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January 6, 2025

Town of Shallotte  
PO Box 2287  
Shallotte, NC 28459

Board of Alderman and Management

We are pleased to confirm our acceptance and our understanding of the services we are to provide for the Town of Shallotte.

We will examine the projection, which comprises the projected statements of net position – general fund of the Town of Shallotte, North Carolina (the “Town”) as of June 30, 2025, 2026, 2027, 2028, and 2029, and the related projected statements of activities and cash flows – general fund for the years then ending. We will examine the projection for the purpose of issuing a report stating whether, in our opinion, (1) management’s projection is presented, in all material respects, in accordance with guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants (AICPA presentation guidelines) and (2) management’s assumptions are suitably supported and provide a reasonable basis for its projection given the hypothetical assumptions.

We will also assist in preparing the projection of the Town of Shallotte in accordance with the guidelines for the presentation of prospective financial information established by the AICPA based on information provided by you. The preparation of a projection involves the processing of, and the mathematical and other clerical functions related to, the presentation of the projection, which is based on management’s assumptions. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take action that could be construed as assuming managing responsibilities.

The projection presents, to the best of management’s knowledge and belief, the Town of Shallotte’s expected financial position, results of operations, and cash flows for the projection period assuming the hypothetical assumptions identified in the notes in the report. It is based on management’s assumptions reflection conditions it expects would exist and the courses of action it expected would be taken assuming the hypothetical assumptions identified in the notes in the report.

Our examination will be conducted in accordance with attestation standards established by the AICPA. Accordingly, it will include examining, on a test basis, your records and other procedures to obtain necessary evidence to enable us to express our opinion. Our examination of the projection will include procedures we consider necessary to evaluate (1) the assumptions used by management as a basis for the projection, (2) the preparation of the projection, and (3) the presentation of the projection. We will issue a written report upon completion of our examination. Our report will be addressed to the Board of Alderman and Management of the Town of Shallotte. We cannot provide assurance that an unmodified

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opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the examination or are unable to form or have not formed an opinion, we may decline to express an opinion or may withdraw from this engagement.

Even if the hypothetical assumptions identified in the notes in the report occur, there will usually be difference between the projected and actual results, because events and circumstances frequently do not occur as expected, and those difference may be material. Our report will contain a statement to that effect.

We have no responsibility to update our report for events and circumstances occurring after the date of our report.

Because of the inherent limitations of an examination engagement, together with the inherent limitations of internal control over the preparation of the projection, an unavoidable risk that some material misstatements may not be detected exists, even though the examination is properly planned and performed in accordance with the attestation standards.

You understand that the report is intended solely for the information and use of the Board of Alderman and Management of the Town of Shallotte and is not intended to be and should not be used by anyone other than those specified parties. It is our understanding that the Town intends to use this report for requirements specified for USDA loan funding. If the Town is going to use this report for any party other than USDA, it should be discussed with us prior to releasing the report to any other parties.

We will plan and perform the examination to obtain reasonable assurance about whether management's projection is presented in accordance with the AICPA presentation guidelines and whether the underlying assumptions are suitably supported and provide a reasonable basis for the projection given the hypothetical assumptions. Our engagement will not include a detailed inspection of every transaction and cannot be relied on to disclose all material errors, or known and suspected fraud and noncompliance with laws or regulations, or internal control deficiencies that may exist. However, we will inform you of any known and suspected fraud and noncompliance with laws or regulations, internal control deficiencies identified during the engagement, and uncorrected misstatements that come to our attention unless clearly trivial.

We understand that you will provide us with the information required for our examination and that you are responsible for the accuracy and completeness of that information. You are responsible for the presentation of management's projection in accordance with the AICPA presentation guidelines and whether its underlying assumptions are suitably supported and provide a reasonable basis for the projection given the hypothetical assumptions. You are responsible for the representation about your plans and expectation and for disclosure of significant information that might affect the ultimate realization of the projected results. You are responsible for the design, implementation, and maintenance of internal control relevant to the preparation and presentation of the projection and that it is free from material misstatement, whether due to fraud or error.

You are responsible for, and agree to provide us with, a written assertion about whether the projection is presented in accordance with AICPA presentation guidelines. Failure to provide such an assertion will result in our withdrawal from the engagement. You are also responsible for provides us with (1) access to all information of which you are aware that is relevant to the preparation and presentation of the projection (such as records, documentation, and other matters), (2) additional information that we may request for the purpose of the examination, and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain examination evidence.

At the conclusion of the engagement, you agree to provide us with certain written representations in the form of a representation letter, which, among other things, will confirm management's responsibility for the underlying assumptions and the appropriateness of the projection and its presentation. We understand that the projection and our report thereon will be used only for requirements by USDA as a part of a loan application package for financing. If you intend to reproduce the projection and our report thereon, you agree that they will be reproduced in their entirety, and both the first and subsequent corrected drafts of the document containing the projection and any accompanying material must be submitted to us for approval.

You agree to assume all management responsibilities for the projection preparation services and any other nonattest services we provide; oversee the services by designating an individual (Isaac Norris, Jr.), preferably from senior management, with suitable skill, knowledge or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

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

Alan W. Thompson is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

We expect to begin our examination on approximately January 6, 2025. Our fees will be based on standard hourly rates. We estimate that our fees for these services will not exceed \$25,000. You will also be billed for travel and other out-of-pocket costs such as report production, word processing, postage, etc. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the examination. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been complete upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy to confirm your understanding and return it to us. You may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fee. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our service will continue to be governed by the terms of this engagement letter.

Very truly yours,



Alan W. Thompson, CPA  
Thompson, Price, Scott, Adams & Co., P.A.

RESPONSE:

This letter correctly sets forth the understanding of the Town of Shallotte.

Management signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Governance signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

CC: Board of Alderman