Smith & Associates, CPAs
A Professional Association

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July 19, 2013

TOWN OF RAYMOND
Attn: Sam Gifford, Chairman of the Board of Selectmen
401 Webbs Mills Road
Raymond, ME 04071

We are pleased to confirm our acceptance and understanding of the terms and objectives of our engagement and the nature and limitations of the services that Smith & Associates will provide the Town of Raymond for the year ended June 30, 2013.

Scope and Objective of the Audit

We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the Town of Raymond as of and for the year ended June 30, 2013. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany the Town of Raymond's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Management has chosen not to include the following RSI as required by generally accepted accounting principles, and such items will not be subjected to limited procedures or audit:

- Management's Discussion and Analysis

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 generally accepted accounting principles and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. 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.

Responsibilities of Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 errors, fraudulent financial reporting, misappropriation of assets, or 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.

Responsibilities of Auditor (Continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Town's management, as well as evaluating the overall presentation of the financial statements.

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 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; however, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditor's is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

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

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

In addition, we will provide the Town with the following nonattest services:

- Prepare the financial statements based on information in the trial balance and other relevant information that is provided by, and is the responsibility of, management.

Our professional standards require that we remain independent with respect to our audit clients, including those situations when we also provide nonattest services, such as those identified above. As a result, you accept the responsibilities set forth below related to our performance of nonattest service as a part of this engagement:

- Assume all management responsibilities.
- Oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience.
- Evaluate the adequacy and results of the services performed.
- Accept responsibility for the results of the services.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. You are also responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee our assistance with the preparation of your financial statements and related notes and any other nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management Responsibilities (Continued)

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Raymond and the respective changes in financial position and where applicable, cash flows, in conformity with U.S. generally accepted accounting principles. You are also providing us with (a) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statement, (b) additional information that we may request for the purpose of the audit, and (c) unrestricted access to person within the Town from whom we determine it necessary to obtain evidence.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements.

You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others.

In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

As part of our audit process, we will request from management and those charged with governance, written confirmation concerning representation made to use in connection with the audit. Management's and those charged with governance failure to provide representations to our satisfaction will preclude us from issuing our audit report.

Time Limitations

Because there are inherent difficulties in recalling or preserving information as the period after the engagement increases, you agree that notwithstanding the statute of limitations of the State of Maine, any claim based on this engagement must be commenced within 24 months after performance of our service, unless you have previously provided us with a written notice of a specific defect in our services that form the basis of a claim.

Loss Limitation and Indemnification

During the course of our engagement, we will request information and explanations from management regarding the company's operations, internal controls, future plan, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide certain representations in a written representation letter. The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management. Accordingly, false representations could cause us to expend unnecessary efforts or could cause a material error or a fraud to go undetected by our procedures.

Loss Limitation and Indemnification (Continued)

In view of the foregoing, you agree that we shall not be responsible for any misstatements in the company's financial statements that we may fail to detect as a result of false or misleading representations that are made to us by management.

If we incur legal fees as a result of our reliance on any false representation by you, you agree to reimburse us for all our legal fees and related costs of defense.

There is the risk that potential errors and fraud can occur that can result in damages that may be several times the amount of our audit fees. In order to induce us to accept this engagement, you hereby agree that our liability for any negligence, errors, or omissions committed by us will be limited to five (5) times the amount of our audit fees, provided such negligence, errors, or omissions are not a result of our failure to perform the audit in accordance with professional standards, in all material respects.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Town of Raymond's compliance with applicable laws and regulations and the provisions of contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Engagement Administration, Fees, and Other

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

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing. In addition, we anticipate they will help us through the timely preparation of analyses and schedules.

We expect to begin our audit on September 4, 2013, and to issue our reports within a reasonable amount of time. Wayne C. Smith is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc). We will do everything in our control to mimimize the cost of these services.

Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees may 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 may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report.

You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you before we incur the additional costs.

Reporting

We will issue a written report upon the completion of our audit of the Town's financial statements. Our report will be addressed to the Board of Selectmen, Town Manager and those charged with management. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the audit engagement. If our opinion is modified, then we will discuss the reasons with you in advance. If, for any reason we are unable to complete the audit of your financial statements, we will not issue a report on such statements as result of this engagement.

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

Very truly yours,

Smith & Associates

SMITH & ASSOCIATES, CPAs
A Professional Association

Response: This letter correctly sets forth the understanding of the Town of Raymond.

By: _____
Chairman of Board of Selectmen

Date: July 19, 2013

VACHON CLUKAY
& COMPANY PC

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System Review Report

December 19, 2012

To the Principal of Smith & Associates, CPAs
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 (the firm) in effect for the year ended June 30, 2012 Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. 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 in effect for the year ended June 30, 2012, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. **Smith & Associates, CPAs has received a peer review rating of *pass*.**

Vachon Clukay & Company PC