

TOWN OF CHARLOTTE, VT
PROPOSAL FOR AUDIT SERVICES
FEBRUARY 18, 2014

Pace and Hawley, LLC
Certified Public Accountants
Person to contact: Nathan Hawley, CPA

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P.O. Box 603
Montpelier, VT 05601
(802) 461-2587

Pace & Hawley, LLC

Certified Public Accountants

Town of Charlotte, VT
Attn: Dean Bloch, Town Administrator
P.O. Box 119
Charlotte, VT 05445

February 18, 2014

Dear Dean:

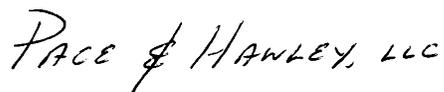
We are writing in order to submit a proposal to provide a financial statement audit of the Town of Charlotte, VT for the year ending June 30, 2014. Additionally, we are presenting the costs of providing financial statement audits of the Town of Charlotte, VT for the years ending June 30, 2015 and 2016, if desired by the Selectboard. The audit(s) will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, all audit work will be completed according to standards set by the American Institute of Certified Public Accountants (AICPA) and the Vermont Board of Accountancy. As required by those standards, our audit will include a report on the fair presentation of the financial statements and a report on internal control over financial reporting.

Our proposed annual not-to-exceed fees for the financial statement audits for the years ending June 30, 2014, 2015 and 2016 are \$11,350, \$11,650 and \$11,950, respectively. I have enclosed a separate engagement letter which communicates the terms of our engagement for the year ending June 30, 2014. Should you decide to contract with us for the 2014 audit, please sign the engagement letter and promptly return a copy to us.

Pace and Hawley is positioned to provide the Town of Charlotte with a unique combination of governmental audit experience and personal auditing service. The Firm's owners have significant experience in governmental auditing including audits for both municipal organizations and school districts. We enjoy working closely with many governmental entities in Vermont and work cooperatively to address their needs. Our Firm does not employ staff to manage audit engagements and all significant communication will be directly with the audit principal, Nathan Hawley, CPA. We understand the importance of communication with the Board, and throughout the audit engagement will attempt to keep the Board well informed of the audit process.

Thank you for the opportunity to be of service to the Town of Charlotte.

Respectfully submitted,



Pace & Hawley, LLC

Robert Pace, CPA, - Nathan Hawley, CPA
P.O. Box 603 - Montpelier, VT 05601
TEL (802) 461-2587 - FAX (802) 476-5791

**TOWN OF CHARLOTTE, VT
PROPOSAL FOR AUDIT SERVICES**

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TOWN OF CHARLOTTE, VT
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Scope of Services:

We will express opinions on the fair presentation of financial statements in accordance with generally accepted accounting principles (GAAP) for the Town of Charlotte, VT. In conjunction with the audit, we will also issue a report on the Town of Charlotte, VT's internal control over financial reporting and on compliance. However, we will not provide an opinion on the Town's internal control.

The audit shall be performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

During the course of the audit we will discuss with you all accounting adjustments, proposed adjustments and items to be communicated relating to internal control over financial reporting and compliance. You will receive a draft of the proposed financial statements and be provided with ample time and opportunity for discussion of matters contained in the financial statements. We will provide Town employees with a list of proposed audit adjustments and an adjusted final trial balance. Once the adjustments and financial statements are approved by management of the Town, we will issue the final reporting package containing our opinions of the financial statements, our report on internal control over financial reporting and the audited financial statements and related notes. As requested we will meet twice with the Selectboard to review the preliminary and final audited financial statements.

Certifications and General Requirements:

Pace & Hawley, LLC certifies that the Firm is properly licensed to practice public accounting in the State of Vermont. The Firm's license number is #092.0000709 expiring 7/31/2015. All Firm licenses are available for renewal on a two year cycle.

Pace & Hawley, LLC is independent of the Town of Charlotte, VT as defined by generally accepted auditing standards and Government Auditing Standards as issued by the U.S. Government Accountability Office.

Pace & Hawley, LLC certifies that the Firm is not contained on the General Services Administration list of parties excluded from Federal procurement or non-procurement program and that the Firm has not been debarred, suspended or proposed for debarment by agencies or declared ineligible under other statutory or regulatory authority.

Consistent with our Firm's Quality Control Manual, we will retain the audit workpapers for a period not less than five years. The workpapers will be made available upon request by management of the Town.

TOWN OF CHARLOTTE, VT
PROPOSAL FOR AUDIT SERVICES

Qualifications and Staffing:

Pace and Hawley, LLC (the Firm) provides auditing, accounting, and tax services to individuals, business, governments and non-profits located in Vermont with a focus on providing high quality and technically proficient services. The Firm consists of two owners, Robert Pace, CPA and Nathan Hawley, CPA, two professional staff and two administrative employees. The Firm has significant experience auditing governmental entities including municipalities and school districts.

The Firm is a member of the American Institute of Certified Public Accountants' (AICPA's) Governmental Audit Quality Center (GAQC). The GAQC is a voluntary membership center for CPA firms and state audit organizations. The GAQC promotes the importance of quality governmental audits and provides resources for auditors performing governmental audits.

The Firm is also a participant in the AICPA Peer Review Program through enrollment in New England Peer Review and has been reviewed by an independent external CPA firm. The Firm has successfully achieved the highest quality report possible. A copy of our most recent peer review report is included with this proposal.

Nathan Hawley, CPA, Principal - Nathan is in charge of auditing compliance for the Firm. He annually participates in Continuing Professional Education courses on auditing issues specific to nonprofit and governmental entities. He is a member of the American Institute of Certified Public Accountants. Prior to founding Pace and Hawley, LLC, Nathan was employed by a CPA firm where he worked almost exclusively on governmental audits. He has significant experience with all phases of audit management including planning, documentation of internal control systems, compliance testing, report generation and presentation of the final reports to boards with oversight authority.

Robert Pace, CPA, Principal - Prior to founding Pace and Hawley, LLC, Robert was the owner of the CPA firm Robert Pace CPA & Company P.C. Robert has been providing tax, accounting and auditing services to various entities in central Vermont for over twenty years. Robert is a member of the Vermont Society of Certified Public Accountants.

Jeremy Rassing, Staff Accountant – Jeremy is a Staff Accountant at Pace and Hawley, LLC. Jeremy has a Bachelor of Science in Accounting from the State University of New York at Plattsburgh. Prior to being employed at Pace & Hawley, LLC, Jeremy was an accounting assistant for a for-profit business for three years.

Martha Wales, Staff Accountant – Martha is a Staff Accountant/Administrative Assistant at Pace & Hawley, LLC. Martha has completed the CPA sequence of courses at the University of Vermont and has a Bachelor of Science in Mathematics from the University of Wisconsin. Martha has been employed with Pace & Hawley, LLC for three years.

Nathan Hawley, CPA will be in charge of the audit and will be the main person of contact. He will be present during the entire period of field work and will be assisted by Robert Pace, CPA, Jeremy Rassing and Martha Wales.

Non-discrimination Clause:

We affirm that the Firm does not discriminate against any individual because of race, religion, sex, color, age, handicap, or national origin and that these shall not be a factor in consideration for employment, rates of pay or other forms of compensation, demotion, or separation.

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Listing of Recent Government Audit Clients:

- Brighton Town School District
- Charleston Town School District
- Hartford Town School District
- Holland Town School District
- Lowell Town School District
- Morgan Town School District
- St. Johnsbury Town School District
- Town of Fairlee, Vermont
- Town of Monkton, Vermont
- Town of Moretown, Vermont
- Town of Groton, Vermont
- Town of Rochester, Vermont
- Town of Barnard, Vermont
- Town of Greensboro, Vermont
- Town of Weston, Vermont
- Lamoille County Planning Commission

References:

As mentioned in the description of our Firm, we serve a wide variety of clients. We encourage you to contact the references below and discuss our ability to meet their auditing and accounting needs.

Town of Rochester, VT
Larry Straus, Select Board Chair
P.O. Box 238
Rochester, Vermont 05767
(802) 767-3631

St. Johnsbury School District
Kathy Ducharme, Business Manager
257 Western Avenue
St. Johnsbury, VT 05819
(802) 748-8912 x 2316

North Country Supervisory Union
Glenn Hankinson, Director of Business Operations
121 Duchess Avenue, Suite A
Newport, VT 05855-5517
(802) 334-5847

TOWN OF CHARLOTTE, VT
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Audit Approach and Procedures

The procedures required to perform an audit of the Town's financial statements in accordance with auditing standards generally accepted in the United States of America and Governmental Auditing Standards can be separated into three distinct phases: planning, fieldwork and report preparation.

The planning phase of the audit may include the following procedures:

- Scheduling the audit
- Communicating with the Town to discuss data needed to complete the audit
- Understanding the Town's internal control processes
- Understanding the structure of the Town
- Reviewing Board minutes
- Performing risk assessment procedures
- Performing preliminary analytical procedures
- Creating appropriate audit programs
- Preparing appropriate confirmation letters
- Organizing workpaper files
- Other procedures as deemed necessary

The fieldwork phase of the audit will include performing tests to provide reasonable assurance that material and significant balance sheet accounts and revenue and expense accounts are recorded in accordance with Generally Accepted Accounting Principles. Tests may be performed related to the following areas:

- Cash
- Investments
- Capital assets
- Debt and debt service
- Other liabilities
- Fund balances
- Expenditures and related payables
- Revenues and related receivables
- Interfund activity
- Other areas as deemed necessary

The report preparation phase of the audit may include the following procedures:

- Communicating with the Town results of the audit including proposed audit adjustments, internal control findings and compliance findings
- Drafting the independent auditor reports
- Drafting the financial statements and related notes
- Providing a management letter to the Town
- Providing a trial balance and audit adjustments to the Town
- Providing final copies of the financial statement report
- Other procedures as deemed necessary

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Compensation

The breakdown of the costs to complete the financial statement audit for the year ending June 30, 2014 by principals, staff accountants and administration personnel are as follows:

	<u>Hours</u>	<u>Rate/hour</u>	<u>Total</u>
Principals	45	\$ 95/hr	\$ 4,275
Staff Accountants	95	\$ 60/hr	\$ 5,700
Admin	20	\$ 45/hr	900
Subtotal			10,875
Out of pocket expenses			475
Not to exceed fee - 2014			<u>\$ 11,350</u>

We will be available during the year for consultation. If the consulting takes less than 1/3 hour there will be no charges. If it takes longer we will bill you for the service at our normal hourly rates presented in the schedule above.

Our procedure is to bill monthly for work completed to date. Invoices are payable on receipt. A finance charge of one percent (1%) per month will be charged on balances over thirty (30) days.

This proposal is effective for forty-five days.

Timeline

A proposed schedule for completing each annual audit is as follows:

May

- Initial meeting with Town personnel and auditors to discuss audit process
- Pace & Hawley to provide Town a list of documents and data needed for the audit

June

- Interim work completed by Pace & Hawley at Town Office

August

- Town personnel provide Pace & Hawley with final year-end account balances
- Pace & Hawley complete planning at their office

September

- Field work completed at Town Office

October

- Pace & Hawley to complete final documentation and draft of financial statements

November

- Pace & Hawley to provide a draft of auditor's reports and financial statements by November 1st of each year
- Pace & Hawley to meet with Selectboard to discuss draft

December

- Town to provide approval of financial statements by December 1st of each year
- Pace & Hawley to provide final bound financial statements by December 15th of each year
- Pace & Hawley to meet with Selectboard to present final financial statements

TOWN OF CHARLOTTE, VT
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Resumes:

Nathan Hawley, CPA

Experience -

- Pace & Hawley, LLC, 2007 to present
 - Principal
- Mudgett, Jennett & Krogh-Wisner, P.C., 2005 to 2007
 - Senior Accountant
- Gallagher Flynn and Company, LLP, 2004 to 2005
 - Staff Accountant

Membership -

American Institute of Certified Public Accountants (AICPA)

Education -

University of Vermont, Burlington, VT 2001 - 2004
University of Idaho, Moscow, ID 1995 - 1997
Plymouth State College, Plymouth, NH 1990 -1994

Selected Audit Experience -

Non-profits

- Child Care Resource
- Food Works at Two Rivers Center
- Holstein Association
- Student Conservation Association
- Women's Link Worldwide, Inc.
- Transition II, Inc.

School Districts

- Bradford Town School District
- Chittenden Central Supervisory Union and member districts
- Hartford Town School District
- Member districts of the North Country Supervisory Union
- St. Johnsbury Town School District

Towns/Villages

- Barnard
- Brattleboro
- Jericho
- Lyndon
- Monkton
- Randolph
- Rochester
- Rutland
- Weathersfield
- Woodstock

Other Governmental Entities

- Lamoille County Planning Commission

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Resumes (continued):

Robert Pace, CPA

Experience -

- Pace & Hawley, LLC, 2007 to present
 - Principal
- Robert Pace Accounting Services, 1992 - 2007
 - CPA / Accountant

Membership -

Vermont Society of Certified Public Accountants

Education -

- University of Vermont, Burlington, VT 1989 - 1992
- Indiana State University, Terre Haute, IN 1981 - 1984

Selected Audit and Review Experience -

Non-profits

- Center for Whole Communities
- Child Care Resource
- Cross Vermont Trail Association
- Food Works at Two Rivers Center
- Vermont Granite Museum of Barre
- Women's Link Worldwide, Inc.
- Transition II, Inc.

School Districts

- Caledonia Central Supervisory Union and member districts
- Chittenden Central Supervisory Union and member districts
- Chittenden East Supervisory Union and member districts
- Hartford Town School District
- St. Johnsbury Town School District
- Charleston Town School District
- Morgan Town School District

Towns / Villages

- Barnard
- Fairlee
- Groton
- Jericho
- Lyndon
- Monkton
- Rochester
- Weston

Other Governmental Entities

- Vermont Housing and Conservation Board
- Lamoille County Planning Commission

SYSTEM REVIEW REPORT

July 6, 2012

To the Members of Pace & Hawley, LLC
and the Peer Review Committee of the New England Peer Review, Inc.

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

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

In our opinion, the system of quality control for the accounting and auditing practice of Pace & Hawley, LLC in effect for the year ended March 31, 2012, 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*. **Pace & Hawley, LLC has received a peer review rating of *pass*.**

Vachon Clukay & Company PC