Board of Selectmen Meeting Notice

The Board of Selectmen will hold a Meeting on Wednesday, May 25, 2016 at the Island Hall at 6:00 PM

I. Call meeting to order

II. Public Comment

III. Paper Streets Workshop
    To consider criteria for paper street decisions and set dates for 7 public meetings to discuss the individual subdivisions

IV. Regular Business
    16-131 To consider proposals received in response to our RFP for auditing service.

V. Communications

VI. Review and approve prior meeting minutes
    May 5, 2016 and May 11, 2016

VII. Approval of Expense Warrant(s)

VIII. Other Business

IX. Adjourn Meeting
MEMO

To: Board of Selectmen
From: Marjorie E. Stratton, Town Administrator
Date: May 25, 2016
Re: RFP Audit Services

You all have copies of the three Audit Proposals. As the low bidder, I recommend Smith & Associates, CPAs. In addition to being the low bidder, Smith & Associates performed the audit for the Town of Vinalhaven and MSAD #8, Vinalhaven School so I am familiar with their staff and procedures. For services outside the scope of the audit, their hourly rates are lower than the other proposals.

My recommendation is for Smith & Associates, CPAs
AUDIT PROPOSAL
Town of Chebeague Island

For the Fiscal Years Ending
June 30, 2016, 2017, and 2018

Berry Talbot Royer
6 Fundy Road
Falmouth, Maine 04105
Michael C. Royer, President

May 18, 2016
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May 18, 2016

Town of Chebeague Island
Marjorie E. Stratton, Town Administrator
192 North Road
Chebeague Island, ME 04017

Dear Ms. Stratton:

We are pleased to submit this proposal to perform an independent audit of the financial statements of the Town of Chebeague Island. Our team of professionals is well-versed in audits of Maine towns and schools and we understand their unique needs and financial concerns. We will be able to provide you with a quality audit and the assurance you seek from trusted experts as well as the dedicated service you expect.

We understand the services to be provided include the following and confirm that we can meet these expectations.

- A financial statement audit conducted in accordance with generally accepted government auditing standards (GAGAS).
- A compliance audit conducted in accordance with the OMB’s guidance on Audit Requirements of Federal Awards codified under Title 2 of the Code of Federal Regulations – formerly known as an A-133 Single Audit.
- Assistance in the preparation of the basic financial statements, note disclosures, required supplementary information, and other supplementary information in conformance with reporting standards, as established by the Government Accounting Standards Board (GASB), for state and local governments.
- Assistance in preparing other reports required by laws, regulations, standards, or common practice for Maine towns and schools.
- Independent auditor’s reports on (a) the presentation of the financial statements, (b) internal controls over financial reporting and compliance, (c) compliance with federal regulations of and internal controls over federal awards, and (d) compliance with Maine statutes.
- Delivery of the financial statements and the auditor’s reports no later than October 31st of each year.
- Written communication with the Town’s board containing comments and recommendations with respect to the Town’s and School’s accounting systems, administrative procedures, and internal controls and recommendations for improvements.
- Availability throughout the year to provide advice and guidance on financial accounting and reporting issues.
Our proposal explains our firm’s commitment to quality and our degree of experience and expertise. It also details our audit strategy and the expected schedule for us to complete the audit within the Unit’s deadline.

We would be happy to provide you with any additional information you might need, including visiting with the Town of Chebeague Island’s management and its Board to further demonstrate our qualifications. We thank you for the opportunity to present our firm’s services to you.

Sincerely,

Donald E. Talbot, CPA

Berry Talbot Royer
Falmouth, Maine
Accounting Firm Qualifications

Our firm's audit experience stretches back over 40 years. Don Talbot, our consulting partner for audits, has over 35 years of experience and is well recognized as a leader in governmental auditing and in understanding municipal issues and providing sound advice. Our team of auditors has a combined experience of over 100 years covering a wide range of entities, with a focus on Maine towns and schools. We currently have over 35 local government clients to which we provide audit services and year-round consulting services.

We provide our staff comprehensive training throughout the year to keep them abreast of accounting issues and reporting standards that affect our clients. Each year, the average number of continuing professional education (CPE) hours our audit staff receives is between 65 and 75 hours – well above the 40 hours required by the Maine Board of Accountancy to maintain CPA licensing requirements. Training topics are broad enough to ensure our staff’s knowledge and expertise are comprehensive, while emphasizing governmental accounting standards, internal controls, and ethics, so that we can address issues that are most pressing to our clients.

For example, the biggest challenge our local government clients will encounter within the next three to five years is the Governmental Accounting Standards Board’s (GASB) potential changes to the financial reporting model for state and local governments. In September 2015, GASB added a new project to their agenda to re-examine how financial statements of local governments are presented. The project will look at a number of issues including:

a) how the MD&A can be enhanced by eliminating requirements that are boilerplate but are no longer necessary, and also clarifying guidance on what should be presented as currently known facts, decisions, and conditions;

b) exploring alternative formats for the government-wide statement of activities and also possibly requiring a government-wide statement of cash flows;

c) exploring potential changes to the measurement focus and basis of accounting for governmental funds and developing a presentation format that will be consistent with any changes;

d) determining whether the budgetary comparison schedule should be presented as a basic financial statement or as required supplementary information.

These and a variety of other issues may drastically change how your financial statements are presented. Our extensive experience and quality training program fully prepares us to communicate these new standards to you and assist you in efficiently implementing required changes.
Client References

We encourage you to contact our current clients and inquire about our qualifications, the quality of our services and products, and the additional value we bring to the table. Below is a list of six current school and municipal clients that we feel are similar in size and scope to the Town of Chebeague Island.

<table>
<thead>
<tr>
<th>Name</th>
<th>Contact</th>
<th>Phone</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Town of Islesboro</td>
<td>Janet Anderson, Town Manager</td>
<td>207-734-2253</td>
<td>$5,246,000</td>
</tr>
<tr>
<td>Islesboro Central School</td>
<td>Patrick Phillips, Superintendent</td>
<td>207-734-2251</td>
<td>$2,332,000</td>
</tr>
<tr>
<td>Town of North Haven</td>
<td>Joette Adams, Treasurer</td>
<td>207-867-4433</td>
<td>$4,405,000</td>
</tr>
<tr>
<td>Town of Frye Island</td>
<td>Gary Donohue, Town Manager</td>
<td>207-655-4551</td>
<td>$2,608,000</td>
</tr>
<tr>
<td>Town of Hollis</td>
<td>Diane Meserve, Treasurer</td>
<td>207-929-2250</td>
<td>$7,073,000</td>
</tr>
<tr>
<td>Town of Standish</td>
<td>Scott Gesualdi, Finance Director</td>
<td>207-642-4659</td>
<td>$16,094,000</td>
</tr>
</tbody>
</table>

These clients have accounting and reporting complexities similar to your Town, including:

- All of the clients listed maintain multiple types of funds, as the Town does, including special revenue funds, capital projects funds, permanent funds, enterprise funds, and fiduciary funds. We are well-versed in auditing interfund transactions and ensuring that our clients’ financial statements are presented in accordance with GASB’s reporting standards for fund accounting.
- Our school clients participate in defined employee benefit plans which require new, complex, reporting standards under GASB 68. We ensure the data required to be disclosed is complete and accurate so that our clients remain in compliance with the standards.
- All of the listed clients present data about their fixed assets and capital lease obligations. We assist most of our clients in maintaining an accurate fixed asset schedule and assist them in calculating depreciation expenses accurately.
- All of our clients prepare budgets and present budget-to-actual schedules. We have provided consulting on budgeting for capital and infrastructure improvements, appropriate levels of unassigned fund balances, and other considerations.

In addition to the clients listed above, we have a number of clients who are required to have a Single Audit performed to ensure compliance with expenditures of federal awards. We have kept them up-to-date on the OMB’s recent revisions of these requirements, which are now codified under Title 2 of the Code of Federal Regulations. Even though the Town is not currently required to have a Single Audit completed, rest assured that we would be able to complete such an audit if it is required in the future.

If you would like additional client references, we will be happy to provide them to you.
Audit Approach

We apply a risk-based approach to all of our audits. This means that we first perform risk-assessment procedures to get a full understanding of all account balances, transactions and events, and disclosures that compose the Unit’s financial statements. We then identify risks in each of these areas and assess them for their likelihood of occurrence and potential impact on the financial statements. Our audit procedures are then developed to respond to the assessed risks and are specifically tailored to the Unit’s risk profile. Because of this approach, there are no pre-determined areas that will receive audit emphasis. Risks vary from client to client and also from year to year. To provide you with the highest level of assurance, we adapt our audit procedures annually to focus in on where the risks reside.

Our approach also leverages information and communication technology as much as possible to improve audit efficiency and to minimize the interruption of operations for our clients. This means that we request and use electronic files and media whenever possible, and we send and receive files with our clients using our secure file sharing service. Our focus when we are on-site, therefore, is to obtain evidence that can only be obtained in person. As a result, we do not unnecessarily take up time and space in your offices and interrupt your workflow to do work during our fieldwork that can be more efficiently performed at our office.

Audit Engagement Team

The team members who we will assign to handle your audit are as follows:

*Donald E. Talbot, CPA*
Audit Partner

Don is widely regarded as one of the leading figures in the area of Maine Municipal Government Accounting and Auditing, having conducted and managed hundreds of these engagements over the last thirty-five years. He is a graduate of the University of Ottawa, a Certified Public Accountant, and a member of the American Institute of Certified Public Accountants, the Maine Society of Certified Public Accountants, and the National Society of Tax Professionals.

Don’s responsibility as the Audit Partner is to oversee and approve all aspects of the audit – the audit strategy, the audit plan, the assessments of risk, the appropriateness and extent of testing, and review of all findings and conclusions. He is the team member with ultimate responsibility for the audit opinion.
Marjorie Hall, CPA
Audit Manager

Marge is a graduate of Nasson College and is a Certified Public Accountant. With over 35 years of accounting experience, she has had the opportunity to serve in multiple roles, including as an internal auditor in the banking industry and as an accounting manager at several firms in numerous industries. She has over 15 years' experience in public accounting where she has focused on municipalities, schools, and nonprofits. She is a member of the American Institute of Certified Public Accountants and the Maine Society of Certified Public Accountants.

Marge’s responsibility as Audit Manager is to manage the day-to-day activities of the audit. He is responsible for devising the audit plan, performing risk assessment procedures, developing audit procedures, as well as coordinating and supervising audit staff members.

Marc R. Roy, CPA
Audit Reviewer

Marc earned his Master's degree in Accounting and Financial Management from the University of Maryland University College. He is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants. He has over 15 years of experience managing complex projects while employed with the Department of Defense, Northrop Grumman Corporation, Austin Associates, and Berry Talbot Royer. His focus in public accounting has been in financial statement audits and consulting. He has audited towns, schools, water districts, employee benefit plans, and nonprofit organizations.

Marc also serves as an adjunct faculty member at Central Maine Community College in Auburn. He is passionate about accounting and auditing and loves teaching it to students and clients alike.

Marc’s responsibility as Audit Reviewer is to perform a detailed review of the audit procedures performed, the accuracy of calculations and metrics used, and the format, completeness, and clarity of the financial statements and note disclosures prepared.

If changes of key personnel occur during the engagement, we will notify you as soon as possible and identify their replacements.
Timing of Audit Work

The timing of our audits is designed to meet client timetables and regulatory deadlines, but also to ensure that the audit is carried out as efficiently as possible. For June year-end clients, the general timing of the audit is as follows:

<table>
<thead>
<tr>
<th>May</th>
<th>June</th>
<th>July</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan the audit.</td>
<td>Start risk assessment procedures.</td>
<td>Received closed books.</td>
</tr>
<tr>
<td>Meet with management to discuss scope, timing, and establish expectation.</td>
<td>Conduct interviews and perform walk-throughs.</td>
<td>Start to analyze accounts and journal entries.</td>
</tr>
<tr>
<td></td>
<td>Develop a risk profile.</td>
<td>Finish risk assessment procedures.</td>
</tr>
<tr>
<td>August</td>
<td>September</td>
<td>October</td>
</tr>
<tr>
<td>Develop audit procedures that respond to identified risks.</td>
<td>Continue performing tests of details and substantive analytics.</td>
<td>Conclude all audit procedures.</td>
</tr>
<tr>
<td>Conduct fieldwork to perform tests of controls and tests of details.</td>
<td>Begin preparing the financial statements and note disclosures.</td>
<td>Finalize the financial statements and auditor’s report.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deliver the report and present to the board.</td>
</tr>
</tbody>
</table>

The timing of these procedures can be affected by any number of issues that can arise during the audit. We work diligently with our clients to resolve any issues as quickly as possible. If adjustments to the schedule need to be made, we will discuss it with management immediately.

Fees

Our fee to perform the required services are included in the attached Bid Form in Appendix B.

Our fees are predicated on timely and accurate assistance from Town personnel in providing us with supporting documentation as well as providing us with unfettered access to personnel and accounting systems. In addition, we assume the Town’s operations and personnel will not change significantly during the period of the engagement, nor will the scope of the engagement. Should the scope change, we would expect to negotiate modifications to our contract accordingly.
How Our Firm is Different

We serve as your accounting and finance coaches. We understand that clients want more value from their CPA firm than just coming in once a year to perform an audit. Our approach is to coach our clients on the complex aspects of accounting, financial management and reporting, and internal controls throughout the year. Our clients perform better when they have a fundamental understanding of the issues facing their organization – we aim to provide that foundation for them through a variety of methods.

For example, we present to our clients, free of charge, a series of seminars designed to elevate their understanding of accounting principles and internal controls that can help them improve efficiency and effectiveness of their operations and increase the likelihood of achieving organizational objectives. We are currently developing online video tutorials, free to our clients, to answer commonly asked questions and demonstrate how to properly record complex accounting transactions. We also offer free telephone and email consulting on issues that arise during the year, and our responses don’t just answer the question at hand, but explain why the answer is what it is so that your management and staff will understand the underlying principles and be able to apply them to future problems. And finally, we offer, on an additional fee basis, individualized training to employees or we can facilitate workshops on accounting, internal control, or other financial management topics.

We are fanatical about quality – quality in service, quality in client coaching, and quality in end products. We employ a multi-tiered internal review process to help eliminate errors. We actively encourage continuous improvement in all our processes, so that our clients receive only the best service and products. And, we participate in the American Institute of Certified Public Accountants (AICPA) quality review program administered by New England Quality Review, Inc. which provides our clients with independent assurance of the quality of our work. See Appendix A for our latest peer review report dated November 17, 2015.

_"Without question these accountants go the extra mile. In particular, I have benefited from their free series of seminars they offer to clients. This education has helped strengthen my understanding of accounting as well as improve our internal controls"

Aaron Miller
Town Administrator
Town of Whitefield

_"The BTR team presents a professional, non-threatening demeanor. Our Board has expressed publicly their extreme level of satisfaction and confidence in BTR and our audit."

Scott Poulin
Director of Finance
MSAD 51

_"The team from Berry Talbot Rayer has brought a new level of professionalism and scrutiny to the audit process in the Town of Boothbay."

James D. Chaoussis II
City Manager
City of Rockland
(Former Town Manager, Town of Boothbay)
Our Commitment to You

- We are committed to elevating the quality and reliability of your accounting and financial reporting systems.
- We are committed to going beyond routine functions provided by other CPA firms.
- We are committed to being your most trusted consultants.

We are confident that we possess the necessary combination of technical expertise, resources, and commitment to serve the Town of Chebeague Island in the finest professional sense.

If you wish to discuss any aspects of our proposal or would like to notify us of your acceptance of our bid, please contact us at:

Berry Talbot Royer  
6 Fundy Road, Suite 100  
Falmouth, Maine 04105-1705  
(207) 781-3445 (phone)  
(207) 781-3578 (fax)  

mroyer@btr-cpa.com  
dtalbot@btr-cpa.com  
mroy@btr-cpa.com  
mhall@btr-cpa.com

Thank you for considering our firm. We look forward to serving you.
Appendix A
System Review Report

November 17, 2015

To the Owners
Berry Talbot Royer
and the Peer Review Committee of
New England Peer Review, Inc.

We have reviewed the system of quality control for the accounting and auditing practice of Berry Talbot Royer (the firm) in effect for the year ended May 31, 2015. 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.

In our opinion, the system of quality control for the accounting and auditing practice of Berry Talbot Royer in effect for the year ended May 31, 2015, 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. Berry Talbot Royer has received a peer review rating of pass.

Love, Cody & Company, CPAs, P.C.

115 Elm Street • P.O. Box 319 • Bennington, Vermont 05201-0319
(802) 442-5552 • (800) 894-5511
Facsimile: (802) 442-7314 • e-mail: mail@lovecody.com
www.lovecody.com
Appendix B
BID FORM

Name of Company: Berry Talbot Royer

Company Address: 6 Fundy Road, Suite 100

Falmouth, ME 04105

Contact Phone Number(s): (207) 781-3445

Email Address: dtalbot@btr-cpa.com

Printed Name of Contact Person: Donald E. Talbot

Signature: 

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Audit Fee</th>
<th>Single Audit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2016</td>
<td>$13,000</td>
<td>$2,500</td>
<td>$15,500</td>
</tr>
<tr>
<td>June 30, 2017</td>
<td>$13,250</td>
<td>$2,500</td>
<td>$15,750</td>
</tr>
<tr>
<td>June 30, 2018</td>
<td>$13,500</td>
<td>$2,500</td>
<td>$16,000</td>
</tr>
<tr>
<td>Total</td>
<td>$39,750</td>
<td>$7,500</td>
<td>$47,250</td>
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</tbody>
</table>

Total Bid Amount: $39,750 without a Single Audit; $47,250 with a Single Audit

Exclusions (if any): We note that the Town currently does not require a Single Audit and the proposal shows what the price would be both with or without a Single Audit being completed.

Date Submitted: May 18, 2016
PROPOSAL FOR

FINANCIAL STATEMENT AUDIT

TOWN OF CHEBEAGUE ISLAND

SUBMITTED BY:

RHR SMITH & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
3 OLD ORCHARD ROAD
BUXTON, MAINE  04093
RONALD H. R. SMITH, PRINCIPAL
MAY 20, 2016

(207) 929-4606 or (800) 300-7708

CONTACT:

GREG CHABOT, CPA, MBA
PARTNER/ AUDIT MANAGER

www.rhrsmith.com
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<td>Anticipated Problems &amp; Major Issues</td>
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<td>AUDIT</td>
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<td>Overall Technical Approach</td>
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<td>Scope of Work</td>
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<td>TIMING OF AUDIT WORK</td>
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<tr>
<td>Timeline</td>
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<tr>
<td>PROPOSED FEE</td>
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<tr>
<td>Estimate of Hours</td>
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<tr>
<td>Pricing</td>
</tr>
<tr>
<td>Other Services</td>
</tr>
<tr>
<td>Bid Form</td>
</tr>
</tbody>
</table>
May 20, 2016

Ms. Marjorie E. Stratton
Town Administrator
Town of Chebeague Island
192 North Road
Chebeague Island, Maine 04017

Dear Ms. Stratton:

Thank you for giving us the opportunity to submit the following proposal to perform the audit for the Town of Chebeague Island. Information you requested about our firm and the services we provide is enclosed.

We propose to audit the financial statements of the Town of Chebeague Island for the fiscal years ending June 30, 2016, 2017 and 2018. We will conduct the audits in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, Government Auditing Standards, issued by the Comptroller General of the United States, Maine Uniform Accounting and Auditing Practices for Community Agencies, the Single Audit Act Amendments of 1996 (if applicable), the provisions of the Uniform Guidance, and other auditing standards applicable to state and local governments. All work will be completed according to the required schedules as stated in the RFP.

Greg Chabot, CPA, MBA, as the Partner, has signed this transmittal letter and has the authority to bind the firm in agreements and contracts, and is authorized to make representations for the firm.

RHR Smith & Company specializes in governmental audits, serving over 25% of Maine’s municipal, county and tribal governments, as well as schools, housing authorities, sewer and water utilities, and nonprofit corporations. Our unique and innovative approach allows us to build client relationships based on a shared understanding of your entire organization and its needs. We take the time to get to know our clients, making the audit report an important part of organizational education and improvement. Selecting RHR Smith & Company as your independent auditing firm gives you access to talented, experienced professionals who will meet all your audit and accounting needs and become valuable resources to the Town of Chebeague Island.

Please do not hesitate to call if you have any questions about this proposal and our services. I can be reached at the office in Buxton at (207) 929-4606. We welcome the opportunity to meet with you and your staff.

Very Best,

[Signature]

Greg Chabot, CPA, MBA
Partner/Audit Manager
History

The firm of RHR Smith & Company, Certified Public Accountants was formed by Ronald H. R. Smith in 1997. Since August of 2001, Ronald has been the sole shareholder of the Company. It is a Maine based firm headquartered in Buxton and holds its license to practice in the states of Maine, New Hampshire, Vermont and Massachusetts. Together, Ronald H. R. Smith, CPA, CFE and his staff have over 150 years combined experience providing professional accounting, auditing, computer consulting, and other internal control and financial services.

Organizational Size and Structure

The firm is a professional corporation. Audit opinions are prepared and issued by Ronald H. R. Smith, CPA, CFE, Christina M. Smith, CPA, Bruce R. Nadeau, CPA, Charemon A. Davis, CPA, Greg Chabot, CPA, MBA and Julie Laplume, CIA, CPA, CFE, CGMA. Professional accounting and auditing experience is provided by a staff of 22 accountants including 6 certified public accountants, and three master level accountants. All together, the firm has 24 employees.

Service Capabilities

The firm specializes in the area of governmental and nonprofit accounting and auditing. Within this field, the following services are provided:

- Reporting on financial statements in three capacities:
  - Audit
  - Review
  - Compilation
- Compliance auditing to meet federal and state requirements.
- Preparation of financial statements.
- Accounting system design.
- Internal control system design.
- Electronic data processing system study, including assistance in implementation.
- Assistance in budgeting procedures, forecasts, and cash flow analysis.
- Tax and bond anticipation requests.
- Lease and bargain purchase financing.
- IRS Section 125 plan design and implementation.
- Other non-attest accounting and consulting services.
- Free client training workshops.
Firm Experience

RHR Smith & Company currently conducts over 290 audits for government and nonprofit clients. All audit work is overseen by the Managing Partner, Ronald H. R. Smith, CPA, CFE. The audit and client types are profiled below for audits performed during our fiscal year ending September 30, 2014:

<table>
<thead>
<tr>
<th>AUDIT TYPE</th>
<th>Number</th>
<th>CLIENT TYPE</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAAS</td>
<td>161</td>
<td>Governmental</td>
<td>166</td>
</tr>
<tr>
<td>GAS (Yellow Book)</td>
<td>37</td>
<td>School Districts</td>
<td>54</td>
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<td>Single Audit</td>
<td>49</td>
<td>Nonprofits</td>
<td>22</td>
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<tr>
<td>ERISA</td>
<td>1</td>
<td>Utilities</td>
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<tr>
<td>Compilation &amp; Review</td>
<td>7</td>
<td>Other</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>255</td>
<td></td>
<td>255</td>
</tr>
</tbody>
</table>

We assist three of our clients in preparing CAFR reports, and one of our CPAs serves on the CAFR review team.

A list of all our governmental clients is included in this document.

Desk Reviews

The firm has had no federal or state desk reviews or field reviews of its audits during the past three years. None of the employees of the firm are, or have been, the subject of disciplinary action taken or pending with state regulatory bodies or professional organizations.

Quality Control Reviews

As a member requirement of the American Institute of Certified Public Accountants, the firm is enrolled in the Peer Review Program. Under this program, our firm is required to be audited every three years by another firm of similar size that is independent of our firm. Our quality control reviews include reviews of specific governmental engagements. Our most recent quality control review was performed in 2015 for the year ended September 30, 2014, and is included in this document.

Peer Review documents are made available for public access on the AICPA website. The firm of RHR Smith & Company also maintains a very structured internal quality control system designed to meet the standards of the American Institute of Certified Public Accountants.
Independence and Quality Assurance

Our firm adheres to the most rigid standards, including those of the U.S. Government Accountability Office, in ensuring independence and avoiding any real or apparent conflict of interest. We have policies outlining detailed processes for making determinations regarding independence, and conduct extensive training in making those determinations. Staff reviews all firm engagements periodically to evaluate the potential for conflict and provides statements regarding any prior or current relationships with clients.

As to this engagement, we are independent from the Town of Chebeague Island. No professional relationship exists between our firm and employees or agencies affiliated with the Town of Chebeague Island.

The Engagement Partner is responsible for ensuring that all staff assigned to the Town’s audit has the experience and qualifications necessary to complete all audit tasks accurately and efficiently.

Contracted Services

Only employees of RHR Smith will be assigned to work on the Town of Chebeague Island’s audit. We do not utilize any contracted services at this time.

Audit Record Retention

All working papers and reports are retained for a minimum of five years after the end of each audit. Working papers will be made available, upon request from the Town.

Licensing

The firm is registered in the state of Maine, its managing partner, Ronald H.R. Smith, CPA, CFE, is licensed in Maine, and all personnel are duly authorized to practice in the State of Maine according to applicable state statutes. License numbers are provided for each CPA assigned to this audit team as part of their biographical information.

Professional Organizations

All professional personnel are members of the American Institute of Certified Public Accountants, and the Maine Society of Certified Public Accountants. Ronald, H.R. Smith, CPA, CFE, is also a member of the Association of Certified Fraud Examiners.
Continuing Education

All continuing professional education requirements have been met or exceeded with respect to standards set forth by the American Institute of Certified Public Accountants and the U.S. Government Accountability Office, and State of Maine Board of Accountancy. The Engagement Partner is responsible for ensuring that all personnel assigned to the Town’s audit have the experience and qualifications necessary to complete all audit tasks accurately and efficiently.

Anticipated Problems & Major Issues

Major accounting and financial issues facing municipalities over the next 3 years include; continued pressure on municipal and school budgets due to the economy and potential changes at the State level. While there are some accounting pronouncements issued by the Governmental Accounting Standards Board that must be implemented in the coming years, these should not have a major impact on the Town. We believe that our firm is uniquely qualified to assist the Town in dealing with these issues due to the experience of our staff and expertise in the governmental audit sector. We develop long term relationships with our clients and are available throughout the year to assist our clients as issues arise.

Based on the description of the entity in the RFP and our knowledge of, and experience auditing, Town and School operations, we do not anticipate any potential audit problems including adherence to the deadlines outlined in the RFP.

Staff Reassignment

At RHR Smith & Company, we are proud of the experience and longevity of our employees and take our commitment to audit quality and continuity seriously. We rarely find it necessary to reassign team members during an engagement. If we conduct your audit for several years, we may change members of the audit team to ensure independence and quality control. Any staff changes made during an audit are discussed with client management, and should be approved in writing by the client.
System Review Report

May 22, 2015

To the Owner of RHR Smith & Company, CPA’s
And the Peer Review Committee of the
New England Peer Review

We have reviewed the system of quality control for the accounting and auditing practice of RHR Smith & Company, CPA’s (the firm) in effect for the year ended September 30, 2014. 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 RHR Smith & Company, CPA’s in effect for the year ended September 30, 2014, has been suitably designed and complied with to provide the firm 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.

RHR Smith & Company, CPA’s has received a peer review rating of pass.
<table>
<thead>
<tr>
<th>SCHOOL DISTRICTS &amp; DEPARTMENTS</th>
<th>GOVERNMENTS &amp; GOVERNMENT AGENCIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brooks, Town of</td>
<td>Eastern Slope Airport Authority</td>
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<tr>
<td>Brownfield, Town of</td>
<td>Eliot, Town of</td>
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<tr>
<td>Bucksport, Town of</td>
<td>Embden, Town of</td>
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<tr>
<td>Burlington, City of (VT)</td>
<td>Eustis, Town of</td>
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<tr>
<td>Burnham, Town of</td>
<td>Fair Haven, Town of (VT)</td>
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<tr>
<td>Bustins Island Village Corporation</td>
<td>Fairfield, Town of</td>
</tr>
<tr>
<td>Buxton, Town of</td>
<td>Farmington, Town of</td>
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<tr>
<td>Canton, Town of</td>
<td>Ferrisburgh, Town of (VT)</td>
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<tr>
<td>Carmel, Town of</td>
<td>Franklin, County of</td>
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<tr>
<td>Carrabassett Valley Sanitary District</td>
<td>Franklin County Unorganized Territories</td>
</tr>
<tr>
<td>Carrabassett Valley, Town of *</td>
<td></td>
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<tr>
<td>Casco Bay Island Transit District</td>
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<td>Casco, Town of</td>
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<tr>
<td>Casco-Naples Transfer Station</td>
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<tr>
<td>Central Penobscot Solid Waste</td>
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<tr>
<td>Chelsea, Town of</td>
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<tr>
<td>Cherryfield, Town of *</td>
<td></td>
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<tr>
<td>Chester, Town of (VT)</td>
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<td>Chesterville, Town of</td>
<td></td>
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<tr>
<td>Chittenden County Transportation Authority (VT)</td>
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<td>Coplin Plantation *</td>
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<tr>
<td>Corinth, Town of</td>
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<tr>
<td>Cornish, Town of</td>
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<tr>
<td>Cumberland, County of</td>
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<tr>
<td>Cutler, Town of *</td>
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<td>Deblois, Town of</td>
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<td>Denmark, Town of</td>
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<td>Dixfield, Town of</td>
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</tbody>
</table>

*Includes School Department
<table>
<thead>
<tr>
<th>Town Name</th>
<th>Town Name</th>
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<tbody>
<tr>
<td>Freedom, Town of</td>
<td>Naples, Town of</td>
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<td>Fryeburg, Town of</td>
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<td>Gouldsboro, Town of</td>
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<td>Grand Isle, Town of</td>
<td>New Vineyard, Town of</td>
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<td>Gray, Town of</td>
<td>Newcastle, Town of</td>
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<td>Greenville, Town of</td>
<td>Newry, Town of</td>
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<tr>
<td>Harpswell, Town of</td>
<td>Norridgewock, Town of</td>
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<tr>
<td>Harrington, Town of</td>
<td>North Berwick Sanitary District</td>
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<tr>
<td>Harrison, Town of</td>
<td>North Berwick, Town of</td>
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<tr>
<td>Hartford, Town of</td>
<td>Oakfield, Town of</td>
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<td>Hiram, Town of</td>
<td>Old Orchard Beach, Town of</td>
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<tr>
<td>Houlton, Town of</td>
<td>Otisfield, Town of</td>
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<td>Howland, Town of</td>
<td>Oxford County Unorganized Territory</td>
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<td>Jay, Town of</td>
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<td>Jonesboro, Town of</td>
<td>Paris, Town of</td>
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<td>Kennebec, County of</td>
<td>Phillips, Town of</td>
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<td>Kennebec Valley Regional Waste Corp.</td>
<td>Piscataquis, County of</td>
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<td>Kennebunk, Town of</td>
<td>Piscataquis County Unorganized Territories</td>
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<td>Killington, Town of (VT)</td>
<td>Pittsfield, Town of</td>
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<tr>
<td>Lake Region Bulky Waste Facility</td>
<td>Poland, Town of</td>
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<td>Lewiston, City of</td>
<td>Presque Isle, City of</td>
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<td>Lewiston Housing Authority</td>
<td>Readfield, Town of</td>
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<td>Rockingham, Town of</td>
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<td>Lincoln, County of</td>
<td>Rome, Town of</td>
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<td>Lincoln Plantation</td>
<td>Rumford, Town of</td>
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<td>Sabattus, Town of</td>
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<td>Livermore Falls – Jay Sewerage Treatment</td>
<td>Sandy River Plantation</td>
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<td>Livermore Falls, Town of</td>
<td>Sangerville, Town of</td>
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<td>Sidney, Town of</td>
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<td>Madawaska, Town of</td>
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<td>Magalloway Plantation</td>
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<td>Maine Port Authority</td>
<td>South Berwick Sewer District</td>
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<td>Manchester Sanitary District</td>
<td>South Burlington, City of (VT)</td>
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<td>Manchester, Town of</td>
<td>Southwest Harbor, Town of</td>
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<td>Meddybemp, Town of</td>
<td>Starks, Town of</td>
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<td>METRO-Greater Portland Transit District</td>
<td>Steuben, Town of</td>
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<td>Milbridge, Town of</td>
<td>Stonington Sanitary District</td>
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<td>Milford, Town of</td>
<td>Stonington, Town of</td>
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<tr>
<td>Monroe, Town of</td>
<td>Strong, Town of</td>
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<td>Morrill, Town of</td>
<td>Sweden, Town of</td>
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<tr>
<td>Mount Vernon, Town of</td>
<td>Temple, Town of</td>
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</tbody>
</table>

*Includes School Department*
<table>
<thead>
<tr>
<th>Town/Department</th>
<th>Organization Name</th>
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<tbody>
<tr>
<td>Topsham Sewer District</td>
<td>NONPROFIT ORGANIZATIONS</td>
</tr>
<tr>
<td>Turner, Town of</td>
<td>Addison Point Specialized Services</td>
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<tr>
<td>Two Bridges Jail Authority</td>
<td>Coastal Counties Workforce, Inc.</td>
</tr>
<tr>
<td>Two Rivers-Ottauquechee Reg. Commission (VT)</td>
<td>Cobscook Community Learning Center</td>
</tr>
<tr>
<td>Union, Town of</td>
<td>Down East R C &amp; D</td>
</tr>
<tr>
<td>Unity Township</td>
<td>Eastern Trails Management District</td>
</tr>
<tr>
<td>Unorganized Territories- Maine Dept. of Audit</td>
<td>Families United</td>
</tr>
<tr>
<td>Van Buren, Town of</td>
<td>Genesis Community Loan Fund</td>
</tr>
<tr>
<td>Vassalboro Sanitary District</td>
<td>Grand Chapter of Maine, Order of the Eastern Star</td>
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<tr>
<td>Vassalboro, Town of</td>
<td>Health Access Network</td>
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<tr>
<td>Waldoboro, Town of</td>
<td>Home Counselors Inc.</td>
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<tr>
<td>Warren, Town of</td>
<td>Kennebunkport Conservation Trust</td>
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<tr>
<td>Washington County Council of Governments</td>
<td>Maine County Commissioners Association</td>
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<td>Waterboro, Town of</td>
<td>Maine Huts &amp; Trails</td>
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<td>Waterford, Town of</td>
<td>Maine Retired Teachers Association</td>
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<td>Wayne, Town of</td>
<td>Mid Maine Homeless Shelters</td>
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<td>Wells, Town of</td>
<td>Noli-Trpinawzk Corporation</td>
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<tr>
<td>Whitneyville, Town of *</td>
<td>Northeastern Vermont Development Association (VT)</td>
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<td>Winthrop, Town of *</td>
<td>Northern Maine Development Commission</td>
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<tr>
<td>Wiscasset, Town of *</td>
<td>Rural Community Action Ministry</td>
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<tr>
<td>York, County of</td>
<td>Sacopee Rescue, Inc.</td>
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<td>TRIBAL GOVERNMENTS</td>
<td>Sacopee Valley Health Center</td>
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<tr>
<td>Aquinnah Wampanoag Tribal Housing</td>
<td>Senior Needs Committee of Wells &amp; Ogunquit</td>
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<tr>
<td>Aroostook Band of MicMacs</td>
<td>South Buxton Cemetery Association</td>
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<td>Penobscot Indian Nation</td>
<td>Sunrise County Economical Council</td>
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<td>Pleasant Point Housing Authority</td>
<td>Syntiro</td>
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<td>Pleasant Point Passamaquoddy Tribe</td>
<td>Washburn-Norlands Living History Center</td>
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<td>UTILITIES</td>
<td>Western Maine Transportation Services, Inc.</td>
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<tr>
<td>Alfred Water District</td>
<td>Wreaths Across America</td>
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<tr>
<td>Canton Water District</td>
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<td>Harrison Water District</td>
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<td>Jay Village Water District</td>
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<td>Kingfield Water District</td>
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<td>Lisbon Water District</td>
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<td>Livermore Falls Water District</td>
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<td>Mount Blue Standard Water District</td>
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<td>North Jay Water District</td>
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<td>Rangeley Water District</td>
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<tr>
<td>Rumford Water District</td>
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<tr>
<td>Sabattus Sanitary &amp; Water District</td>
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<tr>
<td>Strong Water District</td>
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</tbody>
</table>

*Includes School Department
General Audit Approach

We believe the audit process should be an integral part of how a government entity can achieve organizational improvement. An audit can reveal opportunities to improve internal processes and controls, enhance accuracy and efficiency, and increase understanding about the financial position of the entity.

Our technical approach is to use audit programs to direct and document the audit. These programs are very extensive, and are selected based on our understanding of each client’s particular situation and environment.

All our audit processes are customized, meaning our specific approach is unique to each client. This is a necessity when working with government organizations of every imaginable size, level of wealth and sophistication, scope of public services and programs, staff experience, and history.

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

Because an audit is designed to provide reasonable, but not absolute assurance 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. 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 you of any material errors and any fraudulent financial reporting or misappropriation of assets that comes to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors are 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.
Audit Team

The team selected to serve the Town of Chebeague Island includes three auditors with a range of 25 to 27 years of audit experience. The following table lists all professional staff assigned to this audit, and outlines their responsibilities and experience.

<table>
<thead>
<tr>
<th>NAME</th>
<th>TITLE</th>
<th>YEARS EXPERIENCE</th>
<th>ROLE &amp; RESPONSIBILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ronald H.R. Smith, CPA, CFE</td>
<td>Managing Partner</td>
<td>27</td>
<td><strong>Engagement Partner:</strong> Oversees audit including all work papers and audit documents, attends entrance and exit conferences and other client meetings as needed.</td>
</tr>
<tr>
<td>Greg Chabot, CPA, MBA</td>
<td>Partner/Audit Manager</td>
<td>25</td>
<td><strong>Audit Supervisor:</strong> Coordinates engagement staff, plans audit including type and level of test work, coordinates field work, assesses need for accounting work to be audit-ready, and coordinates financial statement preparation.</td>
</tr>
<tr>
<td>Charemon A. Davis, CPA</td>
<td>Senior Auditor</td>
<td>27</td>
<td><strong>Audit Manager:</strong> Implements work plan, supervises and reviews field work, coordinates with client, conducts test of controls</td>
</tr>
<tr>
<td>Bruce Nadeau, CPA</td>
<td>Senior Auditor</td>
<td>11</td>
<td><strong>Audit Manager:</strong> Implements work plan, supervises and reviews field work, coordinates with client, conducts test of controls</td>
</tr>
<tr>
<td>Christopher Backman, MBA</td>
<td>Senior Accountant/Auditor</td>
<td>13</td>
<td><strong>Audit Specialist:</strong> Performs tests of internal controls, substantiates all balance sheet accounts</td>
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</table>

References

<table>
<thead>
<tr>
<th>Client/Contact</th>
<th>Client/Contact</th>
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<tbody>
<tr>
<td><strong>Towns</strong></td>
<td><strong>Schools</strong></td>
</tr>
<tr>
<td>Town of Fryeburg</td>
<td>RSU 72</td>
</tr>
<tr>
<td>Ms. Sharon Jackson  Town Manager</td>
<td>Sue Frost</td>
</tr>
<tr>
<td>(207) 935-2805   Business Administrator</td>
<td>(207) 935-2600</td>
</tr>
<tr>
<td>Town of Gray</td>
<td>RSU 38</td>
</tr>
<tr>
<td>Ms. Cathy Markavich Finance Director (207) 657-3339</td>
<td>Brigette Williams Finance Manager (207) 685-3336</td>
</tr>
<tr>
<td>Town of Poland</td>
<td>RSU 61</td>
</tr>
<tr>
<td>Ms. Sharon Chaminings Finance Director (207) 998-4601</td>
<td>Sherrie Small Finance Coordinator (207) 647-3048</td>
</tr>
</tbody>
</table>
SUMMARY

Twenty-seven years of public accounting experience. Specific expertise in the auditing, computer consulting, internal control testing, and other numerous financial tasks of governmental and nonprofit clients.

PROFESSIONAL HISTORY

1997 - Principal, RHR Smith & Company, Certified Public Accountants.
1989 - Senior Audit and Accounting Manager with Ron L. Beaulieu & Company, Certified Public Accountants, Portland, Maine.

EDUCATION

1988 B.S. degree in Accounting, Saint Joseph's College, Standish, Maine

CONTINUING EDUCATION

All continuing professional education requirements have been met or exceeded with respect to standards set forth by the American Institute of Certified Public Accountants and the Government Accounting Office, and State of Maine Board of Accountancy.

LICENSE

Certified Public Accountant - State of Maine Certificate Number CP 2285
Certified Public Accountant – State of Vermont Certificate Number 001.0002033
Certified Fraud Examiner – Credential Number 158186

PROFESSIONAL ASSOCIATIONS

- Member of the Maine Society of Certified Public Accountants
- Member of The American Institute of Certified Public Accountants
- Member of the Association of Certified Fraud Examiners
SUMMARY

Twenty-five years of public accounting experience specializing in governmental auditing. Specific expertise in the auditing, computer consulting, internal control testing, and numerous other financial tasks of governmental clients.

PROFESSIONAL HISTORY

2014  Senior Accountant and Audit Manager, RHR Smith & Company, Certified Public Accountants, Buxton, Maine.
2002 - 2014  Partner, Runyon Kersteen Ouellette, CPAs, South Portland, Maine
1991 – 2002  Senior Accountant, Runyon Kersteen Ouellette, CPAs, South Portland, Maine

EDUCATION

1993 Masters in Business Administration, University of Maine, Orono
1990 B.S. degree in Business Administration, University of Maine, Orono

CONTINUING EDUCATION

All continuing professional education requirements have been met or exceeded with respect to standards set forth by the American Institute of Certified Public Accountants and the Government Accounting Office, and State of Maine Board of Accountancy.

LICENSE

Certified Public Accountant - State of Maine Certificate Number 2194

PROFESSIONAL ASSOCIATIONS

- Member of the Maine Society of Certified Public Accountants.
- Member of the American Institute of Certified Public Accountants.
SUMMARY

Twenty-seven years of public accounting experience. Specific expertise in auditing, computer consulting, internal control testing, accounting and other financial processes related to the needs of governmental and nonprofit clients.

PROFESSIONAL HISTORY

2002  Senior Auditor, RHR Smith & Company, Certified Public Accountants.
2000-2002  Principal, Charemon Willey Staples, Certified Public Accountant
1997-1999  Principal with Hollingworth & Willey, Certified Public Accountants, Bangor, Maine.
1989 - 1997  Auditor, Brantner & Thibodeau, Certified Public Accountants, Bangor, Maine

EDUCATION

1989 B.S. degree in Accounting, University of Maine at Machias, Machias, Maine

CONTINUING EDUCATION

All continuing professional education requirements have been met with respect to standards set forth by the American Institute of Certified PublicAccountants and the Government Accounting Office, and State of Maine Board of Accountancy.

LICENSE

Certified Public Accountant - State of Maine Certificate Number CP 2612.

PROFESSIONAL ASSOCIATIONS

- Member of the Maine Society of Certified Public Accountants.
- Member of The American Institute of Certified Public Accountants.
SUMMARY

Eleven years of public accounting experience, 25 years of experience as an auditor for the State of Maine, Department of Audit. Specific expertise in the auditing, computer consulting, internal control testing, and numerous other financial tasks of governmental clients.

PROFESSIONAL HISTORY

2008    Senior Accountant and Audit Manager, RHR Smith & Company, Certified Public Accountants, Buxton, Maine.
2005 - 2008   Owner of Bruce R. Nadeau, CPA, LLC.
2004 - 2008   Director of Special Projects, State of Maine, Bureau of General Services
1983 - 2004   Auditor III, State of Maine, Department of Audit. Augusta, Maine

EDUCATION

1983 B.S. degree in Accounting, University of Southern Maine, Portland, Maine

CONTINUING EDUCATION

All continuing professional education requirements have been met or exceeded with respect to standards set forth by the American Institute of Certified Public Accountants and the Government Accounting Office, and State of Maine Board of Accountancy.

LICENSE

Certified Public Accountant - State of Maine Certificate Number 2218

PROFESSIONAL ASSOCIATIONS

- Member of the Maine Society of Certified Public Accountants.
- Member of the American Institute of Certified Public Accountants.
- Board Member, Great Falls Credit Union, Lewiston, Maine.
- Board Member, Advocates for Children, Lewiston, Maine.
SUMMARY

Thirteen years of public accounting experience. Specific expertise in auditing, computer consulting, internal control testing, accounting and other financial processes related to the needs of governmental and nonprofit clients.

PROFESSIONAL HISTORY

2003          Senior Accountant, RHR Smith & Company, Certified Public Accountants.

EDUCATION

2007 Masters in Business Administration, Thomas College, Waterville, Maine
1992 B.S. degree in Accounting, St. Michael’s College, Winooski, Vermont

CONTINUING EDUCATION

All continuing professional education requirements have been met with respect to standards set forth by the American Institute of Certified Public Accountants and the Government Accounting Office, and State of Maine Board of Accountancy.

LICENSE

Certified Public Accountant - Expected to be received in fall of 2016

PROFESSIONAL ASSOCIATIONS

- Member of the Maine Society of Certified Public Accountants
- Member of the American Institute of Certified Public Accountants
Overall Technical Approach

The audit will employ techniques to provide evidence to substantiate the Town’s financial statement assertions. Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and banks. We will request written representations from your attorneys as part of the engagement. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

The firm uses customized audit programs to direct and document the audit. These programs are very extensive, and are selected based on materiality factors considered during audit planning.

Financial statements and schedules will be prepared from the Town’s internal financial statements as of each fiscal year end. The financial statements will be presented in accordance with generally accepted accounting principles. All required footnote disclosures will also be included.

Sampling Technique

Audit sampling will be in accordance with the American Institute of Certified Public Accountants Audit and Accounting Guide-Audit Sampling. Audit sampling will be utilized where it will be the most efficient and effective audit tool in the circumstance. Three phases of audit sampling will be performed: planning, selection and evaluation. The actual selection process will include random, systematic, and haphazard selection.

Audit Standards

The audits performed by our firm will be performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States, and procedures applicable to governmental units, and prescribed in the following documents:

- GFOA Accounting, Auditing and Financial Reporting.
- GAO Government Auditing Standards and “Guidelines for Financial and Compliance Audits of Federally Assisted Programs.”
- Statements of the Government Accounting Standards Board (GASB).
- The Single Audit Act Amendments of 1996 (if applicable).
- Uniform Guidance, Audits of State and local Governments and Non-Profit Organization.
- MAAP “Maine Uniform Accounting and Auditing Practices Act for Community Agencies.”
- Other documents that may be specifically requested in grant agreements
- Other standards applicable to units of governments and nonprofit organizations.
Scope of Work:

Engagement Summary

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 additional information when considered in relation to the basic financial statements taken as a whole. We will also perform and report on any other procedures necessary to comply with the provisions of the Uniform Guidance. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions.

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. 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.

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.

Our audit will include obtaining an understanding of the entity and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of your compliance with applicable laws and regulations and the provisions of contracts and agreements.

An audit is not designed to provide assurance on internal controls or legal and regulatory compliance or to identify deficiencies in those controls and compliance. 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.
Engagement Outline

The engagement will include the following:

1. Audit plans developed and reviewed with Town officials, appointed staff and cognizant federal agencies if necessary.

2. Audits of the Town’s financial statements in accordance with Government Auditing Standards issued by the Comptroller General of the United States, and including standards and procedures previously listed.

3. Audits of the Town’s governmental and business-type activities, discreetly presented major funds, any component units, and the aggregated remaining fund information, in conformity with accounting principles generally accepted in the United States.

4. Financial and compliance audit for all federally assisted programs in accordance with the Single Audit Act Amendments of 1996 and the provisions of the Uniform Guidance (if applicable).

5. Financial and compliance audit for all state-assisted programs, in accordance with MAAP.

6. Separate reports on supplementary information required by Government Auditing Standards and the provisions of the Uniform Guidance (if applicable).

7. Entrance, exit and progress conferences. The partner, audit supervisor and/or audit manager will conduct all required conferences with the Town and will be available to attend public meetings at which the audit report may be discussed.

8. Assistance with preparation and filing of forms required by the Office of the State Auditor, and the Maine Department of Education.

9. Review and discussion with management of financial statements and supporting schedules.

10. Presentation of Management Letter to make known certain recommendations which, if implemented, would, in our opinion, increase efficiency, improve internal controls and improve financial management policies.
Timeline

1. **Preliminary Work:** An entrance conference with Management, preliminary audit work and audit planning will be conducted as soon as possible, based on discussions with Management.

2. **Planning:** An audit plan will be provided at a conference with key personnel before field work begins. The role of Town officials in the audit will be discussed, and a list of schedules to be prepared by the staff of the Town of Chebeague Island will be provided.

3. **Field Work:** Audit field work will be completed within 3 weeks of onset.

4. **Audit:** The Town Administrator and School Superintendent will prepare trial balances and supplemental schedules. We will provide all recommendations, revisions and suggestions for improvement to the Selectmen.

5. **Exit Conference:** A post audit exist conference with the Board of Selectmen to summarize the results of the field work, and review findings, will be held at the conclusion of the audit. Adjusting entries will be provided within 120 days after the end of the fiscal year.

6. **Reports to be Issued:**

   a) **Financial Statement Reports:**
      i. Report on the fair presentation of the basic financial statements in conformity with generally accepted accounting principles.

   b) **Single Audit Act Amendments Reports (if applicable):**
      i. Report on compliance and internal control over financial reporting and other matters, based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
      ii. Report on compliance with specific and general requirements that could have a direct and material effect on major programs and on internal control over compliance in accordance with the provisions of the Uniform Guidance.
      iii. Schedule of Expenditures of Federal Awards.

   c) **Report to the Board of Selectmen,** to include
      i. auditor’s responsibility under auditing standards generally accepted in the United States.
      ii. Significant accounting policies, Management judgments and accounting estimates, and significant audit adjustments.
      iii. Other information in documents containing audited financial statements.
iv. Disagreements with Management, Management consultation with other accountants, and major issues discussed with Management.
v. Difficulties encountered in performing the audit.

- Twelve (12) signed copies of required reports including independent auditors' report and financial statements, 1 unbound report, with all the above mentioned reports for the Town, and all reports required by Government Auditing Standards shall be delivered to the Board of Selectmen no later than October 31 or five business days after the acceptance of the draft report.

- Electronic copies of all auditor’s reports and Management Letter.

7. Other: Assistance with preparation and filing of Municipal Audit Procedural Form, and submission of audit report to the State Department of Audit within 30 days of completion.

8. Management Letter: Recommendations to management which include findings, observations, opinions, or comments relating to internal control, accounting systems, data processing, compliance with laws, rules and regulations or any other matters that come to our attention during the course of the examination. Such recommendations are limited to those usually associated with the study of internal control systems and procedures as a part of an examination of financial statements. The recommendations will be discussed with appropriate officials prior to publication.
Estimate of Hours

<table>
<thead>
<tr>
<th>STAFF</th>
<th>PREPARATION OF FINANCIAL STATEMENTS/SCHEDULES</th>
<th>AUDIT OF FINANCIAL STATEMENTS</th>
<th>TOTAL HOURS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement Partner</td>
<td>6</td>
<td>8</td>
<td>14</td>
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<tr>
<td>Senior Accountants</td>
<td>22</td>
<td>70</td>
<td>92</td>
</tr>
<tr>
<td>Staff Accountants</td>
<td>12</td>
<td>60</td>
<td>72</td>
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<tr>
<td>TOTAL</td>
<td>40</td>
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</table>

Pricing

**Price for Annual Audit will not exceed:** $16,020
**Price for Single Audit, if needed, will not exceed:** $2,500

This price is in effect for three years.

Our price includes travel and all out of pocket expenses related to the audit, and all client communications related to the audit.

**Other Services**

Hourly rates for accounting services beyond the scope of the audit through non-attest engagements:

- Management Advisory and Consulting: $125 to $150 (Principal)
- Accounting Services: $100 to $125

Hourly rates are based on the level of expertise required and are subject to change.
**BID FORM**

Name of Company: RHR Smith & Company

Company Address: 3 Old Orchard Road

Buxton, Maine 04093

Contact Phone Number(s): (207) 929-4606

Email Address: gchabot@rhrsmit.com

Printed Name of Contact Person: Greg Chabot, CPA, MBA

Signature: 

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Audit Fee</th>
<th>Single Audit</th>
<th>Total</th>
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</thead>
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<tr>
<td>June 30, 2016</td>
<td>$16,020</td>
<td>$2,500</td>
<td>$18,520</td>
</tr>
<tr>
<td>June 30, 2017</td>
<td>$16,020</td>
<td>$2,500</td>
<td>$18,520</td>
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<tr>
<td>June 30, 2018</td>
<td>$16,020</td>
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<td>$18,520</td>
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<td><strong>Total</strong></td>
<td><strong>$48,060</strong></td>
<td><strong>$7,500</strong></td>
<td><strong>$55,560</strong></td>
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Total Bid Amount: $55,560

Exclusions (if any):

________________________________________

________________________________________

________________________________________

Date submitted: 05/20/2016
AN AUDIT PROPOSAL TO

TOWN OF CHEBEAGUE ISLAND

FOR THE YEARS ENDING

JUNE 30, 2016
JUNE 30, 2017
JUNE 30, 2018

SMITH & ASSOCIATES, CPAs
A Professional Association

Yarmouth, Maine
AUDIT PROPOSAL

TOWN OF CHEBEAGUE ISLAND

CHEBEAGUE ISLAND, MAINE

For The Years Ending
June 30, 2016
June 30, 2017
June 30, 2018

FIRM

SMITH & ASSOCIATES, CPAs
A Professional Association
500 US Route One – Suite 203
Yarmouth, Maine 04096
(207) 846-8881
(207) 846-8882
www.smithassociatescpa.com

CONTACT PERSON

Peter J. Hall, CPA
Audit Manager

DATE OF PROPOSAL

May 19, 2016
# TOWN OF CHEBEAGUE ISLAND

## AUDIT PROPOSAL

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<td>4 – 5</td>
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<td>Fees</td>
<td>D</td>
<td>14</td>
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LETTER OF TRANSMITTAL

Board of Selectmen & Town Administrator
192 North Road
Chebeague Island, Maine 04017

Dear Selectmen & Marjorie Stratton,

We are pleased to submit a proposal to perform the independent audit of the financial statements of Town of Chebeague Island, Maine, for the years ending June 30, 2016, 2017 and 2018. We would appreciate the opportunity to serve as your independent auditors and submit the following information for your consideration.

Scope of Examination

We would audit and issue our opinion on the financial statements of Town of Chebeague Island, Maine, for the years ending June 30, 2016, 2017 and 2018. We would conduct our audit in accordance with auditing standards generally accepted in the United States of America.

The financial audit to assess the propriety of financial operations and reports, as well as to assess compliance with laws and regulations, is intended to meet or exceed relevant professional standards. We agree to meet the audit specifications contained in the Request for Proposals.

Our audit and report would encompass all of the accounts of the Town. The audit would be conducted in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants and, accordingly, include such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances.

Services to be Performed

As a result of our audit, we would prepare and submit the following:

- Financial statements and related internal control correspondence to the Board of Selectmen of the Town of Chebeague Island, Maine for the years ending June 30, 2016, 2017 and 2018.

- Reports required by the State of Maine Department of Education under M.R.S.A Title 20A.
Services to be Performed (Continued)

➢ Assist the Town with preparation of the financial statements, exhibits, and note disclosures, to the extent permitted by professional standards.

➢ Review and discuss the financial statements with the Board of Selectmen and Town Administrator prior to final issuance, if you desire. Meet with School Board Committee upon completion of audit, as mandated by Maine Department of Education. It is our firm policy to issue preliminary draft copies of the financial statements and internal control correspondence for your approval prior to finalization of these reports.

➢ We will be available for consultation on accounting, auditing, reporting, or management questions, which might arise during the course of a year. We would provide the Town with information on current developments and relevant professional pronouncements relating to financial operations and management.

Best Practices

Smith and Associates, CPAs is dedicated to providing quality professional services at reasonable fees. Our Peer Review results provide evidence of our audit quality and commitment to professionalism. Firms can receive a rating of pass, pass with deficiency(ies), or fail. Smith & Associates, CPAs has received a peer review rating of pass. The system of quality control for the accounting and auditing practice of Smith & Associates, CPAs 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.

Our Commitment to You

We appreciate the opportunity to submit this proposal and are confident that we have the unique combination of resources, depth, responsiveness, and commitment necessary to serve the Town of Chebeague Island, Maine, in this capacity.

You may be assured of our sincere desire to be your independent Certified Public Accountants and of our commitment to serve you in the finest professional sense.

Very truly yours,

Smith & Associates

SMITH & ASSOCIATES, CPAs
A Professional Association
SECTION A - QUALIFICATIONS OF THE FIRM

Overview
Wayne C. Smith formed his local public accounting practice in 1987 after more than 15 years of public accounting experience. Previously Mr. Smith had worked for an international accounting firm and had been the partner in charge of municipal audits with Berry, Fowles & Co., CPAs in Falmouth, Maine. His office is located in Yarmouth, Maine and employs two principals, one audit manager, two consulting CPAs of counsel, and an administrator.

The practice offers a complete line of professional services including accounting, auditing, and tax planning. Both financial and compliance audits have been performed as well as compilation, review and audit services. The firm offers management advisory services for a variety of clients. Members of the firm pride themselves in assisting clients in computer applications and have been involved in numerous installations.

We take pride in offering a full range of services to a full spectrum of clients in many industries. Experience in servicing clients of many types and sizes is invaluable to our professionals, who may draw upon this experience and skill to service all engagements for which they are responsible.

Our firm has performed compliance audits of Community Development Block Grants, U.S. Department of Education Grants, Local Public Work Grants, and Department of the Interior Grants, among others. Numerous single audit reports have been issued and approved by all relevant cognizant agencies.

Vachon, Clukay & Company PC, a Certified Public Accounting firm located in New Hampshire, performed a peer review of our firm in accordance with the standards established by the American Institute of Certified Public Accountants. The peer review included detailed reviews of governmental, commercial, and non-profit engagements. After a thorough study of our procedures and work practices, our firm was awarded an unqualified report, with no letter of comments. We have received the highest possible ranking for our seventh consecutive quality review spanning a period of twenty-one years.

The firm and all assigned key professional staff are properly licensed to practice in the State of Maine. We certify that there have never been any disciplinary actions taken or pending against the firm. Neither the provider nor any of the provider’s employees have been proposed for debarment, debarred, or suspended by a federal agency.

All individuals have met or exceeded the continuing professional education requirements established by the American Institute of Certified Public Accountants, Maine Board of Accountancy and have complied with Government Auditing Standards contained in the Yellow Book for financial and compliance audits.

It is the policy of Smith & Associates CPAs not to discriminate against any employee or prospective employee on the basis of race, creed, age, sex, national origin, religion, political affiliation or physical handicap. Equal employment opportunity is a management commitment in every aspect of personnel policy and practice in the selection, placement, compensation, training and career advancement of all employees.
As a small firm, we pride ourselves on our ability to provide personalized, professional service to our audit clients. We are never more than a phone call or email away and encourage our clients to contact us throughout the year with questions that inevitably arise. We believe that making ourselves available and accessible to our clients provides for a more productive professional relationship through the year, rather than merely at the end of the year when conducting the audit.

**The Engagement Team**

**Wayne C. Smith, Shareholder – Engagement Partner**

Mr. Smith attended the University of Miami in Coral Gables, Florida and graduated from the University of Maine with distinction. He holds a Masters Degree in Business Administration from the University of Southern Maine and a Master of Science in Taxation from the Washington School of Law. Wayne is a Certified Public Accountant, a Chartered Global Management Accountant, a member of the American Institute of Certified Public Accountants, Florida Institute of CPAs and the Maine Society of CPAs. Mr. Smith has qualified as a Peer Reviewer under the AICPA Practice Monitoring Program for firms without SEC clients. He has also served as director of several non-profit boards, the Audit Committee for Institute of Doctoral Studies in the Visual Arts in Portland, and is a member of the Executive Committee of New England Peer Review. He has had more than 40 years experience in the practice of public accounting, including work with an international accounting firm, with much of this work focused on audits of municipal entities including school departments.

**Amanda J. Schultz Brown, Shareholder – Secondary Partner**

Mrs. Schultz Brown is a Maine Certified Public Accountant and has more than ten years of experience in public accounting. She earned her Bachelor's of Science in Accounting from Husson College. Amanda has focused much of her career and continuing education on tax preparation and advisory services for individuals, small businesses, and nonprofits as well as nonprofit and municipal financial reporting and auditing. Amanda qualifies as a peer review team member and assists with the performance of those engagements. In keeping with her goals of supporting nonprofit organizations, Amanda has held positions on the Board of Directors for Vivid Motion and Poland Spring Academy and is currently a member of the Board of Directors for Yarmouth Chamber of Commerce. She is a member of the American Institute of Certified Public Accountants and the Maine Society of CPAs.

**Peter J. Hall, Audit Manager – Engagement Manager**

Peter J. Hall is a graduate of Amherst College with a degree in Economics (Magna Cum Laude, Phi Beta Kappa) and has also studied at the University of Southern Maine as well as the Harvard Graduate School of Business Administration Executive Education Program. He has over 20 years experience in private and public accounting, with the last fifteen years devoted primarily to financial and compliance audits of not-for-profit and governmental entities, including audits of public as well as private schools. Peter is a Certified Public Accountant, and holds membership in the Maine Society of Certified Public Accountants and the American Institute of Certified Public Accountants. He has served several local not-for-profit organizations in various capacities, including as director and treasurer, and has also been active in municipal government in a volunteer capacity.
System Review Report

December 9, 2015

To the Directors of Smith & Associates, CPAs, A Professional Association,
and the Peer Review Committee of New England Peer Review:

We have reviewed the system of quality control for the accounting and auditing practice of Smith &
Associates, CPAs, A Professional Association (the firm) in effect for the year ended June 30, 2015.
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.

In our opinion, the system of quality control for the accounting and auditing practice of Smith &
Associates, CPAs, A Professional Association in effect for the year ended June 30, 2015, 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. Smith & Associates, CPAs, A Professional
Association has received a peer review rating of pass.

Vachon Clukay & Company PC
Members of our staff have provided service to many other clients throughout Maine and New Hampshire, including the following. Please feel free to contact any of these clients for information on their experience with our firm.

Municipalities

Town of Andover, Maine – Barbara Simmons, 392-3302, treasurer@andovermaine.org
Town of Arundel, Maine
Town of Buckfield, Maine
Town of Dayton, Maine
Town of Hebron, Maine
Town of Mechanic Falls, Maine
Town of Minot, Maine
Town of Ogunquit, Maine
Town of Pownal, Maine

Town of Randolph, Maine – Janet Richards, 582-5808, treasurerofrandolph@roadrunner.com
Town of Raymond, Maine
Town of South Berwick, Maine

Town of Stoneham, Maine – Mary Fox, 928-2155, Stoneham@fairpoint.net

Town of Stow, Maine – Diana Davis, 697-2007, townofstow@fairpoint.net
Town of Topsham, Maine

Town of Vinalhaven, Maine – Andrew Dorr, 863-2042, townmanager@townofvinalhaven.org

Town of Weld, Maine – Carol Cochran, 585-2348 townclerk@weld-maine.org
Town of Wilton, Maine

Special Districts and Departments

Buckfield Village Corporation, Buckfield, Maine
Cumberland County Soil and Water Conservation District, Windham, Maine
Dayton School Department, Biddeford, Maine
Maine School Administrative District No. 8, Vinalhaven, Maine
Mechanic Falls Sanitary District, Mechanic Falls, Maine
Portsmouth School Foodservice, Portsmouth, NH
South Berwick Water District, South Berwick, Maine
Wilton Water Department, Wilton, Maine
Wilton Sewer Department, Wilton, Maine

Tax-Exempt and Other Organizations

Family Violence Project, Augusta, Maine
Falmouth Memorial Library, Falmouth, Maine
Fiddlehead School, Gray, Maine
First Congregational Church, South Portland, Maine
Friends School of Portland, Falmouth, Maine
Long Creek Watershed Management District, Windham, Maine
Tax-Exempt and Other Organizations (Continued)
Maine Center on Economic Policy, Augusta, Maine
Maine Conference United Church of Christ, Augusta, Maine
Maine Conference UCC Consolidated Church Funds, Augusta, Maine
Maine Connections Academy, South Portland, Maine
Maine Equal Justice, Inc., Augusta, Maine
Maine Heritage Policy Center, Portland, Maine
Maine Initiatives, Inc., Brunswick, Maine
Mechanic Falls Development Commission, Mechanic Falls, Maine
Portland Yacht Club, Falmouth, Maine
Robert W. Traip, Kittery, Maine
Special Olympics of Maine, South Portland, Maine
Topsham Public Library, Topsham, Maine

Our Role as Municipal Auditors

With much of our practice focused on providing audit services to local governments, we pride ourselves on staying informed and educated in the ever-changing financial reporting environment in which municipalities operate. We are proud to be a member firm of the AICPA Governmental Audit Quality Center (GAQC), through which we receive ongoing and up-to-date information relating to both the audit standards as well as the financial accounting standards applicable to state and local governments.

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes and improves standards of accounting and financial reporting for U.S. state and local governments. The GASB, in keeping with its mission, issues standards and other communications that result in decision-useful information for users of government financial reports. Standards also help government officials demonstrate to their constituents their accountability and stewardship over public resources. Additionally, the GASB works to educate the public, including financial statement preparers, auditors, and users, about its standards and the information those standards require governments to present in their financial reports.

When new issues for which accounting and financial reporting guidance are needed or if any issues with the interpretation or implementation of GASB standards or with the financial reporting information that results from application of existing guidance, we will assist your staff in implementation and with identifying emerging issues.

Given the complex financial challenges facing municipal entities, the GASB continues to work towards the improvements of the financial accounting and reporting procedures and principles applicable to governments. Some recently announced revisions to such practices include GASB Statement No. 72 relating to fair value measurements and disclosures and GASB Statement No. 77 relating to tax abatement programs.
These upcoming changes, coupled with ongoing adoption and fine-tuning of pension-related accounting and reporting under GASB Statement No. 68 and associated pronouncements, as well as the U.S. Office of Management and Budget’s *Uniform Guidance*, may pose particular challenges for many local governments, and we are eager to work with our clients in facilitating their implementation. In addition to education and training resources accessed through the GAQC, our team of professionals regularly participates in continuing education courses as mandated by the Maine State Board of Accountancy as well as the U.S. Government Accountability Office through its *Government Auditing Standards*.
SECTION B - AUDIT AND TECHNICAL APPROACH

We view the audit as being comprised primarily of three phases: planning, testing and review, and reporting, each with its own specific tasks.

Planning

The purpose of the planning phase is to establish a proper foundation for the direction of the audit and to minimize costs and increase effectiveness. The tasks in this phase would be undertaken to enable us to understand the financial systems and to tailor the audit to the condition of the Town.

The tasks include:

*Review Procedures and Controls*

We would identify internal control strengths and weaknesses in the accounting, administrative and data processing systems to enable us to decide on the appropriate amount of audit testing and to facilitate the design of our audit procedures.

This review would be conducted using our unique evaluation approach, which places emphasis on analysis of the important characteristics of the accounting information systems. This is accomplished by preparing flowcharts or narrative descriptions and obtaining documentation of the major transaction cycles that enable us to understand the accounting and financial reporting systems and highlight major internal control strengths and weaknesses.

Our review would include, but not be limited to, the areas of physical security, systems and program documentation, input/output controls and control over use and retention of electronic files. The end product of this approach will be a well-documented overview of the major accounting systems.

*Perform Analytical Review*

Analytical review is an important feature of our audit approach. It entails a review of account balances for trends, fluctuations, relationships and an overall review of operations. The review is designed to obtain the proper perspective as to the Town’s financial position.

*Identify Major Areas of Audit Concern*

Based on the understanding achieved by performing the aforementioned reviews, we will identify those areas of significant accounting and auditing implication. These areas generally entail greater financial exposure and receive a greater share of our audit effort.

*Develop Tailored Program*

The tailored audit program will reflect the identified areas of concern, guiding our work in such a manner as to ensure that such areas are afforded the proper degree of audit consideration.
Testing and Review

The second phase of our audit approach is the testing of transactions and review of systems. Detailed audit tests can be classified as either control or substantive tests. Control tests are used to determine whether the controls in the accounting system are operating as prescribed. Substantive tests are performed to secure reasonable assurance as to the validity of the information produced by those accounting systems and to verify financial statement account balances. The extent of substantive testing will be determined by the conclusions drawn from our control tests and the materiality of account balances to the financial statements.

Reporting

The third phase of our audit is the reporting phase to our clients. We will render our opinion on the fair presentation of the financial statements in accordance with accounting principles prescribed by our governing bodies.

We will also prepare letters of internal control correspondence, which will contain constructive suggestions regarding the Town of Chebeague Island, Maine’s operational and accounting procedures; observations, comments and suggestions on significant matters affecting internal controls; and any other matters, which we consider worthy of managements’ attention. All matters contained in these letters will be discussed with the Town of Chebeague Island, Maine management to assure that they understand and agree with our findings and in order that we may provide guidance in implementing the suggestions.

Other Matters

Information regarding members of our audit engagement team is provided in Section A of this proposal. We do not anticipate any changes to the composition of that team, but should any such change become necessary, we would promptly inform the Town.

The audit will be conducted to satisfy the requirements of the State of Maine Department of Audit and Title 30-A M.R.S.A 5823, as well as the requirements of the State of Maine Department of Education and Title 20-A M.R.S.A. 6051.
SECTION C – TIMING

We will begin our audit on a mutually agreeable time and complete our fieldwork as expeditiously as possible thereafter. Drafts of the auditing financial statement will be issued shortly after the completion of our fieldwork. Audit adjusting entries and beginning trial balance for general ledger accounts will be furnished in electronic format no later than October 31 each year. We will submit 1 original, 1 digital copy, and 12 bound books of our Audit Reports to management of the Town of Chebeague Island no later than October 31 each year. The final payment for the annual audit shall become due each year after the submission of all reports and their acceptance by the Town of Chebeague Island.

We would propose a timeline such as the following to facilitate delivery of final reports by October 31:

- Entrance/Planning Meeting or conference call - June 15
- Field Work – Mid August
- Preliminary Drafts to Town for Review – September 20
- Meet with Board of Selectmen and School Board Committee – Early October
- Issue Final Reports – October 31

SECTION D – FEES

Based upon our understanding of the scope of services requested, our audit fees would not exceed the amounts detailed in the attached Bid Form.

Fees for assistance and consultation beyond the scope of the audit engagement would be billed at the standard hourly rates, which range from $80 to $150 depending on the level of provisional experience required.

Our fees are predicated upon the normal level of participation of members of your staff or consultant. Such involvement would include the reconciliation of cash accounts and the obtaining of required documentation (paid invoices, cancelled checks, warrants, etc.) in support of transactions selected for review in an expeditious manner. It is our expectation that the Trial Balance will be adjusted at fiscal year end and all balance sheet accounts will have evidentiary documentation.
**BID FORM**

Name of Company: Smith & Associates, CPAs

Company Address: 500 US Route One, Suite 203
Yarmouth, Maine 04096

Contact Phone Number(s): 207-846-8881

Email Address: peter@smithassociatescpa.com

Printed Name of Contact Person: Peter J. Hall, Audit Manager

Signature: [Signature]

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Audit Fee*</th>
<th>Single Audit</th>
<th>Total</th>
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<td>June 30, 2016</td>
<td>$ 9,000</td>
<td>$ 2,000</td>
<td>$ 11,000</td>
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<td>June 30, 2017</td>
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<td><strong>Total</strong></td>
<td>$ 27,750</td>
<td>$ 6,750</td>
<td><strong>$ 34,500</strong></td>
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*If No Single Audit Required

Total Bid Amount: $34,500

Without Single Audit: $27,750 With Single Audit: $34,500

Exclusions (if any): N/A

Date submitted: 5/17/2016
To: Marjorie Stratton Town Administrator

From: Coleman Clarke Clarke and Sons Municipal Services LLC

Re: 1969 International 2444 Tractor with attachments

Marjorie,

As requested I am providing additional information on my tractor for the board of Selectmen. This tractor was purchased from Graves Tractor Co., Inc. (Steve and Dick Graves father) for King Resources to mow the Navy tank farm in 1969.

I acquired two tractors in 1998 from Northland the company that purchased the tank farm for development. I gave one tractor to Wayne Dyer and is still being used by Dick and Tom Calder for mowing fields and rotor tilling on Chebeague. My tractor was used on Long Island to mow the old land fill and road shoulders/corners. I purchased a six foot sickle bar, York Rake and a 5’ bush hog mower to be used with the tractor. All attachments and the original operator’s manual are included in the price of $2,000.00 (two thousand dollars). Repair and maintenance Parts are available through Beauregard Equipment or Waterman’s (who is an International tractor dealer).

I had preventive maintenance work done and was serviced by Beauregard about five or six years ago with no issues before or after. The tractor(s) were used only for mowing the tank farm each summer until 1991 and well maintained. The only defect I know of is a small problem with the throttle linkage that would need to be repaired.

Tractor Specifics:

1969 International 2444 Tractor Serial Number 3910

IH-C-153 4 cyl gasoline engine, (25-HP)

Two Wheel Drive

Standard Transmission

12 volt electrical system

3 point hitch

5 foot Bush Hog rotary mower, 6 foot Ford 501 sickle bar mower with spare bar and misc fingers, rivets and blades, 5 foot York Rake. All attachments are 3 point hitch connected.

Operators Manual is available for additional specifics beyond what is described.