Isothermal Planning and Development Commission

Proposal for Audit Services
First Section
June 30, 2020, 2021 and 2022
Isothermal Planning and Development Commission

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Dear Mr. Hodge,

Thank you for giving Anderson Smith & Wike PLLC the opportunity to bid on the audit services for Isothermal Planning and Development Commission. We are a service-oriented accounting firm and our largest practice area is in providing audit services to governmental and not-for-profit entities. We truly feel that we are a valuable resource for our clients.

On behalf of Anderson Smith & Wike PLLC, we are all very pleased to be able to provide you with this proposal for the audit of the basic financial statements of Isothermal Planning and Development Commission for the years ending June 30, 2020, 2021 and 2022.

If you have any questions, or would like to discuss the proposal in more detail, do not hesitate to call. I can be reached at (704) 562-5039.

Sincerely,

[Signature]

Michael W. Wike, CPA
Anderson Smith & Wike PLLC
Firm Background

Anderson Smith & Wike PLLC is a full-service accounting firm serving clients throughout North Carolina. With offices in Gastonia, Statesville, Rockingham and West End, we are dedicated to providing our clients with professional, personalized services and guidance in a wide range of financial and business needs.

Our firm’s six partners (Ken Anderson, Dale Smith, Michael Wike, Andy Deal, Adam Scepurek, and Vince Quinn) have an average of over 20 years of public accounting experience, with the majority of those years spent focusing on providing services to governmental and not-for-profit entities. Our current practice, as you will see in our proposal, includes a strong concentration in audit services provided to governmental entities. Unlike most firms, governmental audits and related services are the key practice area in our firm and is where we focus the majority of our efforts and training.

Anderson Smith and Wike PLLC prides itself in customer service. We are able to combine extensive experience and industry specific knowledge with hands-on service to provide a superior level of customer service. At Anderson Smith and Wike PLLC our clients never feel as if they are simply a number, as we value each and every client – no matter how large or how small.

The firm is a member of the North Carolina Association of Certified Public Accountants (NCACPA) and the American Institute of Certified Public Accountants (AICPA). As such, we comply with all peer review requirements of the AICPA.

Services Requested

Anderson Smith & Wike PLLC will provide the following services for Isothermal Planning and Development Commission:

- Audit of the basic financial statements of Isothermal Planning and Development Commission for the years ending June 30, 2020, 2021 and 2022 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.
- Preparation of the audited basic financial statements for Isothermal Planning and Development Commission for the years ending June 30, 2020, 2021 and 2022.
- In conjunction with the audit of the basic financial statements, we will consider Isothermal Planning and Development Commission’s internal control over financial reporting and test its compliance with certain provisions of laws, regulations, contracts, and grants as required by the OMB Uniform Guidance and the State Single Audit Implementation Act.
- Issuance of a management letter detailing internal control deficiencies, if any, that are noted during the course of the audit of the basic financial statements.
- Preparation of an Audit Committee Letter.
Audit Approach

Our audit approach is designed to make the audit as efficient and effective as possible. We strive to coordinate and schedule the audit such that the day-to-day work flow of the organization’s employees is disrupted as little as possible. In addition, our planning and scheduling efforts enable us to complete the audit fieldwork efficiently without needing multiple “return visits” to gather additional information. We feel our extensive audit experience coupled with on-site, partner service is what enables Anderson Smith & Wike PLLC to achieve these efficiencies.

We will utilize standardized Governmental Audit Programs as well as Federal and State Compliance Supplements as published by the applicable Federal grantor agency or North Carolina’s Local Government Commission. Our tests will be performed utilizing various sampling techniques as deemed appropriate for the specific objective of the test being performed.

Requested Information

1. Staffing

Staffing is where Anderson Smith & Wike PLLC rises above the rest. The Isothermal Planning and Development Commission audit team will include one partner on the account who has over 25 years of public accounting experience. In addition, our staff accountants are well seasoned governmental and not-for-profit entity auditors. Our staff will not ask questions that leave members of your finance department asking “do these auditors know what they’re doing?” Our highly-experienced auditors will ensure the audit runs smoothly and minimize the disruption of the daily activities of Isothermal Planning and Development Commission’s staff. The number of people (by level) that will work on the audit of Isothermal Planning and Development Commission’s basic financial statement audit will be as follows:

<table>
<thead>
<tr>
<th>Role</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner</td>
<td>1</td>
</tr>
<tr>
<td>Staff Accountants</td>
<td>2-3</td>
</tr>
</tbody>
</table>

2. Governmental and Not-For-Profit Audit Clients

Anderson Smith & Wike PLLC is currently engaged to audit 64 of the 115 North Carolina School Districts, as well as the following governmental and not-for-profit entities:

- Sixty-four School Districts in North Carolina
- Land of Sky Regional Council
- Southwestern Commission Council of Governments
- Stonecutter Foundation
- Town of Ansonville, North Carolina
• Town of Clayton, North Carolina
• Town of Dobbins Heights, North Carolina
• Town of Ellerbe, North Carolina
• Foxfire Village, North Carolina
• Town of Gibson, North Carolina
• City of Hamlet, North Carolina
• Town of Hoffman, North Carolina
• Town of McFarlan, North Carolina
• Town of Norman, North Carolina
• Town of Norwood, North Carolina
• City of Rockingham, North Carolina
• Taylortown, North Carolina
• Lincoln County Public Education Foundation
• Southeastern Community and Family Services, Inc.

3. **Additional Professional Services**

   Our auditors have provided additional professional services to numerous governmental and not-for-profit entities throughout their careers. A brief listing of these past engagements follows. Please contact Michael Wike if additional information is needed relating to any of these engagements.

   • Agreed-Upon Procedures Engagements
   • Assistance with GASB 34 Implementation
   • Assistance with GASB 75 (OPEB) Implementation
   • Assistance with ASBO and GFOA Submissions
   • Bank Reconciliations
   • Bookkeeping Services
   • Budget Consultation and Assistance
   • Capital Asset Reconciliation
   • Capital Asset Software Consulting
   • Fraud Investigations
   • Internal Control Assessments
   • Modification to Accounting Policies and Procedures Manual
   • Meeting with County Commissioners
   • Assistance with Sales Tax Refund Claims
4. **Peer Review**

Anderson Smith & Wike PLLC is a member of the North Carolina Association of Certified Public Accountants (NCACPA) and the American Institute of Certified Public Accountants (AICPA). As such, we comply with all peer review requirements of the AICPA. As such, we comply with all peer review requirements of the AICPA and have included a copy of our most recent peer review letter. A copy of our most recent peer review letter can be found on page 9.

5. **Key Audit Team Members**

**Michael Wike, CPA – Partner**

Mike began his career with Dixon Hughes PLLC in 1993 and has focused on audits of governmental and not-for-profit entities ever since. He has concentrated primarily in the area of auditing and has developed a strong proficiency in financial reporting, auditing standards and accounting principles significant to governmental and not-for-profit entities. Mike has extensive experience with single audits, special grants, fixed asset issues, and other areas as they pertain to governmental and not-for-profit entities.

Mike has experience on the audits of the following governmental and not-for-profit entities (please note that the dates may not be exact):

- Ashe County Schools (2010-2019)
- Avery County Schools (2019)
- Buncombe County Schools (2016-2019)
- Catawba County Schools (2013-2019)
- Davidson County Schools (2018-2019)
- Davie County Schools (2012-2019)
- Halifax County Schools (2010-2019)
- Haywood County Schools (2012-2019)
- Jackson County Schools (2017-2019)
- Macon County Schools (2010-2019)
- Madison County Schools (2019)
- Polk County Schools (2009-2019)
- Stanly County Schools (2018-2019)
- Surry County Schools (2015-2019)
- Warren County Schools (2016-2019)
- Anson County Schools (1993-2000)
Cabarrus County Schools (2011-2013)
Caswell County Schools (2014-2017)
Charlotte-Mecklenburg Schools (2003-2006)
Duplin County Schools (2011-2013)
Gaston County Schools (1997-2001)
Iredell-Statesville Schools (2002-2006, 2008)
Kannapolis City Schools (2002-2004)
Kings Mountain District Schools (1993-2004)
Lincoln County Schools (1993-2006)
Northampton County Schools (2009-2010)
Onslow County Schools (2009-2013)
Orange County Schools (2008-2011)
Roanoke Rapids Graded School District (2008-2011)
Union County Schools (1999-2003, 2008-2013)
Weldon City Schools (2008-2010)
Wilkes Community College (2014-2016)
Lincoln County Public Education Foundation (2009-2019)
Southeastern Community and Family Services (2016-2019)
Stonecutter Foundation (1996-2019)
Town of Norwood (2017-2018)

6. **Educational Background and Professional Memberships of Audit Team**

**Michael Wike, CPA**

**Education**

UNCC, Bachelor of Science in Accountancy, 1993

**Recent Continuing Education Relevant to School Board Audits**

Government Enterprises and Internal Services (2017)
Revenues, Expenditures and Expenses of Governmental Entities (2017)
Government Accounting and Reporting Update (2016)
NCASBO Instructor – Fixed Assets (2020)
NCASBO Instructor – Individual Schools and PTO Internal Controls (2017)
NCASBO Instructor – Preparing for an Audit (2015, 2019)
NCASBO Instructor – PTO’s, PTA’s, Booster Clubs & Advertising (2013, 2014)
Instructor – PTO/PTA/Booster Clubs (2019)
Instructor - Combined Board of Ed. and County Commissioners Financial Forum (2018)
7. Professional Experience of Assigned Personnel

Our auditors have experience in auditing the following governmental funds, federal programs, and state programs:

- **Funds**
  - State Public School Fund
  - Federal Grants Fund
  - Current Expense Fund
  - Capital Outlay Fund
  - School Food Service Fund
  - Child Care Fund
  - Other Special Revenue Fund
  - Scholarship and Agency Funds

- **Federal Programs**
  - Child Nutrition Cluster
  - Language Acquisition Grants
  - Title I Cluster
  - Special Education Cluster
  - Supporting Effective Instruction State Grant
  - Vocational Education
  - Head Start
  - 21st Century
  - Reading First
  - Early Reading First
  - Workforce Investment Act
  - Magnet Schools
  - Upward Bound
  - Migrant Education
  - Title II, Math and Science Partnership
  - Impact Aid
  - Various ARRA Grants

- **State Programs**
  - State Public School Fund
  - School Technology
  - Driver Training
  - Vocational Education
  - Textbooks
  - North Carolina Pre-K Program
  - Smart Start
  - Public School Building Bonds
  - Public School Building Capital Fund
8. **Specialized Skills, Training and Background**

   Please refer to items 5, 6, and 7.

9. **References**

   We’ve included the three individuals below with their contact information for your convenience.

   - **Roger Wiggins**, Finance Officer  
   Southwestern Commission Council of Governments  
   828-586-1962

   - **Charlotte Sullivan**, Finance Director  
   Land of Sky Regional Council  
   828-251-7470

   - **Aaron Greene**, Superintendent  
   Polk County Schools  
   828-894-3051

   - **James Cowan**, CEO  
   Stonecutter Mills Corporation  
   828-286-2341

10. **Independence Policy**

    Anderson Smith & Wike PLLC has implemented an independence policy in accordance with AICPA and Government Auditing Standards requirements as found on page 10.

11. **Liability Insurance Coverage**

    Anderson Smith & Wike PLLC has a standard professional liability insurance policy. We feel our liability insurance coverage is sufficient.

12. **Regulatory Actions**

    See item 4 for discussion regarding our participation in AICPA peer review program and see page 9 for our most recent peer review report. We have had no other reviews since our most recent peer review.
Report on the Firm’s System of Quality Control

To the Partners of Anderson Smith & Wike, PLLC and the Peer Review Committee, North Carolina Association of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Anderson Smith & Wike, PLLC (the firm) in effect for the year ended March 31, 2019. 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 (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm’s Responsibility

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer’s Responsibility

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.

Required Selections and Considerations

Engagements selected for review included engagements performed under Government Auditing Standards, including compliance audits under the Single Audit Act, and an audit of an employee benefit plan.

As part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Anderson Smith & Wike, PLLC in effect for the year ended March 31, 2019, 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. Anderson Smith & Wike, PLLC has received a peer review rating of pass.

July 17, 2019

Koonce, Wooten & Haywood, LLP
I. INDEPENDENCE, INTEGRITY AND OBJECTIVITY

It is the policy of our firm that all professional personnel be familiar with and adhere to the independence, integrity and objectivity rules, regulations, interpretations, and rulings of the AICPA, the North Carolina State Board of Accountancy, the North Carolina Association of Certified Public Accountants and state statutes. Furthermore, it is the policy of our firm that, for engagements that are subject to Government Auditing Standards and other regulatory agencies, all professional personnel be familiar with and adhere to the independence rules included in those standards and that personnel will always act in the public interest. In this regard, any transaction, event, circumstance, or action that would impair the firm’s independence or violates its integrity and objectivity policy, on a compilation, review, audit, or attestation (including forecast and projection) engagement is prohibited. Additionally, when the firm and its professional personnel encounter situations that raise independence concerns, but such situations are not specifically addressed by independence, integrity, and objectivity rules, the firm will evaluate the situation by referring to the Conceptual Framework for AICPA Independence Standards and applying professional judgment to determine whether independence, in fact or appearance, is affected.

Although not necessarily all-inclusive, the following are considered to be prohibited transactions and relationships:

1. Investments by any owner or professional employee in a client’s business during the period of a professional engagement, including a commitment to acquire any direct or material indirect financial interest in a client.

2. An investment in an entity or property by any of the following individuals and the client (or the client’s officers or directors, or any owner who has the ability to exercise significant influence over the client) that enables them to control (as defined by GAAP for consolidation purposes) the entity or property:
   a. An individual on an attest engagement team.
   b. An individual in a position to influence the attest engagement by doing any of the following:
      i. evaluating the performance or recommending the compensation of the attest engagement member,
      ii. directly supervising or managing the attest engagement member and all of that member’s superiors,
      iii. consulting with the attest engagement team about technical or industry-related issues specific to the engagement, or
iv. participating in or overseeing quality control activities, including internal monitoring, with respect to the attest engagement.

c. A member or manager who provides nonattest services to the attest client beginning once he or she provides ten or more hours of nonattest services to the client within any fiscal year and ending on the later of the date:

i. the firm signs the report on the financial statements for the fiscal year during which those services were provided, or

ii. he or she no longer expects to provide ten or more hours of nonattest services to the attest client on a recurring basis.

d. A member in the office in which the lead attest engagement partner primarily practices with respect to the attest engagement.

3. Borrowing from or loans to a client, or client’s personnel, during the period of a professional engagement by any of the individuals listed in items 2.a.-d.

4. Accepting or offering gifts or entertainment from or to a client unless reasonable in the circumstances and approved by the managing member.

5. Certain family relationships between professional personnel and client personnel. (Consult the managing member for a ruling on these.)

Notwithstanding the preceding policy and list of prohibited transactions and relationships, at the managing member’s discretion, certain prohibitions can be waived if it is deemed to be in the best interest of the firm. However, in so doing, the engagement service performed for the client must be limited to that allowed by AICPA professional literature.

The procedures listed below are followed to ensure compliance with this policy:

1. All professional personnel are required to sign a representation letter when hired (and annually thereafter) that acknowledges their familiarity with the firm’s independence, integrity, and objectivity policy and procedures. Independence and ethics training is provided for all personnel at least every three years. Such training covers the firm’s independence and ethics policies and procedures and the independence and ethical requirements of all applicable regulators.
2. All professional personnel are required to notify the managing member of any potential prohibited transaction or violation of an independence, integrity or objectivity rule as soon as they become aware of such a situation. To acknowledge that responsibility, all professional personnel are required when hired (and annually thereafter) to sign a representation letter and to list known situations that could impair independence or that violate the firm’s integrity and objectivity policy. (The firm library contains the authoritative rules on independence, integrity and objectivity that govern our firm. That literature and the advice of the managing member should be consulted when an employee is not sure if a transaction, event, circumstance, or action should be reported.)

3. All professional personnel are required to review the firm’s client list annually for possible violations. The list of clients is maintained by the managing member and additions to the list are entered as soon as new clients are accepted. When hired (and annually thereafter), all professional personnel are required to sign a representation that confirms this responsibility.

4. If our firm is engaged as principal auditor and another firm is engaged to audit a subsidiary, branch, division, governmental component unit, or to perform procedures on an element or account grouping within a client’s financial statement, the engagement team is required to obtain a written representation regarding the other firm’s independence with respect to our client. The auditing manuals used by the firm contain examples of representation letters to use in such situations. Furthermore, in a review or attestation engagement, if another firm performs work on a segment of the engagement, a representation (either written or oral) regarding the other firm’s independence is required. The engagement programs in the accounting and auditing manuals used by our firm contain steps to ensure compliance with this procedure.

5. The engagement member (or the in-charge accountant) has the primary responsibility for determining if there are unpaid fees on any of his clients that would impair the firm’s independence. The engagement work programs and standard forms used by the firm contain steps to ensure compliance with this procedure. The firm’s client accounts receivable listing and the engagement member’s knowledge of unbilled fees should be considered in making this determination. In addition, the managing member has secondary responsibility to review the firm’s accounts receivable listing on a periodic basis to identify potential independence problems.

6. The engagement member has the primary responsibility to identify all nonattest services performed for an attest service client [including services performed by entities closely aligned through common employment] and for determining if such nonattest services impair independence with respect to that client. Reviewing nonattest services performed for attest clients includes obtaining and documenting an understanding with the client regarding the client’s responsibilities for the nonattest services performed by the firm. Where applicable, this includes determining whether such nonattest (nonaudit) services impair independence under the independence rules in Government Auditing Standards for ongoing, planned, and future audits. Firm engagement work programs for all attest, as well as compilation engagements, include steps to ensure compliance with this procedure.
7. The engagement member has the primary responsibility for determining whether actual or threatened litigation has an effect on the firm's independence with respect to the client. The firm's independence could be impaired by litigation (a) between the client and the firm, (b) with the client company's securities holders, and (c) from other third parties.

8. If our firm is engaged as principal auditor to report on the basic financial statements of a financial reporting entity, all professional personnel must be independent of the financial reporting entity. If our firm is engaged as principal auditor to report on a major fund, nonmajor fund, internal service fund, fiduciary fund, or component unit of the financial reporting entity, all professional personnel must be independent of the fund or entity the firm reports on. The engagement member has the primary responsibility for determining whether the firm's relationship with entities in the governmental financial statements has an effect on independence.

9. The managing member has the primary responsibility for determining whether the firm was a party to a cooperative arrangement with a client that was material to the firm or the client.

10. The managing member is responsible for obtaining the representation letters, reviewing for completeness, and for resolving questions relating to independence, integrity, and objectivity matters (including questions from the representation letters and those from other sources) and is available to provide guidance. In so doing, the managing member should, when necessary, consult the AICPA or the North Carolina Association of Certified Public Accountants for assistance in interpreting independence, integrity and objectivity rules. Documentation of the resolution of an independence, integrity and objectivity matter should be filed in the client's permanent workpaper files. The managing member is also responsible for determining actions to be taken when professional personnel violate firm independence policies and procedures. The action for each incident is determined based on its unique circumstances and may include eliminating a personal impairment, additional training, reprimand letter, or termination.

11. The managing member is also responsible for monitoring the firm's independence of attest clients at which owners or other senior personnel have been offered management positions or have accepted offers of employment. The independence, integrity, and objectivity questionnaire used by the firm and the client acceptance checklists used by the firm in attest engagements include questions to help ensure compliance with this requirement.

12. To ensure that independence is properly considered at the engagement level, the work programs and standard forms in the accounting and auditing manuals used by the firm contain steps that require a determination of independence on each new and recurring client. Furthermore, these manuals contain reporting guidance for those types of engagements where a lack of independence is allowed.

13. At least annually, the managing member reviews our independence, integrity, and objectivity policy and procedures to determine if they are appropriate and operating effectively. This review is performed and documented by reviewing the applicable section of the "Monitoring Questionnaire" in Chapter 12 of PPC's Guide to Quality Control. Changes, if necessary, to the system are made based on the results of the review.