement and will evaluate the staffing needs prior to the start of fieldwork. The staffing needs are based on the complexity and nature of the organization, timing, the extent of procedures which must be performed to meet the audit objective, and the travel involved. We have not designated specific audit associates to the engagement as our audit associates are interchangeable between our offices, however, there will be a minimum of two audit associates designated to the engagement at all times. It is very common for two managers to be assigned to an engagement as one will act as an associate. Each member of this team will be fully available to satisfy the needs of this engagement.

We understand that professionals who have gained specific governmental knowledge through on site experience are best equipped to serve our clients, so we are committed to returning team members to the same engagements each year. This continuity helps control costs and saves time, by making sure you are working with trusted professionals who have a clear understanding of your goals and strategies. The staff turnover rate at our firm is less than 3% for the year 2011.

Our partners and managers maintain a high degree of client involvement which minimizes the overhead and reduces the audit costs. This also provides the client a higher level of expertise that is always available. The following table indicates the percentage of time each audit team member will be on site:

Below are credentials for management that will be involved in the audit:

Leon L. Rives II, Managing Partner

Leon L. Rives II, CPA is a founding partner of Rives & Associates, LLP. Leon heads the Firm's tax, audit, accounting, and attest services practice, that serves local, national and international audit and attest clients. His wide variety of experience extends beyond the traditional financial statement services to include assisting clients with the implementation of new Governmental Accounting Standards Board pronouncements, internal control solutions, fraud detection engagements, special governmental projects, as well as other regulatory developments. Mr. Rives services to clients also include financial and compliance audits, agreed upon procedures, statutory accounting and consulting, as well as strategic and financial planning for clients. He is responsible for monitoring and commenting on all audit and accounting developments, and ensures that clients are kept updated and advised on the impact of new accounting standards.

His work experience includes more than 10 years experience in governmental accounting. Throughout his career Leon has lead governmental audit and attest teams, as well as clients, through unprecedented change in Governmental Accounting Standards. In addition, he has served as a leader for various discussion panels in regards to the implementations of new internal controls in governmental organizations, implementation of new GASB standards, and accounting standards for utilities. Leon has authored and lectured many courses such as "Governmental Accounting Standards Board 54 and Implementing the New Challenging Standard", "Internal Controls in the SAS 115 Environment", "Internal Controls for Governmental Organizations", "Governmental Accounting Standards Update".

Mr. Rives is also responsible for driving the strategic direction of the Firm and promoting an objective of providing high quality audit, accounting, tax, and advisory services to clients in the best professional manner.

Continuing Professional Education

His advanced continuing education includes attendance at the distinguished AICPA National Tax Institute, attendance at a variety of advanced audit and attestation related courses sponsored by the NC Association of CPAs and the American Institute of CPAs, as well as many of the highly regarded Insurance Industry courses by Booke Seminars annually. Mr. Rives also regularly instructs for Continuing Professional Education for both internal and external industry groups.

Accreditations and Licenses

- Certified Public Accountant, State of North Carolina
- Accredited in Business Valuation
- Bachelor of Science in Accounting- University of North Carolina at Charlotte
- Bachelor of Business Administration in Finance - University of North Carolina at Charlotte

Professional Affiliations

Leon is a member of the American Institute of Certified Public Accountants, and the North Carolina Association of Certified Public Accountants. In addition, he coordinates the Firm's registration, participation and membership with the PCAOB, the AICPA Private Company Practice Section (PCPS), the AICPA Governmental Audit Quality Center, and the AICPA Tax Section. In conjunction with his professional activities, Mr. Rives is proud to serve on the boards of directors for a wide variety of charitable nonprofit and for-profit organizations.

Jay E. Sharpe, Senior Audit Manager

Jay E. Sharpe, CPA, CFE is a senior audit manager in the Raleigh office. Jay recently joined Rives & Associates, LLP and brings over 14 years of experience in governmental and not-for-profit organizations. His work experience includes working with Universities, Community Colleges, Clerks of Court, Charter Schools, EMS Units, School Boards, HUD properties and a variety of different not-for-profit organizations.

In addition to his auditing experience, Jay performs forensic and fraud investigative services. He has led seminars in the past on preventing fraud and is on the Board of Directors for the local chapter for of the Association of Certified Fraud Examiner.

Accreditations and Licenses

- Bachelor of Science in Accountancy – The University of North Carolina at Wilmington
- Masters in Science in Accountancy – The University of North Carolina at Wilmington
- Licensed as a Certified Public Accountant in North Carolina

Professional Affiliations

- American Institute of Certified Public Accountants (AICPA)
- North Carolina Association of Certified Public Accountants (NCACPA)
- Association of Certified Fraud Examiners (ACFE)

Continuing Professional Education

Jay has maintained required CPE levels over the past three years. He has taken over 160 credit hours during this period including annual ethics requirements, annual audit updates, fraud seminars and attended the local government and not-for-profit conferences held by the NCACPA. Jay has also led seminars on fraud and auditing techniques during the past three years.

Governmental Audit Experience:

As noted above, Jay recently joined the firm. Before joining Rives and Associates, LLP, Jay worked for another local CPA firm for over a decade and for the North Carolina Office of State Auditor for several years. His governmental audit experience includes the following:

<u>Audit Client</u>	<u>Position Held</u>	<u>Years Served</u>
Wake County Schools	Manager	1
Caldwell County Community College	Manager	1
Cape Fear Center for Inquiry	Manager/Staff	11
Various NC Charter Schools (3 to 6 per year)	Manager/Staff	11
Various NC Community Colleges* University/Community College Foundations:	Manager/Staff	3
UNC-Pembroke Foundation	Manager	2
The Brody Foundation (ECU)	Manager	1
Wake Tech Foundation	Manager	1
Cary EMS	Manager	1
Eastern Wake EMS	Manager	1
Universities	Staff	3

Evan Rives, Audit Manager

Evan Rives is an Audit Manager based out of the Lexington office and has over 7 years of governmental audit experience. Evan's responsibilities include planning, supervising and reviewing accounting and auditing engagements, consulting on accounting and auditing matters and analyzing emerging regulations and rulings. His experience and technical skills are concentrated in the practice areas of Governmental, HUD-Assisted Programs, Nonprofit, Qualified Plans, Auto Dealerships and Manufacturing.

Evan's seven years of practice experience and industry-specific knowledge have come together to make him very highly valued by his clients and Rives & Associates, LLP. In addition, his broad range experience and unique skills allows him to consistently deliver quality audit and attest services, as well as value added services beyond the traditional compliance work. These services include training, teaching and formal instruction to industry groups and governmental units.

Continuing Professional Education

Evan’s continuing education extends to such specific areas as governmental, qualified plan, and not-for-profit accounting, and includes attendance at many distinguished NCACPA sponsored courses, including Local Governmental and Non-Profit Conferences, Compliance Auditing for School Districts, and Advanced Audits of School Districts. Evan is also a key contributor to the Firm’s internal professional education programs, and has taught various classes on governmental accounting topics.

Accreditations and Licenses

- Bachelor of Business Administration in Accounting - University of North Carolina at Wilmington
- Bachelor of Business Administration in Finance - University of North Carolina at Wilmington

Professional Affiliations

- North Carolina Association of Certified Public Accountants (NCACPA)
- Member of the NCACPA Governmental Accounting and Auditing Committee

Governmental Audit Experience:

Prior to joining Rives & Associates, LLP, Evan worked as an audit associate for two years with a national firm and provided audit services to various school systems and municipalities. His governmental audit experience at Rives & Associates, LLP is as follows:

<u>Audit Client</u>	<u>Position Held</u>	<u>Years Served</u>
Anson County Schools	Manager	3
Newton-Conover City Schools	Manager	4
Metrolina Regional Scholars Academy	Manager	2
Union Academy	Manager	3
Durham Public Schools	Senior Associate	2
Stanly County Schools	Senior Associate	2
Yadkin County Schools	Senior Associate	2

Occasionally, we offer internships to college students so they can gain exposure to the professional work environment to apply the skills and knowledge they have gained in the classroom to real world situations. In the instance that the Firm has hired an intern, who is available for on-site fieldwork, we will ask for your permission before that intern comes on site.

7 – EDUCATIONAL BACKGROUND

Please refer to number 6 for educational backgrounds and continuing education for senior level personnel. In addition, Rives & Associates requires all staff to take forty credit hours annually (this relates to both licensed and unlicensed staff). This is done in a combination of third party seminars, conferences and in-house seminars. In addition, all staff working on governmental audits is required to be in compliance of minimum Yellow Book continuing education requirements.

8 – EXPERIENCE

Please refer to number 6. All staff from the Partner to staff level will possess previous governmental experience.

9 - GFOA CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Many of the clients listed above annually receive the Governmental Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. Our staff maintains excellent relationships with the Local Government Commission and the Governmental Finance Officers Association.

GFOA Membership

The Firm is an associate member of the Governmental Finance Officers Association and staff routinely attends conferences and continuing education sponsored by the NC GFOA and the UNC School of Government.

10 – SPECIALIZED SKILLS AND TRAINING

Please refer to number 6.

11 - REFERENCES

We invite you to contact the below personnel of other current audit clients in regards to their audit experience with us.

Caldwell Community College

2855 Hickory Boulevard
Hudson, North Carolina 28638
Kenneth A. Boham - President
David Holman – VP, Finance and Administration: dholman@cccti.edu
(828) 726-2200

Wake County Public Schools

5625 Dillard Drive
Cary, NC 27518
Robyn Pressley – Senior Director of Accounting: rpresley@wcpss.net
(919) 431-7335

Stanly County Schools

1000-4 North First Street
Bill Josey – Director of Finance and Auxiliary Services
Albemarle, NC 28001
(704) 961-3000

12 – INDEPENDENCE UNDER GOVERNMENTAL AUDITING STANDARDS

In accordance with the quality control document of Rives & Associates, LLP all professional personnel must be familiar with and adhere to the independence, confidentiality integrity, and objectivity rules, regulations, interpretations, and Rulings of the AICPA, the State of North Carolina Board of Accounting, the State of North Carolina CPA Society, state statutes, and other State or regulatory agencies where applicable. Independence, Confidentiality, Integrity, and Objectivity Representation is required by all personnel when hired and annually thereafter.

In all matters relating to the audit of the Town of Pittsboro, Rives & Associates, LLP is independent in fact and appearance.

13 – INSURANCE COVERAGE

Rives & Associates is adequately insured under requirements of the State of North Carolina for worker’s compensation and general liability coverage. Insurance coverage is summarized as follows:

General Liability	\$2,000,000 each occurrence / \$4,000,000 aggregate
Automobile Liability	\$2,000,000 combined single limit
Worker Compensation	\$1,000,000
Umbrella Liability	\$2,000,000 each occurrence and in the aggregate
Professional Liability	\$1,000,000

14 – REGULATORY ACTION DISCLOSURE

Rives & Associates, LLP has not been subject to any regulatory action on behalf of any oversight agencies.

ATTACHMENT A

2011 Peer Review Letter

MPK GROUP, PC

CERTIFIED PUBLIC ACCOUNTANTS

SUITE 224 • 700 CENTURY PARK SOUTH • BIRMINGHAM, ALABAMA 35226

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

ALABAMA SOCIETY OF CPAs

TELEPHONE
(205) 978-8220

FACSIMILE
(205) 978-8224

SYSTEM REVIEW REPORT

To the Owners of
Rives & Associates, LLP
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 Rives & Associates, LLP (the firm) in effect for the year ended March 31, 2011. 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. 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 an audit of an employee benefit plan

In our opinion, the system of quality control for the accounting and auditing practice of Rives & Associates, LLP in effect for the year ended March 31, 2011, 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*. Rives & Associates, LLP has received a peer review rating of *pass*.

MPK, Group, PC

July 20, 2011

SECTION 2

Technical Approach

We will conduct our audit 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, as well as in accordance with the Office of Management and Budget Circular A-133 and all NC state laws and regulations. The Government Auditing Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit will include examining, on a test basis, using various sampling techniques, evidence supporting the amounts and disclosures in the financial statements. We will also assess the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

1 – AUDIT PROGRAMS

Our audit programs are combinations of programs made in house and programs which are issued by governmental authorities and private publishers such as Practitioners Publishing Company (PPC).

AUDIT APPROACH

Our audit approach is designed to maximize efficiencies, by leveraging staff and technology. We utilize automated processes, and have staff who specialize in certain areas of the audits. Such as compliance auditing and internal control testing. We have found that we can complete more efficient audits by utilizing this approach. which also provides a high level of expertise, therefore improving service and recommendations to your organization. Our goal is to provide an efficient high quality audit.

2 – STATISTICAL SAMPLING

We will use a combination of statistical and non-statistical sampling in our audit approach. We will determine which method to use based on auditor judgment during planning and creation of procedures. Statistical sampling will include use of either simple random sampling using a random number generator or interval sampling. Non-statistical sampling will include use of judgmental selection and haphazard selection. Audit procedures performed on selected samples along with analytical procedures will be used to obtain sufficient appropriate audit evidence to afford a reasonable basis for an opinion regarding the financial statements under audit. When appropriate, we will also use Dual-Purpose Sampling to test the operating effectiveness of controls and tests of the recorded monetary amounts, minimizing the time spent on repetitive tasks, thereby saving audit costs. The sample sizes will be directly related to the assessment of the inherent risk and the control risk of the entity.

3 – ORGANIZATION OF THE AUDIT

See cost proposal for a breakdown of the hours by staff level. See Section 1 for information concerning the organization of the audit.

4 – MANAGEMENT LETTER COMMENTS

During compliance and substantive testing we may note certain matters involving internal control and other operational procedures. Our job as your auditor will be to ensure that you understand where you have deficiencies or weaknesses so that you can make informed decisions on how best to respond to these risks. We may identify the following types of deficiencies:

- Control Deficiency
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. This type of deficiency is communicated in the management letter.

The following types of deficiencies for an A-133 Single Audit are disclosed in the compliance section of the financial statements, and in a separate letter to management:

- Significant Deficiency
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- Material Weakness
A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

We will communicate to you orally and in a letter, all deficiencies noted and recommendations for your consideration, intended to improve the internal control and/or the results of the operating efficiencies. The letters are solely for management, those charged with your organization's governance, others you deem appropriate within your organization and any governmental authorities you need to share this information with.

5 – CLIENT ASSISTANCE METHODOLOGY

Our Firm uses state of the art technology in addition to e-mail and file sharing as much as possible, **eliminating all unnecessary paper** and removing geographic limitations. We customarily utilize paperless and electronic engagement software in the field to share data with staff working on the same engagement using Virtual Office CS – Creative Solutions Accounting Products and Engagement. Therefore, the items outlined in the Request for Proposal (RFP) and other requested items are preferred in electronic format whenever possible. In addition to the environmental benefit, this can save significant amounts of time in calculations, sampling, procedures, and record keeping ultimately reducing audit costs.

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This is a tentative schedule. Actual dates will be determined in a preliminary meeting with the Town's management (this plan may change in future years in that the audit process will begin earlier, but due to lateness of the awarding of the audit, the process will start later for 2013).

August 2013 Rives & Associates is awarded the audit. Engagement letter / contracts are prepared. A preliminary meeting with management is set. A letter is issued by the Town letting the predecessor auditor know that the Town has engaged Rives & Associates to conduct their audit. Rives & Associates will set up a time to review the prior year workpapers.

August Signed engagement letters / contracts are returned to Rives & Associates. Rives & Associates reviews prior auditor's workpapers. Preliminary fieldwork, if considered necessary, will be performed. This would consist of internal control testing at the Town and would last one or two days (preliminary work will not occur in 2013 due to the timing of the award of the audit).

Engagement Planning

August Planning and our risk assessment will be completed. We will also send the Town a list of the items we will need to complete our regular fieldwork at this time along with any bank, loan (if applicable) and revenue confirmations.

August Rives & Associates, LLP will receive trial balances in advance of fieldwork so we can enter into our system and conduct preliminary analysis. We know staff at the Town are very busy in their routine responsibilities. Our goal is to limit the disruption. We use a paperless engagement system, so documents can be sent ahead of fieldwork.

Engagement Fieldwork

August / September Rives & Associates, LLP will conduct final fieldwork. The exact dates will be discussed with management. We anticipate being on site for approximately one week. Any issues we note during our audit will be discussed with staff before fieldwork is complete.

Engagement Conclusion

September / October Financial statements will be prepared by Rives & Associates, drafts will be presented for approval. Once approval is received from the Town, we will submit a draft to the LGC for their review and approval. Finalized financial statements will be issued upon their approval.

November Audits will be presented to Boards and Committees as required or requested.

7 – COSTS

Please refer to the Cost Proposal Worksheet at the end of this section for all information on proposed costs for this audit engagement.

8 – ADDITIONAL INFORMATION

Rives & Associates, LLP does not outsource any of its audit functions.

**SUMMARY OF AUDIT COSTS
(Per year)**

THREE-YEAR CONTRACT

Firm/CPA Name:

	FY2013	FY2014	FY2015
Base Charge – Financial Audit	\$ 24,840.00	\$ 24,840.00	\$ 25,523.00
Single Audit Fee	\$ 1,200.00	\$ 1,200.00	\$ 1,300.00
Financial Statement Preparation	\$ 1,750.00	\$ 1,750.00	\$ 1,800.00
Specify Other Charge: TRAVEL	\$ 500.00	\$ 500.00	\$ 515.00
Specify Other Charge: DISCOUNT	\$ (7,690.00)	\$ (7,690.00)	\$ (7,920.00)
TOTAL	\$ 20,600.00	\$ 20,600.00	\$ 21,218.00

Basis/methodology of fee quote (For agreed upon procedures, please note if the amount is a “not to exceed” amount):

Fee quote was determined by assessing the total number of hours anticipated to complete the audit. These hours were determined by staff level and multiplied by current billing rates. Total amount determined was discounted approximately 25% for government work. FY2014 quote remained the same. While it was determined billing rates may increase, there are typically additional hours in the first year audit than there are in the second year. FY2015 was based on an overall 3% increase in fees.

Basis for determining fee quotes, which would be used in price negotiations after the initial three-year contract. List factors that you would use in determining any increases or decreases.

- 1) Finances of the Town (were there any large increases or decreases in amounts).
- 2) Single Audit Conditions – does the Town fall under the Single Audit Act.
- 3) Condition of the documentation given to us by the Town – was information given to us on a timely manner and in a form that allowed us to conduct the audit in an efficient manner.
- 4) Operation of Internal Controls – If risk is assessed lower for the Town, then the amount of work considered necessary may be less than if risk is assessed high.

Rives + Associates, LLP
JAY SHARPE



Cost Proposal

The Town of Pittsboro
Cost Proposal
Audit Services - June 30, 2013

The following is a summary of our cost proposal for the audit of the Town of Pittsboro for the year ended June 30, 2013. This cost proposal is on a "not-to-exceed" basis.

Personnel Costs	<u>Partner</u>	<u>Senior Manager</u>	<u>Senior Staff</u>	<u>Staff</u>	<u>Total</u>
On-site Interim work	4	4	0	0	8
Year-end on-site work	4	48	48	48	148
Work performed in auditor's office (planning, wrap up, financial statements, etc.)	12	16	18	12	58
Total Hours	20	68	66	60	214
Rates	\$ 200.00	\$ 150.00	\$ 115.00	\$ 100.00	
	\$ 4,000.00	\$ 10,200.00	\$ 7,590.00	\$ 6,000.00	\$ 27,790.00
Travel - mileage (estimated)					\$ 500.00
Cost of supplies and materials					\$ -
Other costs					\$ -
TOTAL COSTS					\$ 28,290.00
Governmental discount					<u>\$ (7,690.00)</u>
COST PROPOSAL			June 30, 2013		\$ 20,600.00
			June 30, 2014		\$ 20,600.00
	3% increase		June 30, 2015		\$ 21,218.00

* This is a cost not to exceed. If the costs are less than the quoted amount, the Town will be charged the lesser amount.