
Professional Auditing Services Agreement

THIS AGREEMENT entered into this 28th day of June, 2010, by and between the **BOARD OF COUNTY COMMISSIONERS OF NASSAU COUNTY, FLORIDA, a political subdivision of the State of Florida**, hereinafter referred to as the "County", and Purvis Gray & Company, hereinafter referred to as the "Auditor". WHEREAS, the County and the Auditor desire to enter into this Agreement in order to provide for the terms of the engagement by which the Auditor will perform the financial auditing services.

NOW, THEREFORE, FOR and IN CONSIDERATION of the mutually agreed upon consideration, the parties agree as follows:

1. General and Specific Conditions in RFP.

The General Conditions and Specific Conditions set forth in the attached Request for Proposals (RFP), and Auditor's Response to the RFP and Audit Engagement Letter are incorporated by reference herein and made a part hereof. If there is any conflict between the Audit Engagement letter, the RFP, and this Agreement, the Audit Committee shall resolve such conflict.

2. General Conditions.

Insurance – without limiting its liability under this Agreement, the Auditor shall procure and maintain during the life of this Agreement professional liability/errors and omission coverage on an annual aggregate of one million dollars (\$1,000,000.00) per claim. The Auditor will provide a certificate of insurance to the County upon request. Said insurance is to remain in full force and effect during the term(s) of the Agreement.

3. Term.

This Agreement shall be for a period of five (5) years with an option for two (2) subsequent years, subject to the annual review and recommendation of the Audit Committee, the satisfactory negotiation of terms (including a cost acceptable to both the County and the Auditor), and the annual appropriation. An additional review will commence after 3 years of audit services to determine the continuation/cancellation of the original 5 year contract.

4. Scope of Work to be Performed.

See Section II(B) of the RFP.

5. Auditing Standards.

See Section II(C) of the RFP.

6. Reports to be Issued.

See Section II(D) of the RFP.

7. Special Considerations.

See Section II(E) of the RFP.

8. Time requirements for Services.

a. The list of reports to be prepared by Finance for the Preliminary Field Work will be submitted by the Auditor at least two weeks prior to the commencement of Preliminary Field Work.

b. The list of reports to be prepared by Finance for the Final Field Work will be submitted on or before September 30.

c. Preliminary Field Work may commence on or before July 1 of each year.

d. Final Field Work for the Board of County Commissioners will begin on or around December 1 and end on or before December 31 each year. Final Fieldwork for Constitutional Officers will be conducted in November and December of each year and will end on or before December 31 each year. The County understands that in order to meet these deadlines, County-prepared reports will need to be completed and the books of the County will need to be closed, in good order and ready for audit by December 1st each year.

e. Audit Adjustments and Review (footnotes pending) will be completed on or before January 31 each year.

f. Financial Statements and Audit Reports and CAFR will be complete for submission to the printer on or before March 14 of each year.

9. Assistance to Be Provided to the Auditor and Report Preparation.

a. The Board of County Commissioners' staff and Constitutional Officers' staff and responsible management personnel will be available during the audit to assist the Auditor by providing certain audit schedules, information, documentation, and explanations. The County will provide the Auditor with reasonable workspace, desks, and chairs. The Auditor will also be provided with

access to one (1) telephone line and photocopying facilities. No long distance calls shall be charged to the County.

b. Report Preparation. All reports shall be the responsibility of the Auditor (prepare, assemble, type, print, and bind). These shall include, but not be limited to, the following:

i. Financial Statements with all necessary individual, combining, and combined statements and schedules needed to meet the requirements of the *Comprehensive Annual Financial Report* ("CAFR") Certificate of Achievement for Excellence in Financial Reporting Program. The County intends to utilize an outside printer for actual production of the CAFR, all other reports referenced will be produced by the Auditor.

ii. Combined and individual financial statements audit reports for the Board of County Commissioners, Clerk of the Circuit Court, Supervisor of Elections, Sheriff, Tax Collector, and Property Appraiser.

iii. Countywide Annual Financial Report of Units of Local Government.

10. Auditor Independence.

The Auditor affirms that it is independent of Nassau County, as defined by generally accepted auditing standards and the United States General Accounting Office's *Government Auditing Standards (newest revision as amended)*. The Auditor shall give the County written notice of any professional relationships involving the County or any of its agencies entered into during the period of the Agreement.

11. Additional Responsibilities.

As discussed in the Audit Engagement Letter (Audit Procedures-General), Auditor is responsible for planning and performing the audit to obtain reasonable assurance that material misstatements caused by fraud or error are detected. Auditor is not responsible for detecting immaterial misstatements caused by fraud or error.

12. Planning.

There shall be a planning stage, and said planning stage will involve meetings with the Auditor and designees of the Board of County Commissioners and the Clerk, or his designee, to set forth time frames and schedules for conferences during the audit and the exit conference. The requirements in the RFP as to reports to the Audit Committee are in addition to the conferences and exit conference referenced herein.

13. Invoices.

Invoices shall be submitted simultaneously by the Auditor to the Clerk's office, attention Clerk Deputy of Financial Services or designee, and to the Office of Management and Budget. Said invoices shall contain such detail as required by the Clerk and the Office of Management and Budget to determine the percentage of completion in hours. A meeting shall occur prior to any work commencing to address the documentation to be required by the Clerk and the Office of Management and Budget as to invoices. The meeting shall be with the Auditor, the Clerk or his designee, the County Manager or his/her designee, and the Office of Management and Budget.

14. Compensation.

The All-inclusive Maximum fee for audit services shall not exceed \$191,000 for the 2010 audit, \$201,000 for the 2011 audit, \$206,000 for the 2012 audit, \$211,000 for the 2013 audit, and \$216,000 for the 2014 audit for the audits of the Board of County Commissioners, Clerk of the Circuit Court, Supervisor of Elections, Sheriff, Tax Collector, and Property Appraiser.

15. Other Services/Specifications.

If unusual circumstances are encountered making it necessary for the Auditor to do additional work, the Auditor shall immediately report such conditions to the County Manager and the Clerk of the Court. Any additional services must be approved by the Board of County Commissioners (or designee) and the Clerk prior to performing the said services. The additional work will be billed

separately based upon the Auditor's quoted hourly rates.

16. Manner of Payment.

The Board of County Commissioners shall make progress payments to the Auditor on the basis of work completed and recommended by the Clerk of the Courts, Office of Management and Budget, and the County Manager or his/her designee. Progress payment requests shall be submitted in sufficient detail to the Clerk to demonstrate compliance with the Agreement.

17. Termination.

This Agreement shall continue and remain in full force and effect as to all its terms, conditions, and provisions as set forth herein. If either party is in default under the provisions of this Agreement, the non-defaulting party may terminate this Agreement by first giving written notice of the default and giving time, not exceed thirty (30) days, within which to correct the default. If the default is not corrected within that time period, the non-defaulting party may terminate this Agreement by written notice.

18. Termination without Cause. The Board of County Commissioners may terminate this Agreement upon thirty (30) days written notice. If the Agreement is terminated under this provision, the County shall be responsible for all audit costs and fees incurred by the Auditor prior to termination.

19. Miscellaneous.

a. The County and the Auditor each bind the other and their respective successors and assigns in all respects to all of the terms, conditions, covenants, and provisions of this Agreement. Nothing herein shall be construed as creating any personal liability on the part of any officer, employee, or agent of the County or the Constitutional Officers, nor shall it be construed as giving any right or benefit hereunder to anyone other than the County, Constitutional Officers, or Auditor.

b. This Agreement may be amended by mutual written agreement of the parties hereto. Further, this Agreement, Scope of Services, Time of Completion,

and other material terms and conditions may be changed only by written amendment.

c. In the performance of this Agreement, the Auditor will be acting in the capacity of an independent contractor and not as an agent, employee, partner, joint venturer, or associate of the County or the Constitutional Officers. The Auditor shall be solely responsible for the means, method, technique, sequences, and procedures utilized by the Auditor in the full performance of this Agreement.

d. This Agreement may be renewed for an additional two (2) year period, subject to the annual review and recommendation of the Audit Committee, satisfactory negotiation of terms, and subject to appropriation, under the same terms and conditions unless either party desires to change a specific provision of this Agreement.

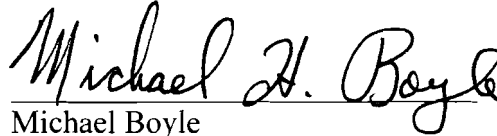
20. Entire Agreement.

This Agreement represents the entire understanding and agreement between the County and the Auditor with respect to the subject matter hereof.

21. Effective Date.

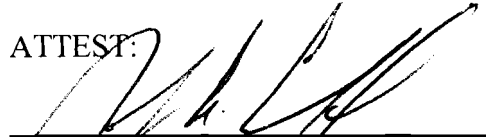
This Agreement shall be deemed effective as of the date and year first above-written. Time is of the essence.

BOARD OF COUNTY COMMISSIONERS
NASSAU COUNTY, FLORIDA



Michael Boyle
Its: Chairman

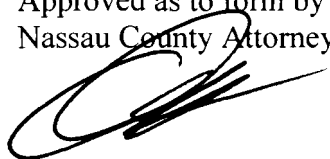
ATTEST:



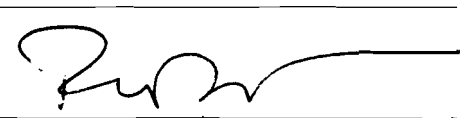
JOHN A. CRAWFORD
Its: Ex-Officio Clerk

*RAK
6/28/10*

Approved as to form by the
Nassau County Attorney



DAVID HALLMAN



By: Ronald D. Whitesides
Its: Partner
6/23/10

June 23, 2010

AUDIT ENGAGEMENT LETTER

Board of County Commissioners
Nassau County, Florida
c/o Mr. Ted Selby, County Manager
96160 Nassau Place
Yulee, Florida 32097

We are pleased to confirm our understanding of the services we are to provide Nassau County (the County) for the years ending September 30, 2010, 2011, 2012, 2013, and 2014. 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 County, as of and for the years ending September 30, 2010, 2011, 2012, 2013, and 2014. 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 supplement the County's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the County's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis
- Governmental Accounting Standards Board Required Supplemental Other Postemployment Benefit Information

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

- Schedule of Expenditures of Federal and State Awards
- Budgetary Comparison Information for the General Fund and Major Special Revenue Funds and Related Notes
- Combining and Individual Fund Statements and Schedules

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505

MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditors' report will not provide an opinion or any assurance.

■ **Introductory Section and Statistical Tables Required by the CAFR Program**

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the Single Audit Act Amendments of 1996; the provisions of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, of the State of Florida, and will include tests of the accounting records of the County and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, and specific legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that the County is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; 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, each major fund, and the aggregate remaining fund information of the County and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles.

Management Responsibilities (Concluded)

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. Your responsibilities include adjusting the financial statements to correct material misstatements and for 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 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. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report. You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to present the supplementary information with the audited financial statements or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

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

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 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 auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Audit Procedures—General (Concluded)

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

Audit Procedures—Internal Control

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

As required by OMB Circular A-133 and Chapter 10.550, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal and state award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133 and Chapter 10.550.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. 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 and *Government Auditing Standards*.

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 County's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

OMB Circular A-133 and Chapter 10.550 require that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the OMB Circular A-133, *Compliance Supplement*, and the State of Florida Single Audit, *Compliance Supplement*, for the types of compliance requirements that could have a direct and material effect on each of the County's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133 and Chapter 10.550.

Engagement Administration, Fees, and Other

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

Board of County Commissioners
Nassau County, Florida
c/o Mr. Ted Selby, County Manager
Yulee, Florida

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June 23, 2010

Engagement Administration, Fees, and Other (Concluded)

We will provide the original copy of our reports to the County; however, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal and state awards, summary of schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The audit documentation for this engagement is the property of Purvis, Gray and Company, LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to your cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Purvis, Gray and Company, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately December 1 each year and to issue our reports no later than March 14 each year. I will be the engagement partner and will be responsible for supervising the engagement and signing the reports. Our fees for these services will be \$191,000, \$201,000, \$206,000, \$211,000, and \$216,000 for the 2010, 2011, 2012, 2013, and 2014 audits, respectively. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2007 peer review accompanies this letter.

We appreciate the opportunity to be of service to the County 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.

Sincerely,

PURVIS, GRAY AND COMPANY, LLP



Ronald D. Whitesides, C.P.A.
Audit Partner

RDW/dmm
Enclosures

Board of County Commissioners
Nassau County, Florida
c/o Mr. Ted Selby, County Manager
Yulee, Florida

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June 23, 2010

RESPONSE:

This letter correctly sets forth the understanding of Nassau County, Florida.

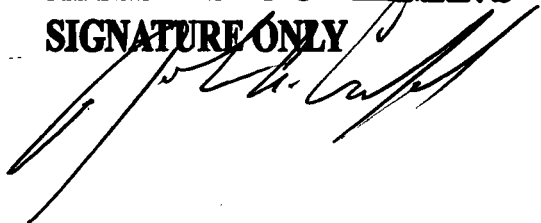
By: Michael H. Boyle

Title: Chairman

Date: 6-28-10

*ask
6/28/10*

**ATTEST AS TO CHAIRMAN'S
SIGNATURE ONLY**





Fowler, Holley, Rambo & Stalvey, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

Curtis G. Fowler, CPA, PFS, CFP • Carlton W. Holley, CPA • C Wayne Rambo, CPA, CVA • Richard A. Stalvey, CPA

3208 Wildwood Plantation Drive • Post Office Box 1887 • Valdosta, GA 31603-1887 • (229) 244-1559 • (800) 360-3123 • Fax (229) 245-7369

September 12, 2007

To the Partners of
Purvis, Gray and Company
and the Center for Public Company Audit Firms Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Purvis, Gray and Company (the firm) applicable to non-SEC issuers in effect for the year ended May 31, 2007. The firm has informed us that it did not audit SEC-issuers for the year ended May 31, 2007. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (the AICPA). The design of the system, and compliance with it, are the responsibilities of the firm. Our responsibility is to express an opinion on the design of the system, and the firm's compliance with that system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Committee of the Center for Public Company Audit Firms and included procedures to plan and perform the review that are summarized in the attached description of the peer review process. Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it since it was based on selective tests. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice applicable to the non-SEC issuers of Purvis, Gray and Company in effect for the year ended May 31, 2007, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA, and was complied with during the year then ended to provide the firm with reasonable assurance of complying with applicable professional standards.

Fowler, Holley, Rambo & Stalvey, P.C.
Fowler, Holley, Rambo & Stalvey, P.C.

SERVING VALDOSTA AND SOUTH GEORGIA SINCE 1956

James E. Folsom, CPA • Josie Miller, CPA • R. Arden DeLoach, Jr., CPA • G. Michael Walker, CPA

Robert D. Elliott, CPA • Tally M. Wisenbaker, III, CPA • Dustin C. Wilkes, CPA

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**CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS**

Curtis G. Fowler, CPA, PFS, CFP • Carlton W. Holley, CPA • C. Wayne Rambo, CPA, CVA • Richard A. Stalvey, CPA

3208 Wildwood Plantation Drive • Post Office Box 1887 • Valdosta, GA 31603-1887 • (229) 244-1559 • (800) 360-3123 • Fax (229) 245-7369

Attachment to the Peer Review Report of Purvis, Gray and Company Description of the Peer Review Process

Overview

Firms enrolled in the AICPA Center for Public Company Audit Firms (the Center) Peer Review Program have their system of quality control periodically reviewed by independent peers. These reviews are system and compliance oriented with the objectives of evaluating whether:

The reviewed firm's system of quality control for its accounting and auditing practice applicable to non-SEC issuers has been designed to meet the requirements of the Quality Control Standards established by the AICPA.

The reviewed firm's quality control policies and procedures applicable to non-SEC issuers were being complied with to provide the firm with reasonable assurance of complying with professional standards.

A peer review is based on selective tests and directed at assessing whether the design of and compliance with the firm's system of quality control for its accounting and auditing practice applicable to non-SEC issuers provides the firm with reasonable, not absolute, assurance of complying with professional standards. Consequently a peer review on the firm's system of quality control is not intended to, and does not, provide assurance with respect to any individual engagement conducted by the firm or that none of the financial statements audited by the firm should be restated.

The Center's Peer Review Committee (PRC) establishes and maintains peer review standards. At regular meetings and through report evaluation task forces, the PRC considers each peer review, evaluates the reviewer's competence and performance, and examines every report, letter of comments, and accompanying response from the reviewed firm that states its corrective action plan before the peer review is finalized. The Center's staff plays a key role in overseeing the performance of peer reviews working closely with the peer review teams and the PRC.

Once the PRC accepts the peer review reports, letters of comments, and reviewed firms' responses, these documents are maintained in a file available to the public. In some situations, the public file also includes a signed undertaking by the firm agreeing to specific follow-up action requested by the PRC.

Firms that perform audits or play a substantial role in the audit of one or more SEC issuers, as defined by the Public Company Accounting Oversight Board (PCAOB), are required to be registered with and have their accounting and auditing practice applicable to SEC issuers inspected by the PCAOB. The firm did not audit SEC issuers for the year ended May 31, 2007.

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Planning the Review for the Firm's Accounting and Auditing Practice Applicable to Non-SEC Issuers

To plan the review of Purvis, Gray and Company we obtained an understanding of (1) the nature and extent of the firm's accounting and auditing practice, and (2) the design of the firm's system of quality control sufficient to assess the inherent and control risks implicit in its practice. Inherent risks were assessed by obtaining an understanding of the firm's practice, such as the industries of its clients and other factors of complexity in serving those clients, and the organization of the firm's personnel into practice units. Control risks were assessed by obtaining an understanding of the design of the firm's system of quality control, including its audit methodology, and monitoring procedures. Assessing control risk is the process of evaluating the effectiveness of the reviewed firm's system of quality control in preventing the performance of engagements that do not comply with professional standards.

Performing the Review for the Firm's Accounting and Auditing Practice Applicable to Non-SEC Issuers

Based on our assessment of the combined level of inherent and control risks, we identified practice units and selected engagements within those units to test for compliance with the firm's system of quality control. The engagements selected for review included engagements performed under the Government Auditing Standards, audits performed under FDICIA and audits of Employee Benefit Plans. The engagements selected for review represented a cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagement reviews included examining working paper files and reports and interviewing engagement personnel.

The scope of the peer review also included examining selected administrative and personnel files to determine compliance with the firm's policies and procedures for the elements of quality control pertaining to independence, integrity, and objectivity; personnel management; and acceptance and continuance of clients and engagements. Prior to concluding the review, we reassessed the adequacy of scope and conducted a meeting with firm management to discuss our findings and recommendations.