



**Report On Internal Control Over
Financial Reporting and On Compliance
Based On an Audit of the Financial Statements
Performed In Accordance With Government Auditing Standards**

Board of Directors
Metropolitan Sewerage District of Buncombe County, North Carolina
Asheville, North Carolina

We have audited the basic financial statements of the Metropolitan Sewerage District of Buncombe County, North Carolina (the "District") as of and for the year ended June 30, 2004, and have issued our report thereon dated October 11, 2004, except for Note 13 at to which the date is November 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the District's internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated October 11, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities, is not intended to be, and should not be used by anyone other than these specified parties.

Cherry, Bekaert, & Holland, L.L.P.

Charlotte, North Carolina
October 11, 2004

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