The Board of Trustees of the Sheppard Memorial Library met at 5:30 p.m., Wednesday, March 15, 2017, in the Elizabeth H. Copeland Board Room at the main library.

**CALL TO ORDER:**
Chair Terry Atkinson called the meeting to order. She welcomed Veronica Roberson as the new Pitt County appointee to the library board of trustees.

Library director Greg Needham presented Dr. Vivian Mott with a plaque of appreciation for serving seven years on the board. She was first appointed by the Pitt County Commissioners to fill an unexpired term that ended in March 2011, and was then appointed to serve two full terms. Vivian served as board chair from July 2012 to July 2014.

**ROLL CALL OF TRUSTEES:**

<table>
<thead>
<tr>
<th>Presiding:</th>
<th>Terry Atkinson</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present:</td>
<td>Jeff Coghill</td>
</tr>
<tr>
<td></td>
<td>LTC Jesse Hinton, Jr. (Ret)</td>
</tr>
<tr>
<td></td>
<td>Vivian Mott</td>
</tr>
<tr>
<td></td>
<td>Al Muller</td>
</tr>
<tr>
<td></td>
<td>Veronica Roberson</td>
</tr>
<tr>
<td></td>
<td>Catherine Rouse</td>
</tr>
<tr>
<td></td>
<td>Mark Sanders</td>
</tr>
<tr>
<td></td>
<td>Ralph Scott</td>
</tr>
<tr>
<td>Absent:</td>
<td>Rick Smiley</td>
</tr>
<tr>
<td></td>
<td>Dick Wolfe</td>
</tr>
<tr>
<td></td>
<td>Glen Webb</td>
</tr>
</tbody>
</table>

**APPROVAL OF MINUTES:**
Ralph Scott made a motion to approve the minutes from the meeting held January 18, 2017. Dick Wolfe seconded the motion. The motion passed.

**OLD BUSINESS:**

**Proposed 2016-2017 Budget Amendment**
The library director asked the trustees to consider a fiscal 2016-2017 budget amendment to reflect the following changes:

**Revenues:**
- reduce State Aid by $1,587
- reduce Desk Receipts by $11,000
- increase Miscellaneous Income by $6,300
- increase the Capital Income for the new bookmobile to recognize $30,000 in donations and include $16,808 of Fund Balance needed for the new bookmobile.

**Expenditures:**
- reduce Telephone expense by $1,000
- reduce Utilities expense by $5,075
- increase Building Maintenance expense by $7,503
- reduce Supplies expense by $23,647
- increase Business Services expense by $2,760
- increase E-services expense by $8,582
- increase Capital expense for the new bookmobile by $46,808

Al Muller made a motion to accept the budget as amended to be submitted to our local government funding partners for further action. Ralph Scott seconded the motion. The motion passed. A copy of the approved budget is attached as Exhibit A.

**Appoint a Nominating Committee for 2017-2018 Officers:**
Chair Terry Atkinson requested volunteers to serve as a nominating committee to submit a slate of officers (chair and vice-chair) for consideration at the July 2017 meeting. Hearing none, she said she will contact and appoint two trustees to serve as the nominating committee.

**Approval of the Fiscal 2016-2017 Audit Contract:**
The library director asked trustees for approval of the audit contract for fiscal 2016-2017.
Rick Smiley made a motion to approve the audit contract as presented. Jesse Hinton seconded the motion. The motion passed. A copy of the contract is attached as Exhibit B.

**Closed Executive Session To Discuss a Personnel Matter:**

**Closed Executive Session**
Vivian Mott made a motion to go into executive closed session to discuss a personnel matter. Ralph Scott seconded the motion. The motion passed, and the Board of Trustees went into executive closed session.
In executive session, the Director Compensation Committee shared information compiled to aid in the annual review and compensation of the library director.

**Open Session - Evaluation of the Library Director**
Rick Smiley made a motion to move out of closed executive session and back into open session. Al Muller seconded the motion. The motion passed, and the trustees moved back into open session.
Al Muller made a motion to request the library director budget for, and find a consultant to conduct a compensation study for the library director and senior staff. Rick Smiley seconded the motion.

It is the consensus of the library board to revert to the former library director evaluation method (the method used prior to the one developed for the City of Greenville).

**OLD BUSINESS:**

**2017-2018 Budget Update:**
The library director reviewed the 2017-2018 budget approved by the library board last year in the two-year budget cycle. He recommends no changes in the budget at this time, but reminded the trustees that an amendment will be needed in July, once budget commitments have been confirmed from the various funding authorities.

He also stated that the auditor asked that the library board approve a budget for the special revenue fund of the library – referred to as the Fiduciary Fund. This fund holds investments that have been accepted from donors by past boards, and designated for restricted use. When the library uses any of these funds, a transfer is needed from the Fiduciary Fund to the General Fund. A current example of the need to transfer Fiduciary Funds to the General Fund for expenditure is the previously board approved closing and transfer of the Olschner fund for the capital purchase of the new bookmobile. Trustees were presented a Fiduciary Fund budget showing the actual 2015-2016 financial statement of the Fiduciary Fund; a projected 2016-2017 budget; and a proposed 2017-2018 budget for board action.

Rick Smiley made a motion to adopt the fiduciary fund budgets as presented. Al Muller seconded the motion. The motion passed. A copy of the previously approved general fund and approved fiduciary fund budgets are attached as Exhibit C.

**Librarian’s Report:**

**Statistical:**
Greg Needham presented the following statistical comparisons of the current year to the previous year.

<table>
<thead>
<tr>
<th>Statistical Data Description</th>
<th>↑ Up or ↓Down January</th>
<th>↑ Up or ↓Down February</th>
</tr>
</thead>
<tbody>
<tr>
<td>Circulation</td>
<td>↑ 4.32%</td>
<td>↓3.69%</td>
</tr>
<tr>
<td>Patron Count/Library Visits</td>
<td>↓5.74%</td>
<td>↑1.12%</td>
</tr>
<tr>
<td>Computer Sessions (Wi-Fi)</td>
<td>↓4.69%</td>
<td>↓9.1%</td>
</tr>
<tr>
<td>(↑ 8.98%)</td>
<td></td>
<td>(↑ 9.63%)</td>
</tr>
<tr>
<td>Program Attendance</td>
<td>↓4.23%</td>
<td>↑40.88%</td>
</tr>
</tbody>
</table>

**Financial:**
Greg Needham presented financial highlights through February 2017.
- Revenue received totaled 66.86%, compared with 66.18% at the same time last year.
- Expenditures totaled 56.4% of the budget, compared with 60.51% in 2016.
- 67% of revenue and expenditures would be the target at the end of February. Revenues and expenditures are on track for the year.
One-Minute Updates:
The library director commented on the following items of interest:

1. The Breakfast for Elected Officials will take place on Monday, April 24th, from 8:00-9:00 a.m.

2. Over 3,000 Pitt County children have been registered for the Imagination Library. Children who register from birth will receive a book a month to age five – a total of 60 books. Barnes and Noble is donating the same 60 books to kindergartens in Pitt County so they will have familiar books for children who attend.

3. The Friends of the Sheppard Memorial Library annual used book sale was a great success. Volunteers are needed to help sort books and work at the sales. Please spread the word.

4. The NC Kids Digital Library is live, with over 3,000 titles available.

ADJOURNMENT:
Terry Atkinson called for further business. Hearing none, Rick Smiley made a motion to adjourn. Jesse Hinton seconded the motion. The motion passed and the meeting adjourned.

Respectfully Submitted,

Greg Needham, Secretary
### Exhibit A

**Sheppard Memorial**  
**Budget Amendment for FY 2016 - 2017**

#### REVENUES

<table>
<thead>
<tr>
<th></th>
<th>Mar-16 Original Approved</th>
<th>Jul-16 Amended</th>
<th>Mar-17 Amended</th>
<th>July vs March Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Greenville</td>
<td>1,197,058</td>
<td>1,197,058</td>
<td>1,197,058</td>
<td>0</td>
</tr>
<tr>
<td>County of Pitt</td>
<td>581,096</td>
<td>581,096</td>
<td>581,096</td>
<td>0</td>
</tr>
<tr>
<td>County of Pitt for Bethel/W'ville</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
<td>0</td>
</tr>
<tr>
<td>Town of Bethel</td>
<td>30,315</td>
<td>21,108</td>
<td>21,108</td>
<td>0</td>
</tr>
<tr>
<td>Town of Winterville</td>
<td>165,300</td>
<td>165,300</td>
<td>165,300</td>
<td>0</td>
</tr>
<tr>
<td>State Aid</td>
<td>191,774</td>
<td>191,774</td>
<td>190,187</td>
<td>(1,587)</td>
</tr>
<tr>
<td>Desk Receipts</td>
<td>128,775</td>
<td>128,775</td>
<td>117,775</td>
<td>(11,000)</td>
</tr>
<tr>
<td>Interest Income</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>0</td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td>31,500</td>
<td>31,500</td>
<td>37,800</td>
<td>6,300</td>
</tr>
<tr>
<td>Greenville Housing Authority</td>
<td>10,692</td>
<td>10,692</td>
<td>10,692</td>
<td>0</td>
</tr>
<tr>
<td>Capital – County – Boomobile</td>
<td>100,000</td>
<td>100,000</td>
<td>100,000</td>
<td>0</td>
</tr>
<tr>
<td>Capital FF Transfer – Bookmobile</td>
<td>51,000</td>
<td>51,000</td>
<td>51,458</td>
<td>458</td>
</tr>
<tr>
<td>Capital – Friends/Perkins – Bkmb</td>
<td>0</td>
<td>0</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Fund Bal/Reserves Used</td>
<td>28,432</td>
<td>19,736</td>
<td>31,954</td>
<td>12,218</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td><strong>2,528,942</strong></td>
<td><strong>2,511,039</strong></td>
<td><strong>2,511,039</strong></td>
<td><strong>36,389</strong></td>
</tr>
</tbody>
</table>

#### EXPENDITURES

<table>
<thead>
<tr>
<th></th>
<th>Mar-16 Original Approved</th>
<th>Jul-16 Amended</th>
<th>Mar-17 Amended</th>
<th>July vs March Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>1,546,288</td>
<td>1,540,385</td>
<td>1,540,385</td>
<td>0</td>
</tr>
<tr>
<td>Operations</td>
<td>$820,96208</td>
<td>$808,962</td>
<td>$798,085</td>
<td>(10,877)</td>
</tr>
<tr>
<td>Greenville Housing Authority</td>
<td>$10,692</td>
<td>$10,692</td>
<td>$10,692</td>
<td>0</td>
</tr>
<tr>
<td>Capital Expense - Bookmobile</td>
<td>151,000</td>
<td>151,000</td>
<td>198,266</td>
<td>47,266</td>
</tr>
<tr>
<td><strong>TOTAL ALL EXPENSES</strong></td>
<td><strong>$2,525,942</strong></td>
<td><strong>$2,511,039</strong></td>
<td><strong>$2,547,428</strong></td>
<td><strong>36,389</strong></td>
</tr>
</tbody>
</table>
Exhibit B
FY 2016-2017 Audit Contract

February 17, 2017

Ms. Bernita Demery
Sheppard Memorial Library
c/o City of Greenville
P.O. Box 7207
Greenville, NC 27858

Dear Ms. Demery:

This engagement letter between Sheppard Memorial Library (hereinafter referred to as the "Library") and Cherry Bekaert LLP (the "Firm" or "Cherry Bekaert") sets forth the nature and scope of the services we will provide, the Library's required involvement and assistance in support of our services, the related fee arrangements and other Terms and Conditions, which are attached hereto and incorporated by reference, designed to facilitate the performance of our professional services and to achieve the mutually agreed upon objectives of the Library.

SUMMARY OF SERVICES
We will provide the following services to the Library as of and for the year ended June 30, 2017:

Audit services and basis of accounting
1. Audit the basic financial statements of the Library, a special revenue fund of the City of Greenville, North Carolina, as of and for the year ended June 30, 2017, and render an opinion whether the financial statements present fairly, in all material respects, the financial position, and changes in financial position of the of the Library in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applicable to governments.

Accounting and other services
We will provide the following additional services:
2. Assist in the preparation of the financial statements and footnotes.
3. Propose year-end adjusting journal entries

YOUR EXPECTATIONS
Our services plan, which includes our audit plan, is designed to provide a foundation for an effective, efficient, and quality-focused approach to accomplish the engagement objectives and meet or exceed your expectations. Our service plan will be reviewed with you periodically and will serve as a benchmark against which you will be able to measure our performance. Any additional services that you may request, and that we agree to provide, will be the subject of separate written arrangements.

The Library recognizes that our professional standards require that we be independent from you in our audit of your financial statements in order to ensure that our objectivity and professional skepticism have not been compromised. As a result, we cannot enter into a fiduciary relationship with Sheppard Memorial Library and Sheppard Memorial Library should not expect that we will act only with due regard to the Library's interest in the performance of this audit and the Library should not impose on us special confidence that we will conduct this

2626 Glenwood Avenue, Suite 200, Raleigh, NC 27608-1045  |  P 919.782.1040  |  csh.com
audit with only your interest in mind. Because of our obligation to be independent of the Library, no fiduciary relationship will be created by this engagement or audit of the Library's financial statements.

The engagement will be led by Michelle Thompson, who will be responsible for assuring the overall quality, value, and timeliness of the services provided to you.

AUDIT SERVICES
We will conduct the audit in accordance with:

- Auditing standards generally accepted in the United States of America ("GAAS")

The objective of an audit is the expression of an opinion concerning whether the financial statements present fairly, in all material respects, the financial position and changes in financial position of the Library in conformity with the basis of accounting noted above.

Further, unless we have been engaged to perform such, the financial statement audit is not designed to disclose significant deficiencies or material weaknesses in internal control over financial reporting. Projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

ACCOUNTING AND OTHER SERVICES

Accounting services
We will advise Management about the application of appropriate accounting principles, and may propose adjusting journal entries to the Library's financial statements. Management is responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on the Library's financial statements. If, while reviewing the journal entries, Management determines that a journal entry is inappropriate, it will be Management's responsibility to contact us to correct it.

Any additional accounting matters which may be necessary to complete the accounting for the year under audit will be performed in addition to the audit services and billed in accordance with our customary billing practices. Examples of accounting services which may be provided are:

- Assistance in reconciling balance sheet accounts to account for unrecorded activity during the year.
- Assistance in preparing the year-end accruals for accounts receivable.
- Assistance in preparing the year-end accruals for accounts payable, accrued salaries, and wages payable.

Financial statement preparation
We will assist in the preparation of the Library's financial statements and notes, based on information in the Library's accounting records. However, the responsibility for the Library's financial statements and notes remains with Management. This responsibility includes establishing and maintaining adequate records and effective internal controls over financial reporting, the selection and application of accounting principles, the safeguarding of assets, and adjusting the financial statements for any material misstatements as well as reviewing and approving for publication the draft financial statements prepared with our assistance.
Management's responsibilities related to accounting and other services
For all nonaudit services we perform in connection with the engagement, you are responsible for designating a competent employee to oversee the services, make any management decisions, perform any management functions related to the services, evaluate the adequacy of the services, and accept overall responsibility for the results of the services.

Prior to the release of the report, Management will need to sign a representation letter acknowledging your responsibility for the results of these services.

MANAGEMENT'S RESPONSIBILITIES RELATED TO THE AUDIT
Management is responsible for:

- Selecting the financial reporting framework and determining that it is acceptable.
- The fair presentation of the financial statements in conformity with the acceptable financial framework.
- The selection and application of accounting principles and the consistent application of those principles.
- Making all financial records and related information available to us.
- Ensuring that all material information is disclosed to us.
- Granting unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
- Identifying and ensuring that the Library complies with the laws and regulations applicable to its activities.

Management is also responsible for adjusting the financial statements to correct material misstatements, informing us of events that occurred subsequent to the balance sheet date until the date of the auditor's report that might affect the financial statements or related disclosures and informing us of any discovery of facts related to items that existed at the balance sheet date that might affect the financial statements or related disclosures.

Management is responsible for informing us of its views regarding the risk of fraud at the Library. Management must inform us of their knowledge of any allegations of fraud or suspected fraud affecting the Library received in communications from employees, former employees, regulators, or others. Additionally, Management must inform us about all known or suspected fraud affecting the Library 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.

Management is responsible for the design, implementation and maintenance of programs and controls over financial reporting and to prevent and detect fraud. Appropriate supervisory review procedures are necessary to provide reasonable assurance that adopted policies and prescribed procedures are adhered to and to identify errors and fraud or illegal acts. As a part of our audit, we will consider the Library's internal control structure, as required by GAAS, sufficient to plan the audit and to determine the nature, timing, and extent of auditing procedures necessary for expressing our opinion concerning the financial statements. An audit is not designed to provide any assurance on internal controls. As part of our consideration of the Library's internal control structure, we will inform you of matters that come to our attention that represent significant deficiencies or material weaknesses in the design or operation of the internal control structure.
At the conclusion of the engagement, Management will provide to us a representation letter that, among other things, addresses (1) Management's responsibilities related to the audit and confirms certain representations made to us during the audit, including: Management's acknowledgement of its responsibility for the design and implementation of programs and controls to prevent and detect fraud; (2) Management's responsibilities related to the monitoring of internal control over financial reporting; and (3) Management's knowledge, directly or from allegations by others, of fraud or suspected fraud affecting the Library. The representation letter will also affirm to us that Management believes that the effects of any uncorrected misstatements, if any, pertaining to the financial statements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The Firm will rely on Management providing these representations to us, both in the planning and performance of the audit, and in considering the fees that we will charge to perform the audit.

CONDITIONS SUPPORTING FEE

As a result of our preliminary discussions, the Library and the Firm have agreed to a fee, subject to the following conditions:

The estimated fee contemplates only the services described in the Summary of Services section of this letter. If Management requests additional services not listed above, we will provide an estimate of those fees prior to commencing additional work.

FEES

The following summarizes the fees for the services described above:

<table>
<thead>
<tr>
<th>Description of Services</th>
<th>Estimated Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit services</td>
<td></td>
</tr>
<tr>
<td>Audit of the financial statements</td>
<td>$ 8,800</td>
</tr>
<tr>
<td><strong>Accounting services</strong></td>
<td></td>
</tr>
<tr>
<td>Financial statement preparation assistance</td>
<td>$ 1,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$10,100</td>
</tr>
</tbody>
</table>

The fees will be billed periodically. Invoices are due on presentation. A service charge will be added to past due accounts equal to 1-1/2% per month (18% annually) on the previous month's balance less payments received during the month, with a minimum charge of $2.00 per month.
Sheppard Memorial Library  
February 17, 2017  
Page 5  

If the foregoing is in accordance with your understanding, please sign a copy of this letter in the space provided and return it to us. If you have any questions, please call Michelle Thompson at (910) 762-1040.

Sincerely,

CHERRY BEKAERT LLP

ATTACHMENT – Engagement Letter Terms and Conditions

Cherry Bekaert LLP

______________________________
SHEPPARD MEMORIAL LIBRARY

ACCEPTED BY:  

[Signature]

TITLE: Library Board Chair  
DATE: 3/15/17
Cherry Bekaert LLP
Engagement Letter Terms and Conditions

The following terms and conditions are an integral part of the attached engagement letter and should be read in their entirety in conjunction with your review of the letter.

LIMITATIONS OF THE AUDIT REPORT

Should the Library wish to include or incorporate by reference these financial statements and our report thereon into any other document at some future date, we will consider granting permission to include our report or incorporate our report by reference in such document at the time of the request. However, we may be required by generally accepted auditing standards ("GAAS") to perform certain procedures before we can give our permission to include our report or incorporate our report by reference in another document such as an annual report, private placement, regulatory filing, etc. You agree that you will not include or incorporate by reference these financial statements and our report thereon, or our report into any other document without our prior written permission. In addition, to avoid unnecessary delay or misunderstandings, it is important to provide us with timely notice of your intention to issue any such document.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means of distributing information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

RESPONSIBILITIES OF THE AUDITOR

In conducting the audit, we will perform tests of the accounting records and such other procedures as we consider necessary in the circumstances to provide a reasonable basis for our opinion on the financial statements. We also will assess the accounting principles used and significant estimates made by Management, as well as evaluate the overall financial statement presentation.

Our audit will include procedures designed to obtain reasonable assurance of detecting misstatements due to errors or fraud that are material to the financial statements. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. For example, audits performed in accordance with GAAS are based on the concept of selective testing of the data being examined and are, therefore, subject to the limitation that material misstatements due to errors or fraud, if they exist, may not be detected. Also, an audit is not designed to detect matters that are immaterial to the financial statements. In addition, an audit conducted in accordance with GAAS does not include procedures specifically designed to detect illegal acts having an indirect effect (e.g., violations of fraud and abuse statutes that result in fines or penalties being imposed on the Library) on the financial statements. The areas to be tested, procedures selected, and number of transactions tested depends on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. Moreover, 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. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.
Similarly, in performing our audit we will be aware of the possibility that illegal acts may have occurred. However, it should be recognized that our audit provides no assurance that illegal acts generally will be detected, and only reasonable assurance that illegal acts having a direct and material effect on the determination of financial statement amounts will be detected. We will inform you with respect to errors and fraud, or illegal acts that come to our attention during the course of our audit unless clearly inconsequential. In the event that we have to consult with the Library’s counsel or counsel of our choosing regarding any illegal acts we identify, additional fees incurred may be billed to the Library. You agree to cooperate fully with any procedures we deem necessary to perform with respect to these matters.

We will issue a written report upon completion of our audit of Library’s financial statements. If, for any reason, we are unable to complete the audit, or are unable to form, or have not formed an opinion on the financial statements, we may decline to express an opinion or decline to issue a report as a result of the engagement. In addition, we cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter paragraph(s), or withdraw from the engagement. We will notify the appropriate party within your organization of our decision and discuss the reasons supporting our position.

NON-ATTEST SERVICES (IF APPLICABLE)

All non-attest services to be provided in the attached engagement letter (if applicable) shall be provided pursuant to the AICPA Code of Professional Conduct. The AICPA Code of Professional Conduct requires that we establish objectives of the engagement and the services to be performed, which are described under non-attest services in the attached letter.

You agree to assume all management responsibilities for the nonattest services we provide; oversee the services by designating an individual, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them. In order to ensure we provide such services in compliance with all professional standards, you are responsible for:

- Making all financial records and related information available to us.
- Ensuring that all material information is disclosed to us.
- Granting unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
- Identifying and ensuring that such non-attest complies with the laws and regulations.

The accuracy and appropriateness of such non-attest services shall be limited by the accuracy and sufficiency of the information provided by you. In the course of providing such non-attest services, we may provide professional advice and guidance based on knowledge accounting, tax and other compliance, and of the facts and circumstances as provided by you. Such advice and guidance shall limited as permitted under the Code of Professional Conduct.
COMMUNICATIONS

At the conclusion of the audit engagement, we may provide Management and those charged with governance a letter stating any significant deficiencies or material weaknesses which may have been identified by us during the audit and our recommendations designed to help the Library make improvements in its internal control structure and operations related to the identified matters discovered in the financial statement audit. As part of this engagement we will ensure that certain additional matters are communicated to the appropriate members of the Library. Such matters include (1) our responsibility under GAAS; (2) the initial selection of and changes in significant accounting policies and their application; (3) our independence with respect to the Library; (4) the process used by Management in formulating particularly sensitive accounting estimates and the basis for our conclusion regarding the reasonableness of those estimates; (5) audit adjustments, if any, that could, in our judgment, either individually or in the aggregate be significant to the financial statements or our report; (6) any disagreements with Management concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements; (7) our views about matters that were the subject of Management’s consultation with other accountants about auditing and accounting matters; (8) major issues that were discussed with Management in connection with the retention of our services, including, among other matters, any discussions regarding the application of accounting principles and auditing standards; and (9) serious difficulties that we encountered in dealing with Management related to the performance of the audit.

OTHER MATTERS

Access to working papers

The working papers and related documentation for the engagement are the property of the Firm and constitute confidential information. We have a responsibility to retain the documentation for a period of time to satisfy legal or regulatory requirements for records retention. It is our policy to retain all workpapers and client information for seven years from the date of issuance of the report. It is our policy to retain emails and attachments to emails for a period of 15 months, except as required by any governmental regulation. Except as discussed below, any requests for access to our working papers will be discussed with you prior to making them available to requesting parties. Any parties seeking access to our working papers must agree to sign our standard access letter.

We may be requested to make certain documentation available to regulators, governmental agencies (e.g., SEC, PCAOB, HUD, DOL, etc.) or their representatives ("Regulators") pursuant to law or regulations. If requested, access to the documentation will be provided to the Regulators. The Regulators may intend to distribute to others, including other governmental agencies, our working papers and related documentation without our knowledge or express permission. You hereby acknowledge and authorize us to allow Regulators access to and copies of documentation as requested. In addition, our Firm, as well as all other major accounting firms, participates in a "peer review" program covering our audit and accounting practices as required by the American Institute of Certified Public Accountants. This program requires that once every three years we subject our quality assurance practices to an examination by another accounting firm. As part of the process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected by the other firm for their review. If it is, they are bound by professional standards to keep all information confidential. If you object to having the work we do for you reviewed by our peer reviewer, please notify us in writing.
Electronic transmittals
During the course of our engagement, we may need to electronically transmit confidential information to each other, within the Firm, and to other entities engaged by either party. Although email is an efficient way to communicate, it is not always a secure means of communication and thus, confidentiality may be compromised. As an alternative, we recommend using our Client Portal ("Portal") to transmit documents. Portal allows you, us, and other involved entities to upload and download documents in a secure location. You agree to the use of email, Portal, and other electronic methods to transmit and receive information, including confidential information between the Firm, the Library, and other third party providers utilized by either party in connection with the engagement.

Subpoenas
In the event we are requested or authorized by you or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for you, you will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expense, as well as the fees and expenses of our counsel, incurred in responding to such a request at standard billing rates.

Dispute resolution procedures
If any dispute, controversy or claim arises in connection with the performance or breach of this agreement, either party may, on written notice to the other party, request that the matter be mediated. Such mediation would be conducted by a mediator acceptable to both parties. Both parties would exert their best efforts to discuss with each other in good faith their respective positions in an attempt to finally resolve such dispute, controversy, or claim.

Waiver of Trial by Jury
In the event the parties are unable to successfully mediate any dispute, controversy or claim, the parties agree to WAIVE TRIAL BY JURY and agree that the court will hear any matter without a jury.

TERMS AND CONDITIONS SUPPORTING FEE
The estimated fees set forth in the attached engagement letter are based on anticipated full cooperation from your personnel, timely delivery of requested audit schedules and supporting information, timely communication of all significant accounting and financial reporting matters, the assumption that unexpected circumstances will not be encountered during the audit, as well as working space and clerical assistance as mutually agreed upon and is normal and reasonable in the circumstances. We strive to ensure that we have the right professionals scheduled on each engagement. As a result, sudden Library requested scheduling changes or scheduling changes necessitated by the agreed information not being ready on the agreed upon dates can result in expensive downtime for our professionals. Any last minute schedule changes that result in downtime for our professionals could result in additional fees. Our estimated fee does not include assistance in bookkeeping or other accounting services not previously described. If for any reason the Library is unable to provide such schedules, information and assistance, the Firm and the Library will mutually revise the fee to reflect additional services, if any, required of us to achieve these objectives.

The estimated fees contemplate that the Library will provide adequate documentation of its systems and controls related to significant transaction cycles and audit areas.
In providing our services, we will consult with the Library with respect to matters of accounting, financial reporting or other significant business issues as permitted by professional standards. Accordingly, time necessary to effect a reasonable amount of such consultation is reflected in our fee. However, should a matter require research, consultation or audit work beyond that amount, the Firm and the Library will agree to an appropriate revision in our fee.

The estimated fees are based on auditing and accounting standards effective as of the date of this engagement letter and known to apply to the Library at this time, but do not include any time related to the application of new auditing or accounting standards that impact the Library for the first time. If new auditing or accounting standards are issued subsequent to the date of this letter and are effective for the period under audit, we will estimate the impact of any such standard on the nature, timing and extent of our planned audit procedures and will communicate with you concerning the scope of the additional procedures and the estimated fees.

The Library agrees to pay all costs of collection (including reasonable attorneys’ fees) that the Firm may incur in connection with the collection of unpaid invoices. In the event of nonpayment of any invoice rendered by us, we retain the right to (a) suspend the performance of our services, (b) change the payment conditions under this engagement letter, or (c) terminate our services. If we elect to suspend our services, such services will not be resumed until your account is paid. If we elect to terminate our services for nonpayment, the Library will be obligated to compensate us for all time expended and reimburse us for all expenses through the date of termination.

This engagement letter sets forth the entire understanding between the Library and the Firm regarding the services described herein and supersedes any previous proposals, correspondence, and understandings whether written or oral. Any subsequent changes to the terms of this letter, other than additional billings, will be rendered in writing and shall be executed by both parties. Should any portion of this engagement letter be ruled invalid, it is agreed that such invalidity will not affect any of the remaining portions.
System Review Report

January 10, 2017

To the Partners of Cherry Bekaert LLP
And the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Cherry Bekaert LLP (the firm), applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2016. 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/orsummary.

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards; audits of employee benefit plans, audits performed under FDICIA, and examinations of service organizations [Service Organizations Control (SOC) 1 and SOC 2 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Cherry Bekaert LLP, applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended April 30, 2016, 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. Cherry Bekaert LLP has received a peer review rating of pass.
January 13, 2017

Howard Joseph Kies  
Cherry Bekaert LLP  
200 S 10th St Ste 900  
Richmond, VA 23219

Dear Mr. Kies:

It is my pleasure to notify you that on January 12, 2017 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is October 31, 2019. 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,

Michael Fawley
Chair—National PRC
nprrc@aicpa.org 919 4024502

cc: Marc T, Fogarty; Raymond R Quintin

Firm Number: 10011816 Review Number 451036

Letter ID: 1139057A
CONTRACT TO AUDIT ACCOUNTS

Sheppard Memorial Library

Primary Governmental Unit

N/A

Discretely Presented Component Unit (DPCU) if applicable

On this _______ 17th ______ day of ___________ February ________, 2017.

Auditor: Cherry Bekaert LLP Auditor Mailing Address: 2025 Glenwood Ave., Suite 200,
Raleigh, NC 27608 Hereinafter referred to as The Auditor

and _______ Board of Directors (Governing Board(s)) of _______ Sheppard Memorial Library
(Primary Government)

and _______ N/A _______ hereinafter referred to as the Governmental Unit(s), agree as follows:
(Discretely Presented Component Unit)

1. The Auditor shall audit all statements and disclosures required by generally accepted accounting principles (GAAP) and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit(s) for the period beginning _______ July 1 ______, 2016 ______, and ending _______ June 30 ______, 2017 ______. 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 DPCUs, each major governmental and enterprise fund, and the aggregate remaining fund information (non-major government and enterprise funds, the internal service fund type, and the fiduciary fund types).

2. At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with generally accepted auditing standards. The Auditor shall perform the audit in accordance with Government Auditing Standards if required by the State Single Audit Implementation Act, as codified in G.S. 159-34. If required by OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, the Auditor shall perform a Single Audit. This audit and all associated workpapers may be subject to review by Federal and State agencies in accordance with Federal and State laws, including the staffs of the Office of State Auditor (OSA) and the Local Government Commission (LGC). If the audit and/or workpapers are found in this review to be substandard, the results of the review may be forwarded to the North Carolina State Board of CPA Examiners (NC CPA Board).

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

3. If an entity is determined to be a component of another government as defined by the group audit standards - the entity's auditor will make a good faith effort to comply in a timely manner with the requests of the group auditor in accordance with AU-6 §600.41 - §600.42.

4. This contract contemplates an unqualified opinion being rendered. The audit shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract.

5. If this audit engagement is subject to the standards for audit as defined in Government Auditing Standards, 2011 revisions, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in Government Auditing Standards.
Contract to Audit Accounts (cont.)

Governmental Unit

N/A

Discretely Presented Component Units (DPCU) if applicable

Auditing Standards. The Auditor agrees to provide a copy of their most recent peer review report, regardless of the date of the prior peer review report to the Governmental Unit and the Secretary of the LGC prior to the execution of the audit contract (See Item 22). If the audit firm received a peer review rating other than pass, the Auditor shall not contract with the Governmental Unit without first contacting the Secretary of the LGC for a peer review analysis that may result in additional contractual requirements.

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

6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to the State and Local Government Finance Division (SLGFD) within four months of fiscal year end. Audit report is due on: __________ Oct 31 __________, 2017. 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.

7. It is agreed that generally accepted auditing standards include a review of the Governmental Unit's systems of internal control and accounting as same relate to accountability of funds and adherence to budget and law requirements applicable thereto; that the Auditor will make a written report, which may or may not be a part of the written report of audit, to the Governing Board setting forth his findings, together with his recommendations for improvement. That written report must include all matters defined as "significant deficiencies and material weaknesses" in AU-C 265 of the AICPA Professional Standards (Clarified). The Auditor shall file a copy of that report with the Secretary of the LGC.

8. All local government and public authority contracts for audit or audit-related work require the approval of the Secretary of the LGC. This includes annual or special audits, agreed upon procedures related to internal controls, bookkeeping or other assistance necessary to prepare the Governmental Unit's records for audit, financial statement preparation, any finance-related investigations, or any other audit-related work in the State of North Carolina. Invoices for services rendered under these contracts shall not be paid by the Governmental Unit until the invoice has been approved by the Secretary of the LGC. (This also includes any progress billings.) [G.S. 159-34 and 115C-447] All invoices for Audit work must be submitted by email in PDF format to the Secretary of the LGC for approval. The invoices must be sent via upload through the current portal address: http://nc treasurer.slgfd.leapfile.net Subject line should read "Invoice - [Unit Name]. The PDF invoice marked "approved" with approval date will be returned by email to the Auditor to present to the Governmental Unit for payment. Approval is not required on contracts and invoices for system improvements and similar services of a non-auditing nature.

9. In consideration of the satisfactory performance of the provisions of this contract, the Primary Governmental Unit shall pay to the Auditor, upon approval by the Secretary of the LGC, the 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. (Note: Fees listed on signature pages.)

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 as a text-based PDF file 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, excluding the Auditors’ opinion, may be used in the preparation of official statements for debt offerings, by municipal bond rating services to fulfill secondary market disclosure requirements of the Securities 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.

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

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

14. Should circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Governing Board in writing of the need for such additional investigation and the additional compensation required therefore. Upon approval by the Secretary of the LGC, this contract may be varied or changed to include the increased time and/or compensation as may be agreed upon by the Governing Board and the Auditor.

15. If an approved contract needs to be varied or changed for any reason, the change must be made in writing, on the Amended LGC-205 contract form and pre-audited if the change includes a change in audit fee. This amended contract needs to be completed in full, including a written explanation of the change, signed and dated by all original parties to the contract, and then must be submitted through the audit contract portal to the Secretary of the LGC for approval. The portal address to upload your amended contract is http://nc treasurer.slgfd.leanfile.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

Page 3 of 8
17. Special provisions should be limited. Please list any special provisions in an attachment.

   See attached engagement letter.

18. A separate contract should not be made for each division to be audited or report to be submitted. If a DPCU is subject to the audit requirements detailed in the Local Government Budget and Fiscal Control Act and a separate audit report is issued, a separate audit contract is required. If a separate report is not to be issued and the DPCU is included in the primary government audit, the DPCU must be named along with the parent government on this audit contract. Signatures from the DPCU Board chairman and finance officer also must be included on this contract.

19. The contract must be executed, pre-audited, physically signed by all parties including Governmental Unit and Auditor signatures and submitted in PDF format to the Secretary of the LGC. The current portal address to upload your contractual documents is http://netreasurer.slgfd.legfile.net Electronic signatures are not accepted at this time. Included with this contract are instructions to submit contracts and invoices for approval as of October 2015. These instructions are subject to change. Please check the NC Treasurer’s web site at www.netreasurer.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. **E-Verify.** Auditor shall comply with the requirements of NCGS Chapter 64 Article 2. Further, if Auditor utilizes any subcontractor(s), Auditor shall require such subcontractor(s) to comply with the requirements of NCGS Chapter 64, Article 2.

23. All of the above paragraphs are understood and shall apply to this contract, except the following numbered paragraphs shall be deleted: (See Item 16 for clarification).

   N/A

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SIGNATURE PAGES FOLLOW
Contract to Audit Accounts (cont.)

Sheppard Memorial Library

Governmental Unit

N/A

Discretely Presented Component Units (DPCU) if applicable

Sheppard Memorial Library - FEES

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

$8,600

Preparation of the annual financial statements $1,500

Prior to submission of the completed audited financial report, applicable compliance reports and amended contract (if required) the Auditor may submit invoices for approval for services rendered, not to exceed 75% of the total of the stated fees above. If the current contracted fee is not fixed in total, invoices for services rendered may be approved for up to 75% of the prior year audit fee.

The 75% cap for interim invoice approval for this audit contract is $7,575

** NA if there is to be no interim billing

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

Audit Firm Signature:

Cherry Bekaert LLP

Name of Audit Firm

By Michelle Thompson

Authorized Audit firm representative name: Type or print

Michelle Thompson

Signature of authorized audit firm representative

Date February 17, 2017

mthompson@cbh.com

Email Address of Audit Firm

Governmental Unit Signatures:

Sheppard Memorial Library

Name of Primary Government

By S. Atkinson

Mayor/Chairperson Type or print name and title

Signature of Mayor/Chairperson of governing board

Date 3/15/17

By Chair of Audit Committee - Type or print name

Signature of Audit Committee Chairperson

Date

** If Governmental Unit has no audit committee, mark this section “N/A”

Sheppard Memorial Library

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

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

By

Primary Governmental Unit Finance Officer:

Type or print name

Primary Government Finance Officer Signature

Date

(Pre-audit Certificate must be dated.)

Email Address of Finance Officer

Date Primary Government Governing Body

Approved Audit Contract - G.S. 159-34(a)
**This page to only be completed by Discretely Presented Component Units**

Year-end bookkeeping assistance – [For audits subject to Government Auditing Standards, this is limited to bookkeeping services permitted by revised Independence Standards]

Audit

Preparation of the annual financial Statements
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 $**

**NA if there is to be no interim billing**

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

**DPCU Governmental Unit Signatures:**

N/A

Name of Discretely Presented Component Unit

By

DPCU Board Chairperson: Type or print name and title

Signature of Chairperson of DPCU governing board

Date

**By**

Chair of Audit Committee - Type or print name

Signature of Audit Committee Chairperson

Date

**If Governmental Unit has no audit committee, mark this section "N/A"**

PRE-AUDIT CERTIFICATE: Required by G.S. 159-28 (a)
This instrument has been pre-audited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act. Additionally, the following date is the date this audit contract was approved by the governing body.

By

DPCU Finance Officer:

Type or print name

DPCU Finance Officer Signature

Date

(Pre-audit Certificate must be dated.)

Email Address of Finance Officer

Date DPCU Governing Body Approved Audit Contract - G.S. 159-34(a)
Steps to Completing the Audit Contract

1. Complete the Header Information – NEW: If a DPCU is subject to the audit requirements as detailed in the Local Government Budget and Fiscal Control Act and a separate audit report is issued, a separate audit contract is required. If a separate report is not issued for the DPCU and is to be included in the Primary Government’s audit, the DPCU must be named with the parent government on this Audit contract. The Board chairman of the DPCU also must sign the Audit contract.

2. Item No. 1 – Complete the period covered by the audit

3. Item No. 6 – Fill in the audit due date. For Governmental Unit(s), the contract due date can be no later than 4 months after the end of the fiscal year, even though amended contracts may not be required until a later date.

4. Item No. 8 – If the process for invoice approval instructions changed, the Auditor should make sure he and his administrative staff are familiar with the current process. Instructions for each process can be found at the following link. [https://www.nctreasurer.com/slgbPages/Audit-Forms-and-Resources.aspx](https://www.nctreasurer.com/slgbPages/Audit-Forms-and-Resources.aspx)

5. Item No. 9 – NEW: Please note that the fee section has been moved to the signature pages, Pages 5 & 6.

6. Item No. 16 – If there is a reference to an engagement letter or other document (ex: Addendum), has the engagement letter or other document been acknowledged by the Governmental Unit and attached to the contract submitted to the SLGFID?

   a. Do the terms and fees specified in the engagement letter agree with the Audit contract? “In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract will control.”

   b. Does the engagement letter contain an indemnification clause? The audit contract will not be approved if there is an indemnification clause – refer to LGC Memo # 986.

7. Complete the fee section for BOTH the Primary Government and the DPCU (if applicable) on the signature pages, please note:

   • The cap on interim payments is 75% of the current audit fee for services rendered if the contracted fee amount is a fixed amount. If any part of the fee is variable, interim payments are limited to 75% of the prior year’s total audit fee. If the contract fee is partially variable, we will compare the authorized interim payment on the contract to 75% of last year’s actual approved total audit fee amount according to our records. There is a report of audit fees paid by each governmental unit on our web site: [https://www.nctreasurer.com/slgbPages/Non-Audit-Services-and-Audit-Fees.aspx](https://www.nctreasurer.com/slgbPages/Non-Audit-Services-and-Audit-Fees.aspx) - Auditors and Audit Fees.

   Please call or email Steven Holmberg of our office at 919-807-2394 steven.holgberg@nctreasurer.com if you have any questions about the fees on this list.

   • For variable fees for services, are the hourly rates or other rates clearly stated in detail? If issued separately in an addendum, has the separate page been acknowledged in writing by the Governmental Unit?

Page 7 of 8

Page 23 of 26
8. Signature Area – There are now 2 Signature Pages: one for the Primary Government and one for the DPCU. Send the page(s) that are applicable to your Unit of Government. Make sure all signatures have been obtained, and properly dated. **The contract must be approved by Governing Boards pursuant to G.S. 159-34(a).**

   NEW - If this contract includes auditing a DPCU that is a Public Authority under the Local Government Budget and Fiscal Control Act it must be named in this Audit contract and the Board chairperson of the DPCU must also sign the Audit contract in the area indicated. If the DPCU has a separate Audit, a separate Audit contract is required for the DPCU.

9. Please place the date the Unit’s Governing Board and the DPCU’s governing Board (if applicable) approved the audit contract in the space provided.

   a. Please make sure that you provide email addresses for the audit firm and finance officer as these will be used to communicate official approval of the contract.

   b. Has the pre-audit certificate for the Primary Government (and the DPCU if applicable) been signed and dated by the appropriate party?

   c. Has the name and title of the Mayor or Chairperson of the Unit’s Governing Board and the DPCU’s Chairperson (if applicable) been typed or printed on the contract and has he/she signed in the correct area directly under the Auditor’s signature?

10. If the Auditor is performing an audit under the yellow book or single audit rules, has year-end bookkeeping assistance been limited to those areas permitted under the revised GAO Independence Standards? Although not required, we encourage Governmental Units and Auditors to disclose the nature of these services in the contract or an engagement letter. Fees for these services should be shown in the space indicated on the applicable signature page(s) of the contract.

11. Has the most recently issued peer review report for the audit firm been included with the contract? This is required if the audit firm has received a new peer review report that has not yet been forwarded to us. The audit firm is only required to send the most current Peer Review report to us once – not multiple times.

12. After all the signatures have been obtained and the contract is complete, please convert the contract and all other supporting documentation to be submitted for approval into a PDF file. Peer Review Reports should be submitted in a separate PDF file. These documents should be submitted using the most current submission process which can be obtained at the NC Treasurer’s web site – https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx.

13. NEW: If an audit is unable to be completed by the due date, an Amended Contract should be completed and signed by the unit and auditor, using the new “Amended LGC-205” form (Rev. 2015). The written explanation for the delay is now included on the contract itself to complete, and must be signed by the original parties to the contract.
## Exhibit C

### Sheppard Memorial Library

#### 2017-2018 Budget

### REVENUES

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<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
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<tr>
<td>County of Pitt</td>
<td>$598,529.00</td>
</tr>
<tr>
<td>County of Pitt</td>
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</tr>
<tr>
<td>Town of Bethel</td>
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<tr>
<td>Town of Winterville</td>
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<tr>
<td>State Aid</td>
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<tr>
<td>Desk Receipts</td>
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<tr>
<td>Interest Income</td>
<td>$1,000.00</td>
</tr>
<tr>
<td>Miscellaneous Income</td>
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<td>G'ville Housing Authority</td>
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<td>Fund Balance</td>
<td>$26,946.00</td>
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<tr>
<td>Capital</td>
<td>$0.00</td>
</tr>
<tr>
<td>LSTA Grant</td>
<td>$0.00</td>
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</table>

**TOTAL REVENUES** $2,432,280.00

### EXPENDITURES

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$1,610,626.00</td>
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<tr>
<td>Operations</td>
<td>$810,962.00</td>
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<tr>
<td>G'ville Housing Authority</td>
<td>$10,692.00</td>
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<tr>
<td>Capital Expense</td>
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<tr>
<td>Grant Project</td>
<td>$0.00</td>
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**TOTAL EXPENSES** $2,432,280.00
### Exhibit C continued

Sheppard Memorial Library  
Fiduciary Fund Investments  
Budget for FY 16-17 and FY 17-18

<table>
<thead>
<tr>
<th>Income Statement</th>
<th>SML FF Actual FY 15-16</th>
<th>SML FF Projected FY 16-17</th>
<th>SML FF Proposed FY 17-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fiduciary Fund Interest Income</td>
<td>$ 486.00</td>
<td>$ 395.00</td>
<td>$ 278.00</td>
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<tr>
<td>Fiduciary Fund Mis. Inc. - Rouse Fund</td>
<td>$ 15,000.00</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$ 15,486.00</td>
<td>$ 395.00</td>
<td>$ 278.00</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers Out to GF</td>
<td>$ -</td>
<td>$ 51,458.00</td>
<td>$ 4,109.00</td>
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<tr>
<td>Net Income</td>
<td>$ 15,486.00</td>
<td>$ (51,063.00)</td>
<td>$ (3,831.00)</td>
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### Balance Sheet

<table>
<thead>
<tr>
<th>Balance Sheet</th>
<th>Actual FY 15-16</th>
<th>Projected FY 16-17</th>
<th>Proposed FY 17-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>FF Rouse Fund MMA - Select Bank</td>
<td>$ 15,023.85</td>
<td>$ 15,054.00</td>
<td>$ 15,000.00</td>
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<tr>
<td>FF Larkin Fund CD - Carter Bank</td>
<td>$ 4,748.89</td>
<td>$ 4,795.87</td>
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<tr>
<td>FF Clark Fund CD - Carter Bank</td>
<td>$ 1,367.46</td>
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<tr>
<td>FF Boyd Fund CD - Carter Bank</td>
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<td>$ 28,566.79</td>
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<td>FF Day Fund CD - Carter Bank</td>
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<td>FF Olschner Fund IDA - BB&amp;T</td>
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<tr>
<td>FF Interest Receivable</td>
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<td>$ 103.00</td>
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<tr>
<td>Fund Balance</td>
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<td>$ 66,603.96</td>
<td>$ 62,903.00</td>
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