

**REGULAR MEETING OF
THE VILLAGE OF CLEMMONS COUNCIL
May 26, 2015**

The Village of Clemmons Council met on Tuesday, May 26, 2015, at 7 p.m. The meeting was held at the Village Hall, Clemmons, North Carolina. The following members were present: Mayor Nelson and Council Members Denny, Lawry, Roark and Rogers. Council Member Cameron was absent.

Call to Order & Pledge of Allegiance

Mayor Nelson called the meeting to order at 7 p.m. and led the Pledge of Allegiance.

Public Comments

There were 6 citizens in attendance. Two individuals signed in to speak:

John Ward, 7253 Styers Crossing Lane, Clemmons, NC – accepted invitation for business recognition for Krispy Kreme

Errol Rich, 4325 Winterberry Ridge Court, Winston-Salem, NC – brought up two items: interested in peddlers and panhandlers discussion as would like to not see on streets of Clemmons and regarding the false alarms he asked if consideration be given to displaying on webpage

Approval of the Minutes

Council Member Denny moved to approve the minutes of the May 11, 2015 special and regular meeting as presented. The motion was seconded by Council Member Rogers and unanimously approved.

Approval of the Agenda

Council Member Rogers moved to approve the agenda as presented. The motion was seconded by Council Member Lawry and unanimously approved.

Announcements

Mayor Nelson provided an update on Pedal and Metal Fest which took place on Saturday, May 16, 2015 from 2 p.m. – 5 p.m. He thanked the sponsors as well as Principal Hayes and Dr. Brewington for their support. Council Member Rogers advised that the event continues to grow with the addition of the Touch-A-Truck and food trucks.

Mayor Nelson provided an update on WXII Celebrates Clemmons which took place on Wednesday, May 20, 2015. WXII aired throughout the day from the Jerry Long Family YMCA focusing much of their coverage on Clemmons showcasing the history and community.

Mayor Nelson and Marketing/Communications Director Shannon Ford recognized five local businesses for their contribution and participation in the WXII Celebrates Clemmons with a certificate of appreciation. The following businesses provided food for the crewmembers throughout the day of the broadcast: Pete's Family Restaurant, Krispy Kreme, Biscuitville, The

Brick Oven Pizzeria, and Christina's Dessertery.

Business

A. Fiscal Year 2015-2016 Budget.

1. *Presentation of Budget.* In accordance with North Carolina General Statutes, Interim Manager Kirby presented the Fiscal Year 2015-2016 General Fund Budget for \$5,908,395 and Stormwater Enterprise Budget for \$1,096,850. The property tax remains level at \$0.115 per \$100 valuation and Stormwater Utility Fee remains at \$5.00 per month per Equivalent Residential Unit. Mr. Kirby reiterated that no day-to-day operation expenses have been taken out of fund balance. The budget can be viewed at the Village Hall, Clemmons Library or on the Village's website.
2. *Call for a Public Hearing on June 8, 2015 at 7 p.m. to adopt the Budget Ordinance and to set the Stormwater Utility Fee Rate.* Council Member Rogers moved to call for the public hearing. The motion was seconded by Council Member Roark and unanimously approved.

B. Consideration of Audit Contract – Interim Manager Kirby presented the Audit Contract from Cannon & Company, LLC in the amount of \$13,900. (Attached hereto as Exhibit A and incorporated as a part of the minutes.)

Council Member Rogers moved to approve the Audit Contract as presented. The motion was seconded by Council Member Roark and unanimously approved.

C. Call for a Public Hearing on June 8, 2015 at 7 p.m. for the Zoning Map Amendment of The Sonic Restaurant (Churpeyes) (Zoning Docket C-204). Council Member Rogers moved to call for public hearing on Zoning Docket C-204 on Monday, June 8, 2015 at the Regular Village Council Meeting. The motion was seconded by Council Member Denny and unanimously approved.

D. Call for a Public Hearing on June 8, 2015 at 7 p.m. for the Zoning Text Amendment of C-UDO-71. Council Member Rogers moved to call for public hearing on C_UDO-71 on Monday, June 8, 2015 at the Regular Village Council Meeting. The motion was seconded by Council Member Roark and unanimously approved.

E. Attorney's Report

1. *Discussion of Peddler and Panhandler Ordinances* – Discussion on whether to prohibit or regulate peddlers and panhandlers took place with Council's consensus to table further discussion for next meeting.

F. Planner's Report

1. *CMAQ – Sidewalk Grant Consideration* - Planner Ledbetter presented 3 options for Congestion Management Air Quality (CMAQ) grant funds that have been let by the MPO. She stated CMAQ projects have an 80/20 match but as we have found with recent projects, the grants are coming in more at 70/30 due to NCDOT charges. She

advised the project submittal is due Wednesday, May 27, 2015, so if Council has any desires to choose a project staff will need concurrence this evening so we can submit the grant application forms to the appropriate agencies. Submitting a project does not guarantee funding or require Council to accept funds. After discussion, the Council by consensus chose Option 2 which provides a connection from Trinity Elms at Harper Road to the entrance of the Novant Property at Village Point Drive. The estimated cost for this project is approximately \$480,000 and is for the 2016 fiscal year. Planner Ledbetter also noted there is a second call for project in June for the 2017 fiscal year which Council could apply for if they so desire.

2. *Minutes from the May 19, 2015 Planning Board Meeting* – Minutes were presented.

G. Marketing/Communication Director's Report

1. *Tourism/Occupancy Tax Grant Application Workshop* - Marketing/Communications Director Shannon Ford advised of the upcoming workshop to be held at Village Hall on Friday, May 29, 2015 at 10 a.m.

H. Manager's Report

1. *Financial Summary Report for April 2015* – report was presented.
2. *Village Boards Applications* – applications of citizens for consideration for open positions on Planning Board, Zoning Board of Adjustment and Stormwater Advisory Board were presented to Council for review prior to vote during next regular meeting on June 8, 2015.
3. *Approval of Sidewalk Repair* – Interim Manager Kirby and Public Works Director/Village Engineer Gunnell advised of several areas of approximately 5'-10' spans of sidewalk in need of repair. There is \$16,000 in the budget and the requested amount to be allocated is \$14,000. Lakey Backhoe would be the contractor overseeing the project.

Council Member Roark moved to approve the Sidewalk Repair as presented. The motion was seconded by Council Member Rogers and unanimously approved.

4. *Idols Road Extension Public Meeting* – meeting to be held on Thursday July 23, 2015. The Local Officials Briefing will take place from 1:30 p.m. – 3:00 p.m. or 2:00 p.m. – 3:30 p.m. (Time to be determined 2 weeks prior to the meeting). Walk-in for General Public will be 4:00 p.m. – 7:00 p.m.
- I. Council Comments – Council Member Roark expressed his appreciation to the members of the Sheriff's Department for their attendance at the meeting Monday, May 18, 2015 informing citizens and answering questions. Council Member Roark also advised of the Car Show being held on the 5th Friday of the month at Clemmons United Methodist Church from 4:00 p.m. – 8:30 p.m. and invited citizens to attend.

Council Member Rogers requested to add an item to closed session for discussion of personnel matter in accordance with NCGS 143-318.11(a)(6).

Council Member Roark made a motion to add item to closed session for discussion of personnel matter in accordance with NCGS 143-318.11(a)(6). Council Member Lawry seconded the motion which was unanimously approved.

- J. Closed Session for personnel matter discussion in accordance with NCGS 143-318.11(a)(6) and property acquisition discussion in accordance with NCGS 143-318.11(a)(5).

Council Member Rogers made a motion to reconvene the regular meeting with no action taken during Closed Session. Council Member Denny seconded the motion which was unanimously approved.

Council Member Rogers made a motion to hire Larry Kirby as Village Manager pending contract approval. Council Member Roark seconded the motion which was unanimously approved.

Adjournment

Council Member Rogers moved to adjourn the meeting at 10:00 p.m. The motion was seconded by Council Member Roark and was unanimously approved.



Nickolas B. Nelson
Mayor

ATTEST:



Lisa Shortt, Village Clerk



cannon&company
Certified Public Accountants

May 8, 2015

The Honorable Mayor and the Village Council
Village of Clemmons, NC
Clemmons, North Carolina

We are pleased to confirm our understanding of the services we are to provide Village of Clemmons for the year, ended June 30, 2014. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of Village of Clemmons as of and for the year ended June 30, 2015. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Village of Clemmons's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Village of Clemmons's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.
2. Budgetary comparison schedules

We have also been engaged to report on supplementary information other than RSI also accompanies Village of Clemmons's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of expenditures of federal awards.
2. Individual fund statements and schedules

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe (1) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (2) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance, and (3) that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance and OMB Circular A-133 in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements or the Single Audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements, schedule of expenditures of federal awards, and all accompanying information as well as all representations contained therein. Management is also responsible for identifying government award programs and understanding and complying with the

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compliance requirements, and for preparation of the schedule of expenditures of federal awards in accordance with the requirements of OMB Circular A-133. As part of the audit, we will assist with preparation of your financial statements, schedule of expenditures of federal awards, and related notes. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and schedule of expenditures of federal awards and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. You agree to assume all management responsibilities for any nonaudit services we provide; oversee the services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met and that there is reasonable assurance that government programs are administered in compliance with compliance requirements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

You are responsible for preparation of the schedule of expenditures of federal awards in conformity with OMB Circular A-133. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to [include the audited financial statements with any presentation of the

schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with OMB Circular A-133; (2) that you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with OMB Circular A-133; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to [include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon]. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is

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subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. 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.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those

charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and OMB Circular A-133.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Village of Clemmons's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of Village of Clemmons's major programs. The purpose of these procedures will be to express an opinion on Village of Clemmons's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

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The audit documentation for this engagement is the property of Cannon & Company, L.L.P. and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to North Carolina Department of Health and Human Services or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Cannon & Company, L.L.P. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. Our records retention policy requires us to return all original records and documents that you have given us to you at the conclusion of the engagement. Your records are the primary records for your operations and comprise the backup and support for your financial reports and tax returns. Our records and files are our property and are not a substitute for your own records. Catastrophic events or physical deterioration may result in our firm's records being unavailable before the expiration of the above retention dates.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the North Carolina Department of Health and Human Services. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately June 2015 and to issue our reports no later than October 31, 2015. Richard J. Tamer is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$13,900. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. Interest of fifteen percent annum will be added to any balance unpaid at the end of the month following the month billed. In accordance with our firm policies, work may be suspended if your account becomes significantly past due and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

In the interest of facilitating our services to the Village of Clemmons, we may communicate by facsimile transmission or send electronic mail over the internet. Such communications may include information that is confidential to the Village of Clemmons. Our firm employs measures in the use of facsimile machines and computer technology designed to maintain data security. While we will use reasonable efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you recognize and accept that we have no control over the

unauthorized interception of these communications once they have been sent and consent to our use of these electronic devices during this engagement.

All information you provide to us in connection with this engagement will be maintained by us on a strictly confidential basis. If we receive a summons or subpoena requesting that we produce documents from this engagement or testify about this engagement, we will notify you prior to responding to it if we are legally permitted to do so. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you appropriate to protect information from discovery. If you take no action within the time permitted for us to respond, or if your action does not result in a judicial order protecting us from supplying requested information, we may construe your inactions or failure as consent to comply with the request.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you concerning the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2013 peer review report accompanies this letter.

We appreciate the opportunity to be of service to Village of Clemmons and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Cannon & Company, S.P.A.

RESPONSE:

This letter correctly sets forth the understanding of Village of Clemmons.

By: 

Title: Mayor

Date: 5/26/15

CONTRACT TO AUDIT ACCOUNTS

Of Village of Clemmons
Primary Governmental Unit

Discretely Presented Component Unit (DPCU) if applicable

On this 8th day of May, 2015

Auditor: Cannon and Company, LLP Auditor Mailing Address: 2160 Country Club Road

Winston-Salem, NC 27104

Hereinafter referred to as The Auditor

and The Council (Governing Board(s)) of Village of Clemmons

(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 generally accepted accounting principles (GAAP) and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit (s) for the period beginning July 1, 2014, and ending June 30, 2015. The non-major combining, and individual fund statements and schedules shall be subjected to the auditing procedures applied in the audit of the basic financial statements and an opinion will be rendered in relation to (as applicable) the governmental activities, the business-type activities, the aggregate DPCU's, each major governmental and enterprise fund, and the aggregate remaining fund information (non-major government and enterprise funds, the internal service fund type, and the fiduciary fund types).
2. At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with generally accepted auditing standards. The Auditor shall perform the audit in accordance with *Government Auditing Standards* if required by the State Single Audit Implementation Act, as codified in G.S. 159-34. If required by OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, the Auditor shall perform a Single Audit. This audit and all associated workpapers may be subject to review by Federal and State agencies in accordance with Federal and State laws, including the staffs of the Office of State Auditor (OSA) and the Local Government Commission (LGC). If the audit and/or workpapers are found in this review to be substandard, the results of the review may be forwarded to the North Carolina State Board of CPA Examiners (NC CPA Board).

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

3. If an entity is determined to be a component of another government as defined by the group audit standards - the entity's auditor will make a good faith effort to comply in a timely manner with the requests of the group auditor in accordance with AU-6 §600.41 - §600.42.
4. This contract contemplates an unqualified opinion being rendered. The audit shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract.
5. If this audit engagement is subject to the standards for audit as defined in *Government Auditing Standards*, 2011 revisions, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in *Government*

Discretely Presented Component Unit's (DPCU) if applicable

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

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

6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to the State and Local Government Finance Division (SLGFD) within four months of fiscal year end. Audit report is due on: October 31, 2015. If it becomes necessary to amend this due date or the audit fee, an amended contract along with a written explanation of the delay must be submitted to the secretary of the LGC for approval.
7. It is agreed that generally accepted auditing standards include a review of the Governmental Unit's systems of internal control and accounting as same relates to accountability of funds and adherence to budget and law requirements applicable thereto; that the Auditor will make a written report, which may or may not be a part of the written report of audit, to the Governing Board setting forth his findings, together with his recommendations for improvement. That written report must include all matters defined as "significant deficiencies and material weaknesses" in AU-C 265 of the *AICPA Professional Standards (Clarified)*. The Auditor shall file a copy of that report with the Secretary of the LGC.
8. All local government and public authority contracts for audit or audit-related work require the approval of the Secretary of the LGC. This includes annual or special audits, agreed upon procedures related to internal controls, bookkeeping or other assistance necessary to prepare the Governmental Unit's records for audit, financial statement preparation, any finance-related investigations, or any other audit-related work in the State of North Carolina. Invoices for services rendered under these contracts shall not be paid by the Governmental Unit until the invoice has been approved by the Secretary of the LGC. (This also includes any progress billings.) [G.S. 159-34 and 115C-447] All invoices for Audit work must be submitted by email in PDF format to the Secretary of the LGC for approval. The invoices must be sent to: lgc.invoice@nctreasurer.com. Subject line should read "Invoice – [Unit Name]. The PDF invoice marked 'approved' with approval date will be returned by email to the Auditor to present to the Governmental Unit for payment. Approval is not required on contracts and invoices for system improvements and similar services of a non-auditing nature.
9. In consideration of the satisfactory performance of the provisions of this contract, the Primary Governmental Unit shall pay to the Auditor, upon approval by the Secretary of the LGC, the fee, which includes any cost the Auditor may incur from work paper or peer reviews or any other quality assurance program required by third parties (Federal and State grantor and oversight agencies or other organizations) as required under the Federal and State Single Audit Acts. Fees listed on signature pages.
10. If the Governmental Unit has outstanding revenue bonds, the Auditor shall include documentation either in the notes to the audited financial statements or as a separate report submitted to the SLGFD along with the audit report, a calculation demonstrating compliance with the revenue bond rate covenant. Additionally, the Auditor should be aware that any other bond compliance statements or additional reports required in the authorizing bond documents need to be submitted to the SLGFD simultaneously with the Governmental Unit's audited financial statements unless otherwise specified in the bond documents.

Discretely Presented Component Unit's (DPCU) if applicable

11. After completing the audit, the Auditor shall submit to the Governing Board a written report of audit. This report shall include but not be limited to the following information: (a) Management's Discussion and Analysis, (b) the financial statements and notes of the Governmental Unit and all of its component units prepared in accordance with GAAP, (c) supplementary information requested by the client or required for full disclosure under the law, and (d) the Auditor's opinion on the material presented. The Auditor shall furnish the required number of copies of the report of audit to the Governing Board as soon as practical after the close of the accounting period.
12. If the audit firm is required by the NC CPA Board or the Secretary of the LGC to have a pre-issuance review of their audit work, there must be a statement added to the engagement letter specifying the pre-issuance review including a statement that the Governmental Unit will not be billed for the pre-issuance review. The pre-issuance review must be performed prior to the completed audit being submitted to the LGC. The pre-issuance report must accompany the audit report upon submission to the LGC.
13. The Auditor shall electronically submit the report of audit to the LGC when (or prior to) submitting the invoice for services rendered. The report of audit, as filed with the Secretary of the LGC, becomes a matter of public record for inspection, review and copy in the offices of the SLGFD by any interested parties. Any subsequent revisions to these reports must be sent to the Secretary of the LGC. These audited financial statements, excluding the Auditors' opinion, may be used in the preparation of official statements for debt offerings, by municipal bond rating services to fulfill secondary market disclosure requirements of the Securities and Exchange Commission and other lawful purposes of the Governmental Unit without subsequent consent of the Auditor. If it is determined by the LGC that corrections need to be made to the Governmental Unit's financial statements, they should be provided within three days of notification unless another time frame is agreed to by the LGC.

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

The LGC's process for submitting contracts, audit reports and Invoices is subject to change. Auditors should use the submission process in effect at the time of submission. The most current instructions will be found on our website: <https://www.nctreasurer.com/slg/Pages/Audit-Forms-and-Resources.aspx>
14. Should circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Governing Board in writing of the need for such additional investigation and the additional compensation required therefore. Upon approval by the Secretary of the LGC, this contract may be varied or changed to include the increased time and/or compensation as may be agreed upon by the Governing Board and the Auditor
15. If an approved contract needs to be varied or changed for any reason, the change must be made in writing, signed and dated by all parties and pre-audited if the change includes a change in audit fee. This document and a written explanation of the change must be submitted by email in PDF format to the Secretary of the LGC for approval. The portal address to upload your amended contract and letter of explanation documents is <http://nctreasurer.slgfd.leapfile.net> No change shall be effective unless approved by the Secretary of the LGC, the Governing Board, and the Auditor.
16. Whenever the Auditor uses an engagement letter with the Governmental Unit, Item #17 is to be completed by referencing the engagement letter and attaching a copy of the engagement letter to the contract to incorporate the engagement letter into the contract. In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract will control. Engagement letter terms are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item #22 of this contract. Engagement letters containing indemnification clauses will not be approved by the LGC.

Governmental Unit

Discretely Presented Component Unit's (DPCU) if applicable

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

See Engagement Letter Attached

18. A separate contract should not be made for each division to be audited or report to be submitted. If a DPCU is subject to the audit requirements detailed in the Local Government Budget and Fiscal Control Act and a separate audit report is issued, a separate audit contract is required. If a separate report is not to be issued and the DPCU is included in the primary government audit, the DPCU must be named along with the parent government on this audit contract. Signatures from the DPCU Board chairman and finance officer also must be included on this contract.
19. The contract must be executed, pre-audited, physically signed by all parties including Governmental Unit and Auditor signatures and submitted in PDF format to the Secretary of the LGC. The current portal address to upload your contractual documents is <http://nctreasurer.sigfd.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 February, 2015. These instructions are subject to change. Please check the NC Treasurer's web site at www.nctreasurer.com for the most recent instructions.
20. The contract is not valid until it is approved by the LGC Secretary. The staff of the LGC shall notify the Governmental Unit and Auditor of contract approval by email. The audit should not be started before the contract is approved.
21. There are no other agreements between the parties hereto and no other agreements relative hereto that shall be enforceable unless entered into in accordance with the procedure set out herein and approved by the Secretary of the LGC.
22. 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).

SIGNATURE PAGES FOLLOW

Contract to Audit Accounts (cont.)

Village of Clemmons

Governmental Unit

Discretely Presented Component Unit's (DPCU) if applicable

Village of Clemmons

- FEES

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

Audit \$12,650

Preparation of the annual financial Statements \$1,250

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 \$ 10,425

** 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:

Cannon and Company, LLP

Name of Audit Firm

By Richard J. Tamer

Authorized Audit firm representative name: Type or print

Signature of authorized audit firm representative

Date 5/8/2015

rtamer@cannon.pro

Email Address of Audit Firm

Governmental Unit Signatures:

Village of Clemmons

Name of Primary Government

By Nickolas Nelson, Mayor

Mayor / Chairperson: Type or print name and title

Signature of Mayor/Chairperson of governing board

Date 5/26/15

By N/A

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"

Village of Clemmons

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

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

By Ann Stroud

Primary Governmental Unit Finance Officer:

Type or print name

Primary Government Finance Officer Signature

Date 5/20/2015

(Pre-audit Certificate must be dated.)

astroud@clemmons.org

Email Address of Finance Officer

Date Primary Government Governing Body Approved Audit Contract - G.S. 159-34(a)

5/26/2015

Contract to Audit Accounts (cont.)

Village of Clemmons

Governmental Unit

Discretely Presented Component Unit's (DPCU) if applicable

**** This page to only be completed by Discretely Presented Component Units ****

FEEES

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

N/A

Audit

N/A

Preparation of the annual financial Statements

N/A

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.

DPCU Governmental Unit Signatures:

Name of Discretely Presented Government

By

DPCU Board Chairperson: Type or print name and title

Signature of Chairperson of DPCU governing board

Date

By

N/A

Chair of Audit Committee - Type or print name

Signature of Audit Committee Chairperson

Date

N/A

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

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

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

By

N/A

DPCU Finance Officer:

Type or print name

Primary Government Finance Officer Signature

Date

(Pre-audit Certificate must be dated.)

N/A

Email Address of Finance Officer

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



POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

System Review Report

To the Partners of Cannon & Company, LLP and the
Peer Review Committee of the NCACPA

We have reviewed the system of quality control for the accounting and auditing practice of Cannon & Company, LLP (the firm) in effect for the year ended March 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

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

In our opinion, the system of quality control for the accounting and auditing practice of Cannon & Company, LLP in effect for the year ended March 31, 2013, 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*. Cannon & Company, LLP has received a peer review rating of *pass*.

Potter & Company, P.A.

September 10, 2013