SHEPPARD MEMORIAL LIBRARY
BOARD OF TRUSTEES MEETING

Wednesday, March 21, 2018

The Board of Trustees of the Sheppard Memorial Library met at 5:30 p.m., Wednesday, March 21, 2018, in the meeting room at the Winterville Library. Amanda Prokop, Winterville Librarian, welcomed everyone and gave a brief update on library operations in Winterville.

CALL TO ORDER:
Chair Mark Sanders called the meeting to order. He welcomed Tracy Stroud as a new Pitt County appointee to the library board of trustees. Also welcomed in attendance were library staff members Amanda Prokop (Winterville librarian) and Phyllis Conner (children’s librarian).

Library director Greg Needham recognized outgoing trustee Terry Atkinson for serving six years on the board. She was appointed by the Pitt County Commissioners in March 2012, and served two full terms. Terry served as board chair from July 2015 to July 2017.

ROLL CALL OF TRUSTEES:

Presiding: Mark Sanders

Present: Jeff Coghill
        Darrell Hinnant
        Veronica Roberson
        Rick Smiley
        Ray Spears
        Tracy Stroud
        Glen Webb
        LTC Jesse Hinton, Jr. (Ret)
        Absent: Al Muller
              Ralph Scott

APPROVAL OF MINUTES:
Jeff Coghill made a motion to approve the minutes from the meeting held January 23, 2018. Rick Smiley seconded the motion. The motion passed.

OLD BUSINESS:

Report by Childrens' Librarian Phyllis Conner:

Children’s Librarian Phyllis Conner updated trustees on her thirty-three year career at Sheppard Memorial Library. She started volunteering at the library and was offered a temporary position as outreach librarian in January 1985. While filling the temporary outreach librarian position, she started a toddler story time. She was offered the permanent full-time outreach librarian position in October 1986. In August 1993, Phyllis was promoted to Children’s Librarian.

During her time at Sheppard Memorial Library, Phyllis developed children’s programming for preschool age children and toddlers, and she has coordinated family and homeschool programs, craft programs, puppet shows, and the summer reading program for children up to 12 years old. There is no admission charge for any library programs. The public can find program information via social media, the library website, the library newsletter, and in-house flyers.

Library Director Greg Needham stated that Phyllis has been a pioneer and crusader for children’s literacy and the importance of language being shared by parents and reading to children from birth. The most recent children’s program addition is “Baby and Me” for parents/guardians with their newborn children to 18 month’s old.

The Children’s Library also partners with outside agencies to present programs (e.g. City of Greenville Fire Department, Martin/Pitt Partnership for Children, River Park North, and Pitt County Agricultural Extension Service to name a few) and has received grants to develop and promote children’s literacy. Programming and promoting literacy are taken outside the library to day care centers, schools, migrant head start, and others.

Proposed 2017-2018 Budget Amendment
The library director asked the trustees to consider a fiscal 2017-2018 budget amendment to reflect the following changes:
Revenues: increase State Aid by $5,488; reduce Desk Receipts by $5,307; increase Miscellaneous Income by $4,850; decrease the amount of fund balance savings needed by $12,376.

Expenditures: increase personnel expenditures by $8,732; increase building maintenance by $19,000; decrease supplies expense by $12,283; decrease vehicle and liability insurance by $3,794; and decrease capital building expense by $19,000.

Jeff Coghill made a motion to accept the budget as amended to be submitted to our local government funding partners for further action. Rick Smiley seconded the motion. The motion passed. A copy of the approved budget is attached as Exhibit A.

Salary Survey and Personnel Update

Personnel Update: The board of trustees conduct the evaluation of the library director annually at the July meeting. Greg Needham reviewed the library director's evaluation process which includes director-submitted information on accomplishments, progress on goals for the current year, and revised goals for the coming year. Library board members each complete an evaluation form that is submitted to the board chair. Last year, the evaluation process included a staff survey that may benefit from enhancements. Board chair Mark Sanders asked for volunteers to serve on an evaluation committee to consider enhancements to the staff survey. Ray Spears, Darrell Hinnant, and Veronica Roberson agreed to work with Mark Sanders on the evaluation committee.

Salary Survey: Library trustees asked the library director to seek comparative information for the evaluation and compensation of the library management team. The Appalachian Regional Library asked Sheppard Memorial Library to participate in a salary and benefits study they were conducting. This study provided valuable information gathered from nine library systems in North Carolina. Greg Needham reviewed a comparison of Sheppard Memorial Library senior staff compensation with the Appalachian Regional Library System survey results.

Proposed 2018-2019 and 2019-2020 Budget:

The library director presented the board with the proposed 2018-2019 and the proposed 2019-2020 budget for consideration.

Regarding Revenues:
- the City of Greenville provided funding targets indicated in the proposed budget;
- the fiscal 2018-2019 funding request to Pitt County is $42,261 over the current year funding level, and the fiscal 2019-2020 request is $19,049 more; and
- the Town of Bethel and Winterville budget requests remain the same as currently funded.

Regarding Expenditures:
- each budget cycle includes 3% for market/merit increases;
- each budget includes a per pay period 401(k) employer contribution increase from $30 to $40 per full-time and designated part-time employee (currently a total of 15 full-time and 10 designated part-time employees);
- both funding years include a 3.625% increase in health insurance costs;
- both funding years include a 2.125% increase in dental insurance costs; and
- a capital funding request is included in the 2019-2020 budget for a new vmWare server totaling $12,000.

Greg Needham noted that future capital needs include a main library ballasted roof section that goes out of warranty in 2020, but he does not expect it will have to be replaced at that time. Brick and mortar repair is necessary for the 1930's main library building exterior. The library and the City of Greenville are looking for historic preservation funds to help fund this capital need.

Rick Smiley made a motion to approve the two-year budget as presented, and submit the funding requests to the local government funding authorities. Jeff Coghill seconded the motion. The motion passed. A copy of the budget is attached as Exhibit B.

Appoint a Nominating Committee for 2018-2019 Officers:

Chair Mark Sanders asked for two volunteers to serve as a nominating committee to submit a slate of officers (chair and vice-chair) for consideration at the July 2018 meeting. Rick Smiley and Ralph Scott will serve as the nominating committee.
Approval of the Fiscal 2017-2018 Audit Contract:
The library director asked trustees for approval of the audit contract for fiscal 2017-2018.

Rick Smiley made a motion to approve the audit contract as presented. Veronica Roberson seconded the motion. The motion passed. A copy of the contract is attached as Exhibit C.

Librarian’s Report:
Statistical:
Greg Needham presented the following statistical comparisons of the current year to the previous year. He noted that snow closures and a hundred-year record cold snap negatively impacted usage statistics for January.

<table>
<thead>
<tr>
<th>Month</th>
<th>Circulation</th>
<th>Computer Sessions / (WiFi)</th>
<th>Patron Count</th>
<th>Program Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>-9.1% (snow closure)</td>
<td>-16.28% / (-9.03%)</td>
<td>-8.44%</td>
<td>-11.19%</td>
</tr>
<tr>
<td>February</td>
<td>-3.12%</td>
<td>-14.15% / (+3.44%)</td>
<td>-5.49%</td>
<td>+12.13%</td>
</tr>
</tbody>
</table>

Financial:
Greg Needham presented financial highlights through February 2018.
- Revenue received totaled 58.68%, compared with 66.86% at the same time last year.
- Expenditures totaled 58.03% of the budget, compared with 56.4% in 2017.
- 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 library budget will be presented to the Greenville City Council May 10, 2017.
2. Greg Needham attended a groundbreaking ceremony for the City of Greenville Town Creek Culvert project. Over the next 30 months, crews will work to replace the main drainage system across the city, extending from Ninth Street, through the uptown district to the culvert’s outlet at the Tar River.
3. In February 2018, the Friends of the Sheppard Memorial Library hosted their annual used book sale at the Greenville Convention Center, grossing over $30,000. The Friends provide significant funding for library needs.
4. The Breakfast for Elected Officials will take place beginning at 8 a.m., Monday, April 30, 2017.
5. Councilman Rick Smiley and the library director met with staff from the City of Greenville Public Works and Recreation and Parks departments to work out the logistics of constructing the outdoor chess project at the main library. An arborist recommended they change the chess board site to the south end of the property to protect established trees on the north end of the site. Donations are being accepted by The Friends of the Sheppard Memorial Library, Pitt County Arts Council, and Uptown Greenville. Rick Smiley distributed contribution cards for trustees, recommending each trustee give and encourage others to give. He would like to raise $10,000 for the project.
6. Sheppard Memorial Library can no longer enjoy the benefit of free banking services offered through Bank of America. Bank service charges are going to become a part of doing business for the library going forward. Taking advantage of having been included in the last City of Greenville request for banking service proposal, the library will move from Bank of America to Wells Fargo as soon as the account can be established.

ADJOURNMENT:
Mark Sanders called for further business. Hearing none, Veronica Roberson made a motion to adjourn. Ray Spears seconded the motion. The motion passed and the meeting adjourned.

Respectfully Submitted,

[Signature]

Greg Needham, Secretary
Exhibit A

Sheppard Memorial
Budget Amendment for FY 2017 - 2018

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>Current Budget</th>
<th>Amended Budget</th>
<th>Over/Under Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Greenville</td>
<td>$1,232,969.00</td>
<td>$1,232,969.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Town of Winnterville</td>
<td>$165,300.00</td>
<td>$165,300.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Town of Bethel</td>
<td>$21,108.00</td>
<td>$21,108.00</td>
<td>$0.00</td>
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<tr>
<td>State Aid</td>
<td>$191,774.00</td>
<td>$197,262.00</td>
<td>$5,488.00</td>
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<tr>
<td>G’ville Housing Authority</td>
<td>$10,692.00</td>
<td>$10,692.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>County of Pitt</td>
<td>$592,718.00</td>
<td>$592,718.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Pitt County B/W</td>
<td>$12,000.00</td>
<td>$12,000.00</td>
<td>$0.00</td>
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<tr>
<td>Interest Income</td>
<td>$1,500.00</td>
<td>$1,500.00</td>
<td>$0.00</td>
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<tr>
<td>Desk &amp; Copier Receipts</td>
<td>$117,775.00</td>
<td>$112,468.00</td>
<td>-$5,307.00</td>
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<tr>
<td>Miscellaneous Income</td>
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<td>$37,350.00</td>
<td>$4,850.00</td>
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<tr>
<td>Capital Income - Other</td>
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<td>$0.00</td>
<td>$0.00</td>
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<tr>
<td>Capital Reserved - Building</td>
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<tr>
<td>Capital Reserved - Bookmobile</td>
<td>$198,266.00</td>
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<td>$0.00</td>
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<tr>
<td>Fund Balance</td>
<td>$26,946.00</td>
<td>$14,570.00</td>
<td>-$12,376.00</td>
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<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td><strong>$2,622,548.00</strong></td>
<td><strong>$2,615,203.00</strong></td>
<td><strong>-$7,345.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th>Current Budget</th>
<th>Amended Budget</th>
<th>Over/Under Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERSONNEL SUBTOTAL</td>
<td>$1,610,626.00</td>
<td>$1,619,358.00</td>
<td>$8,732.00</td>
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<td>OPERATIONS SUBTOTAL</td>
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<tr>
<td>G’ville Housing Authority</td>
<td>$10,692.00</td>
<td>$10,692.00</td>
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<tr>
<td>Capital - Bookmobile</td>
<td>$198,266.00</td>
<td>$198,266.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Capital - Building</td>
<td>$19,000.00</td>
<td>$0.00</td>
<td>-$19,000.00</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td><strong>$2,622,548.00</strong></td>
<td><strong>$2,615,203.00</strong></td>
<td><strong>-$7,345.00</strong></td>
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</table>
Exhibit B

2018-2019 and 2019-2020 Budget

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>18-19 Budget</th>
<th>19-20 Budget</th>
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</thead>
<tbody>
<tr>
<td>City of Greenville</td>
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<td>$1,308,057</td>
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<td>County of Pitt</td>
<td>$634,979</td>
<td>$654,028</td>
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<tr>
<td>County of Pitt B/W</td>
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<tr>
<td>Town of Bethel</td>
<td>$21,108</td>
<td>$21,108</td>
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<tr>
<td>Town of Winterville</td>
<td>$165,300</td>
<td>$165,300</td>
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<tr>
<td>State Aid</td>
<td>$197,262</td>
<td>$197,262</td>
</tr>
<tr>
<td>Desk Receipts</td>
<td>$112,500</td>
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</tr>
<tr>
<td>Interest Income</td>
<td>$1,500</td>
<td>$1,500</td>
</tr>
<tr>
<td>Miscellaneous Inc.</td>
<td>$32,000</td>
<td>$32,000</td>
</tr>
<tr>
<td>Greenville Housing Authority</td>
<td>$10,692</td>
<td>$10,692</td>
</tr>
<tr>
<td>Trans In from Fid Fund</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Capital Projects</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Fund Balance</td>
<td>$22,618</td>
<td>$40,172</td>
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<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td><strong>$2,479,917</strong></td>
<td><strong>$2,554,619</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>PERSONNEL SUB-TOTAL</td>
<td>$1,663,716</td>
<td>$1,710,960</td>
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<td>OPERATIONS SUBTOTAL</td>
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<td>Greenville Housing Authority</td>
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<td>$10,692</td>
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<tr>
<td>Capital - Computer Equip</td>
<td>$0</td>
<td>$12,000</td>
</tr>
<tr>
<td><strong>TOTAL ALL EXP'S</strong></td>
<td><strong>$2,479,917</strong></td>
<td><strong>$2,554,619</strong></td>
</tr>
</tbody>
</table>
February 26, 2018

Ms. Bernita Demery
Sheppard Memorial Library
c/o City of Greenville
530 Evans Street
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 ending June 30, 2018:

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 ending June 30, 2018, and render an opinion whether the financial statements present fairly, in all material respects, the financial position and changes in financial position 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 service 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 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 April Adams, 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 that was 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. In the event that we conclude that management is not meeting Management's Responsibilities Related to the Audit as set forth above, we reserve the right to terminate our services and end this engagement. In the event we do terminate this engagement, we will notify you immediately. We will make ourselves reasonably available to your successor auditors in accordance with professional standards.

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.
CONCLUSIONS 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>$ 8,600</td>
</tr>
<tr>
<td>Accounting services</td>
<td></td>
</tr>
<tr>
<td>Financial statement preparation assistance</td>
<td>$ 1,500</td>
</tr>
<tr>
<td>Total</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 1½% 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.

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 April Adams at (910) 782-1040.

Sincerely,

CHERRY BEKAERT LLP

ATTACHMENT – Engagement Letter Terms and Conditions

SHEPPARD MEMORIAL LIBRARY

ACCEPTED BY: ____________________________

TITLE: _________________________________ DATE: ________________
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 depend 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 the 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.
NONATTEST SERVICES (IF APPLICABLE)

All nonattest 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 nonattest 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 nonattest complies with the laws and regulations.

The accuracy and appropriateness of such nonattest services shall be limited by the accuracy and sufficiency of the information provided by you. In the course of providing such nonattest services, we may provide professional advice and guidance based on knowledge of accounting, tax, and other compliance, and of the facts and circumstances as provided by you. Such advice and guidance shall be 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 working papers 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.

Independent Contractor

Each party is an independent contractor with respect to the other and shall not be construed as having a trustee, joint venture, agency, or fiduciary relationship.

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 as 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.
Attachment - Page 5

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 billing, 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.

Letter ID: 1139057A

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
npcc@aicpa.org 919 4024502
cc: Marc T. Fogarty; Raymond R Quintin
Firm Number: 1001816 Review Number 451036

LGC-205 (Rev. 2018)
CONTRACT TO AUDIT ACCOUNTS

Of ________________________________

Sheppard Memorial Library
Primary Government Unit

N/A

Discretely Presented Component Unit (DPCU) if applicable

On this ___________________________ day of _____________________, 2018.

Auditor: ________________________________

Cherry Bekaert LLP
Auditor Mailing Address: 2626 Glenwood Avenue
Suite 200, Raleigh, NC 27608

Hereinafter referred to as The Auditor

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

and ________________________________ 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 accounting principles generally accepted in the United States of America (GAAP) and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit(s) for the period beginning ___________________________ and ending ___________________________. 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 shall 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 reader his/her report in accordance with auditing standards generally accepted in the United States of America. 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 Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards, (Uniform Guidance) and the State Single Audit Implementation Act, the Auditor shall perform a Single Audit. This audit and all associated audit documentation 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 Auditor communication 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 State Board). County and Multi-County Health Departments: The Office of State Auditor (OSA) will require Auditors of these Governmental Units to perform agreed upon procedures (AUPs) on eligibility determination on certain programs. Both Auditor and Governmental Unit agree that Auditor shall complete and report on these AUPs on Eligibility Determination as required by OSA and in accordance with the instructions and timeline provided by OSA.

3. If an entity is determined to be a component of another government as defined by the group audit standards, the entity’s Auditor shall make a good faith effort to comply in a timely manner with the requests of the group auditor in accordance with AU-5 §600.41 - §600.42.

4. This contract contemplates an unqualified opinion being rendered. If during the process of conducting the audit the Auditor determines that it will not be possible to render an unqualified opinion on the financial statements of the unit, the Auditor shall contact the SLGFD staff to discuss the circumstances leading to that conclusion as soon as is practical and before the final report is issued. The audit shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract.
5. If this audit engagement is subject to the standards for audit as defined in *Government Auditing Standards*, 2011 revisions, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in *Government Auditing Standards*. The Auditor agrees to provide a copy of their most recent peer review report regardless of the date of the prior peer review report to the Governmental Unit and the Secretary of the LGC prior to the execution of the audit contract. 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 SLCFD within four months of fiscal year end. Audit report is due on ___________ October 31, 2016 ___________. If it becomes necessary to amend this due date or the audit fee, an amended contract along with a written explanation of the delay shall 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 shall 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 shall 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. [G.S. 159-34 and 115C-447] All invoices for Audit work shall be submitted in PDF format to the Secretary of the LGC for approval. The invoices shall 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 shall 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 Government 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 Fees page*). This does not include fees for any Pre-Issuance reviews that may be required by the NC Association of CPAs (NCACCPA) Peer Review Committee or NC State Board of CPA Examiners (see Item #12).

10. If the Governmental Unit has outstanding revenue bonds, the Auditor shall submit to the SLGFD either in the notes to the audited financial statements or as a separate report, a calculation demonstrating compliance with the revenue
bond rate covenant. Additionally, the Auditor shall submit to the SLGFD simultaneously with the Governmental Unit’s audited financial statements any other bond compliance statements or additional reports required by the authorizing bond documents, 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 Governmental Unit 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 fiscal year end.

12. If the audit firm is required by the NC State Board, the NCACPA Peer Review Committee, or the Secretary of the LGC to have a pre-issuance review of its audit work, there shall be a statement in the engagement letter indicating the pre-issuance review requirement. There also shall be a statement that the Governmental Unit shall not be billed for the pre-issuance review. The pre-issuance review shall be performed prior to the completed audit being submitted to the SLGFD. The pre-issuance review report shall accompany the audit report upon submission to the SLGFD.

13. The Auditor shall electronically submit the report of audit to the SLGFD 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 shall be sent to the Secretary of the LGC along with an Audit Report Reissuance form. 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 and Exchange Commission and for other lawful purposes of the Governmental Unit without subsequent consent of the Auditor. If the SLGFD determines that corrections need to be made to the Governmental Unit’s financial statements, those corrections shall be provided within three days of notification unless another deadline is agreed to by the SLGFD.

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

The SLGFD’s process for submitting contracts, audit reports and invoices is subject to change. Auditors shall 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/slz/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, compensation, or both as may be agreed upon by the Governing Board and the Auditor.

15. If an approved contract needs to be amended for any reason, the change shall 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 shall be completed in full, including a written explanation of the change, signed and dated by all original parties to the contract. It shall then be submitted through the audit contract portal to the Secretary of the LGC for approval. The portal address to upload the amended contract is http://nc treasurer. slgfd.leapfile.net No change to the audit contract shall be effective unless approved by the Secretary of the LGC, the Governing Board, and the Auditor.
16. A copy of the engagement letter, issued by the Auditor and signed by both the Auditor and the Governmental Unit shall be attached to the contract, and by reference here becomes part of the contract. In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract shall take precedence. Engagement letter terms that conflict with the contract are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item #23 of this contract. Engagement letters containing indemnification clauses shall not be accepted by the SLGFD.

17. Special provisions should be limited. Please list any special provisions in an attachment.

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 shall be named along with the parent government on this audit contract. DPCU Board approval date, signatures from the DPCU Board chairman and finance officer also shall be included on this contract.

19. The contract shall be executed, pre-audited, physically signed by all parties including Governmental Unit and the Auditor and then submitted in PDF format to the Secretary of the LGC. The current portal address to upload the contractual documents is http://nctreasurer.slefd.leapfile.net. Electronic signatures are not accepted at this time. Included with this contract are instructions to submit contracts and invoices for approval as of November 2017. These instructions are subject to change. Please check the NC Treasurer's web site at https://www.nctreasurer.com/site/Pages/Audit-Forms-and-Resources.aspx for the most recent instructions.

20. The contract is not valid until it is approved by the Secretary of the LGC. 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
Contract to Audit Accounts (cont.)

Sheppard Memorial Library
Primary Government Unit
N/A
Discretely Presented Component Unit (DPCU) if applicable

FEES – PRIMARY GOVERNMENT

AUDIT: $8,600

WRITING FINANCIAL STATEMENTS: $1,500

ALL OTHER NON-ATTEST SERVICES: $0

For all non-attest services the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct and Governmental Auditing Standards (as applicable). Bookkeeping and other non-attest services necessary to perform the audit shall be included under this contract. However, bookkeeping assistance shall be limited to the extent that the Auditor is not auditing his or her own work or making management decisions. The Governmental Unit shall designate an individual with the suitable skills, knowledge, and/or experience necessary to oversee the services and accept responsibility for the results of the services. Financial statement preparation assistance shall be deemed a “significant threat” requiring the Auditor to apply safeguards sufficient to reduce the threat to an acceptable level. The Auditor shall maintain written documentation of his or her compliance with these standards in the audit work papers.

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

FEES – DPCU (IF APPLICABLE)

AUDIT: $N/A

WRITING FINANCIAL STATEMENTS: $N/A

ALL OTHER NON-ATTEST SERVICES: $N/A

For all non-attest services the Auditor shall adhere to the independence rules of the AICPA Professional Code of Conduct and Governmental Auditing Standards (as applicable). Bookkeeping and other non-attest services necessary to perform the audit shall be included under this contract. However, bookkeeping assistance shall be limited to the extent that the Auditor is not auditing his or her own work or making management decisions. The Governmental Unit shall designate an individual with the suitable skills, knowledge, and/or experience necessary to oversee the services and accept responsibility for the results of the services. Financial statement preparation assistance shall be deemed a “significant threat” requiring the Auditor to apply safeguards sufficient to reduce the threat to an acceptable level. The Auditor shall maintain written documentation of his or her compliance with these standards in the audit work papers.

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 $N/A.

**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 April Adams
Authorized Audit firm representative name: Type or print

Signature of authorized audit firm representative
Date February 26, 2018

aadams@cbh.com
Email Address of Audit Firm

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.

By
Primary Government Unit Finance Officer:
Type or print name

Primary Government Finance Officer Signature
Date (Pre-audit Certificate must be dated)

Email Address of Finance Officer

Governmental Unit Signatures:
Sheppard Memorial Library
Name of Primary Government
By
Mayor/Chairperson: Type or print name and title

Signature of Mayor/Chairperson of 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"

***Please provide us the most current email addresses available as we use this information to update our contact database***
**This page to only be completed by Discretely Presented Component Units If Applicable**

**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.

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)

***Please provide us the most current email addresses available as we use this information to update our contact database***
Steps to Completing the Audit Contract

1. Complete the header information – If a DPCU is subject to the audit requirements found in the Local Government Budget and Fiscal Control Act and a separate report is being issued for that DPCU, a separate audit contract for the DPCU is required. If a separate report is not being issued for the DPCU – it is being included in the Primary Government’s audit – the DPCU shall be named with the Primary Government on the audit contract for the Primary Government. The Board Chairperson of the DPCU shall sign the audit contract in addition to the elected leader of the Primary Government.

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 \[https://www.actreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx\]

5. Item No. 9 – Please note that the new fee section has been moved to page 5.

6. Item No. 16 – Has the engagement letter been attached to the contract that is being submitted to SLGFD?
   a. Do the terms and fees specified in the engagement letter agree with the Audit contract? \"In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract shall take precedence.\"
   b. Does the engagement letter contain an indemnification clause? The audit contract shall 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 fees page; 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 shall 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: \[https://www.actreasurer.com/slg/lfm/audit_acct/Pages/default.aspx\] select “Audit Fees”
   - Please call or email Lorna Hodge at 919-814-4299 lorna.hodge@actreasurer.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?
Contract to Audit Accounts (cont.)

Sheppard Memorial Library
Primary Government Unit
N/A

Discretely Presented Component Unit (DPCU) if applicable

- For fees for services that are a combination of fixed and variable fees, are the services to be provided for the fixed portion of the fee clearly stated? Are the hourly rates or other rates clearly stated for the variable portion of the fee? (Note: See previous bullet point regarding variable fees.)

- If there is to be no interim billing, please indicate N/A instead of leaving the line blank.

8. Signature Area – There are now 2 Signature Pages: one for the Primary Government and one for the DPCU. Please only send the page(s) that are applicable to your Unit of Government and do not include the instructions pages. Make sure all signatures have been obtained, and properly dated. The contract shall be approved by Governing Boards pursuant to G.S. 159-34(a). If this contract includes the audit for a DPCU that is a Public Authority that falls under the Local Government Budget and Fiscal Control Act, it shall be named in this contract and the Board Chairperson of the DPCU also shall sign the contract in the area indicated. If the DPCU is filing a separate audit, a separate audit contract is required for that DPCU.

9. Please place the date the Primary Government’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 fees page.

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 PDF. When submitting for approval combine and send the documents as one PDF file to include the Audit contract, any applicable addendums, the engagement letter and Peer Review Report. Submit these documents using the most current submission process which can be obtained at the NC Treasurer’s website.

   https://www.nc treasurer.com/slg/Audit%20Forms%20and%20Resources/Instructions%20for%20Contract%20Submission.pdf

13. If an audit cannot be completed by the due date, the Auditor or Governmental Unit shall file an Amended Contract form (Amended LGC-205). This form shall be signed by the Governmental Unit representative and the Auditor. The explanation for the delay in completing the audit is part of this contract amendment form and shall be provided. The parties that signed the original audit contract shall sign the amended contract form as well. If the signatures representatives are unable to sign the amended contract, please include an explanation for this in the submitted amended contract form.