

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT  
MARCH 20, 2013**

**1. Call to Order and Roll Call:**

The regular monthly meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building at 2:00 p.m., Wednesday, March 20, 2013. Chairman Aceto presided with the following members present: Belcher, Bryson, Frost, Kelly, Pelly, Root, Russell, Stanley, VeHaun and Watts. Ms. Manheimer was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, PA, Catherine Traynor and John Mastracchio with Malcolm Pirnie/Arcadis, Steve Shoaf and Cathy Ball, City of Asheville, Marcus Jones, Henderson County, Nelda Holder with Mountain Xpress, Patti Beaver with CIBO, and MSD Staff, Ed Bradford, Stan Boyd, Peter Weed, Jim Hemphill, Scott Powell, Mike Stamey, Ken Stines, Matthew Walter, Angel Banks, and Sondra Honeycutt.

Mr. Aceto welcomed new Board Members, Ellen Frost and Joe Belcher, representing Buncombe County. He and Vice Chairman, Bill Stanley presented them with the traditional manhole puller. Mr. Aceto stated that Ellen and Joe are replacing Max Haner and Jon Creighton and that he wanted to take the opportunity to say that Max and Jon were very productive Board Members and will be missed.

Mr. Aceto asked Ms. Honeycutt to call the roll.

**2. Inquiry as to Conflict of Interest:**

Mr. Aceto asked if there were any conflicts of interest with the agenda items. No conflicts were reported.

**3. Approval of Minutes of the February 20, 2013 Board Meeting:**

Mr. Aceto asked if there were any changes to the Minutes of the February 20, 2013 Board Meeting. With no changes, the Minutes were approved by acclamation.

**4. Discussion and Adjustment of Agenda:**

None

**5. Informal Discussion and Public Comment:**

Mr. Aceto welcomed guests and called for public comment. There was no public comment. With regard to Committee appointments, Mr. Aceto stated that Mr. Watts has agreed to serve as Chairman of the CIP Committee as recommended by Mr. Haner, and that Ms. Frost and Mr. Belcher have selected Committees they would like to serve on.

**6. Report of General Manager:**

Mr. Hartye stated the final report from Arcadis will be presented following the Consolidated Motion Agenda. He stated as of today, there has been no legislation introduced that directly affects MSD.

Mr. Hartye reported a recent news report regarding a sewage spill was posted on youtube that involved a disgruntled employee of IPR, a lining contractor out of Atlanta, who was about to fire him. He stated by the time DENR and MSD were made aware of this video, the area had already been cleaned up by the contractor. MSD has worked closely with DENR to supply all relevant information. The water looked very clear. He is not sure whether DENR has the time or inclination to press criminal charges.

Mr. Hartye reported the Home Show was last weekend and MSD had a booth as usual, but attendance was down due to the nice weather and MSD gave out half of what it usually does. He expressed his appreciation to Lisa Tolley, Julie Willingham, Mike Rice, Brenda Parker, Mary Alice Hunter, Mike Stamey, Stan Boyd, Mrs. Bryson who worked the booth, and a special thanks to Kay Farlow who organized the event.

With regard to the bond refunding, Mr. Hartye stated the Board is being asked to approve the Series Resolution authorizing the issuance of Revenue Refunding Bonds (\$34.3 million). He stated last Thursday and Friday, Scott Powell, Billy Clarke and he gave presentations to three rating agencies, Moody's, S&P and Fitch and believes it went well and feels MSD will maintain its good ratings. He further stated MSD expects to price the bonds in early April and close by May 1st.

Mr. Hartye reported on January 29th, Mr. Kennedy from 308 Cove Wood Trail called to express his appreciation for the excellent service Wayne Rice provided as did Dee Anderson of 210 Governor's View. She said she works with the public and doesn't often run across people that are so kind, helpful, and polite.

Mr. Hartye reported a call was received on February 14<sup>th</sup> from Mr. G.J. Bieksha from Candler who expressed his appreciation for Mary Alice Hunter who described her as professional, courteous, gracious and spectacular.

Mr. Hartye presented a note of thanks from Rick Philipser who expressed his appreciation to the crew of Chris Johnson, James Beaver, Furman Dean and Marvin Felder.

Mr. Hartye reported the Right of Way Committee Meeting scheduled for March 27<sup>th</sup> is cancelled. The next meeting is scheduled for April 24<sup>th</sup> at 9am. The next regular Board Meeting will be April 17<sup>th</sup> at 2pm.

**7. Report of Committees:**

**Right of Way Committee**

Mr. Kelly reported the Right of Way Committee met February 27, 2013 to consider condemnation of Old US 70 @ Grovemont Avenue Sanitary Sewer Rehabilitation project and Compensation Budgets for Broadview Avenue GSR, Shadowlawn Drive SSR and Roberts Street @ Haywood Road SSR projects. He stated the Committee approved Staff's recommendation to approve the Compensation Budgets and gave Staff authority to proceed with compensation budgets under \$1,000.00 without being presented to the Right of Way Committee or Board. Staff will make appropriate changes to the Right of Way Policy then submit those changes for review and approval at the next Right of Way Committee meeting.

**8. Consolidated Motion Agenda:**

**a. Consideration of Compensation Budgets: Broadview Avenue GSR, Shadowlawn Drive SSR and Roberts Street @ Haywood Road SSR:**

Mr. Hartye reported the Broadview Avenue GSR project is located in Oakley and consists of about 4500 linear feet of 8"DIP and 8" HDPE for pipe bursting to replace existing 6" and 8" VCP. The Shadowlawn Drive SSR project is located in West Asheville and consists of approximately 4,000 linear feet of 8", 10" and 12" DIP and HDPE to replace 8" VCP. The Roberts Street @ Haywood Road SSR project consists of 200 linear feet of 8" DIP to replace 6" and 8" VCP. The Committee recommends approval of the Compensation Budgets and to give Staff authority to proceed with compensation budgets under \$1,000.00, before contingency, without formal presentation.

**b. Consideration of Developer Constructed Sewer Systems: Greeley Street Sewer Extension; Stratford, Woodbine and Parkside Sewer Extension; Thoms Estate Sewer Extension; Thoms Estate Phase II and Thoms Estate Phase IIIA:**

Mr. Hartye reported the Greeley Street project is located inside the District boundary off Elk Mountain Scenic Highway in the City of Asheville and included the installation of approximately 113 linear feet of 8" gravity sewer to serve a two unit residential development. The Stratford, Woodbine, and Parkside project is located inside the District boundary off Merrimon Avenue in the City of Asheville and included the installation of approximately 130 linear feet of 8" gravity sewer to serve a six unit resident development. The Thoms Estate project is located inside the District boundary off Wild Cherry Road in the City of Asheville and included the installation of approximately 3,055 linear feet of 8" gravity sewer to serve a 162 unit residential development. The Thoms Estate Phase II project is located inside the District boundary off Elk Mountain Scenic Highway in the City of Asheville and included the installation of approximately 2,138 linear feet of 8" gravity sewer to serve a 40 unit residential development. The Thoms Estate Phase IIIA project is located inside the District boundary off Elk Mountain Scenic Highway in the City of Asheville and included the installation of approximately 446 linear feet of 8" gravity sewer to serve an 8 unit residential development. Staff recommends acceptance of the developer constructed sewer systems. All MSD requirements have been met.

**c. Consideration of Audit Services Contract FY2013:**

Mr. Powell reported for the FY 2013 engagement Cherry Bekaert, LLP has proposed a 4.5% reduction in fees from \$48,670 to \$46,500. They have also provided a commitment letter for the same proposed fee for fiscal years FY14 through FY15. Cherry Bekaert, LLP continues to provide excellent service with the focus of reducing fees to the District. They have committed to work hard to control expenses, and pass on any additional savings to the District. Staff recommends approval of the FY 2013 audit contract.

**d. Consideration of Series Resolution 2013 Revenue Refunding Bonds:**

Mr. Powell reported on January 16, the Board passed a resolution authorizing the filing an application to the LGC to issue revenue refunding bonds. He stated that periodically staff works with the District's financial advisors and underwriters to analyze MSD's debt portfolio for refunding opportunities. Staff assesses the refunding opportunities and their impacts on future debt service. The proposed Series Resolution authorizes the issuance of revenue refunding bonds in an amount not to exceed \$34.2 million. He further stated that based on market conditions as of February 28<sup>th</sup>, the market continues to show the ability to reduce future annual debt service from a range of \$74,452 to \$798,463 over the remaining life of both bond series with a total net value present savings over \$5.4 million. Staff recommends approval of the resolution. Mr. Kelly asked when the bonds will be retired. Mr. Powell stated MSD is refunding two bond issues; 2003 as well as the 2008B. Pricing on the Bonds is April 4<sup>th</sup> and refunded as of May 1<sup>st</sup>. Mr. Clarke stated Mr. Kelly's question refers to the 2003 bonds. Mr. Powell stated the call date on the 2003 bonds is July 1, 2013 and the 2008B bonds have a remaining life through 2029.

**e. Cash Commitment Investment Report as of January 31, 2013:**

Mr. Powell reported Page 2 presents the makeup of the District's Investment Portfolio. The only change as of the end of December, there was some cash that was rolled over from one investment to the North Carolina Term Portfolio and that was invested as of January 2<sup>nd</sup>. The makeup of the District's Investment Portfolio is in accordance with the District's investment policy. Page 3 is the MSD Investment Manager Report as of the month of January. The weighted average maturity of the

investment portfolio is 375 days. The yield to maturity is .85% and is exceeding MSD bench marks of the 6 month T-Bill and NCCMT cash portfolio. Page 4 is the MSD Analysis of Cash Receipts. Monthly and YTD domestic revenue is considered reasonable based on timing of cash receipts in their respective fiscal periods. YTD and Monthly industrial revenue is trending below budgeted expectations. This is due to a reduction in water use at various industries. YTD Facility and Tap fees are considered reasonable based on timing of cash receipts in their respective fiscal periods. Page 5 is the MSD Analysis of Expenditures. The District's O&M expenditures are considered reasonable based on historical trends and current year budgeted needs. Debt service expenditures are below budgeted expectations due to lower than expected interest rates on the District variable rate debt. Due to the nature and timing of capital projects, YTD expenditures can vary from year to year. Based on the current outstanding capital projects, YTD capital project expenditures are considered reasonable. Page 6 is the MSD Variable Debt Service report. Both the 2008 A&B Series are performing better than budgeted expectations. As of the end of February, both issues have saved District customers \$6.4 million dollars in debt service.

Mr. VeHaun moved the Board approve the Consolidated Motion Agenda as presented. Mr. Stanley seconded the motion. Mr. Aceto called for discussion. With no discussion, Mr. Aceto called for the question. Roll call vote was as follows: 11 Ayes; 0 Nays.

**9. Final Report-Impact Study of MSD Rate Payers of Proposed Consolidation/Merger:**

For the benefit of new Board Members, Ms. Traynor provided background information on Phase 1 and Phase 11 of the impact study. She reported the purpose of the study was to look at the impact to MSD rate payers associated with the proposed merger of the City of Asheville water system and other towns with the MSD. Legal, governance, valuation and compensation issues were beyond the scope of the study.

Ms. Traynor reported the Asheville Water System serves approximately 125,000 people with 56,000 customers. Water assets include 3 water Treatment Plants; 40 pump stations; 32 ground storage tanks; approximately 1,600 miles of distribution pipe and a treatment capacity of 44 mgd with an average daily demand of 21mgd. She stated one of the tasks they undertook was to look at the condition of the system. Field visits were conducted for the major assets (storage tanks, pump stations, treatment facilities, and other above ground assets. She stated that given the time constraints they relied on previous engineering and asset management reports. Overall they found the system to be in good condition. The pump stations are relatively new and appeared to be in good condition, however, they did find the need for an increase in the level of reinvestment in buried infrastructure (water distribution mains) for the future.

Ms. Traynor reported the City's CIP is a 5-year \$36.5 million plan, and as previously noted it appears to be inadequate in terms of reinvestment in buried infrastructure. In October, as part of a parallel study, the City increased its CIP to a 10-year \$122 million plan. The current draft of the plan appears to be reasonable given the age and condition of the assets. She stated that two projects involving the Dam at North Fork and the main transmission lines into the City are currently being studied and may have significant impact on the CIP. Mr. Belcher asked about MSD's 10-year CIP budget. Mr. Hartye said it's about \$150 million.

Mr. Traynor stated in evaluation of consolidation/merger the following assumptions were made: MSD would retain all current City Water Department employees; MSD would assume City water system indebtedness; MSD would keep water and sewer accounting separate, with no immediate impact to sewer customers or MSD's long-term business plan; All City water customers, including wholesale customers would remain unchanged after the merger, and the evaluation of legal, governance, and asset

compensation issues were beyond the study scope. Ms. Traynor turned the presentation over to Mr. Mastracchio for a report on the financial impacts.

Mr. Mastracchio reported in a merged entity there would be some overhead cost savings such as human resources, information technology, accounting, purchasing and fleet of about \$2.2 million dollars per year. However to provide those functions they have added 13 new MSD staff positions to cover those functions. In addition, Operational Efficiencies could result in reduction in staff through attrition and retirements, and avoidance of Sullivan Act Transfers for Community Development Funding in the range of \$1.3 million to \$4.9 million after the nine-year forecast period.

Mr. Mastracchio reported that in terms of incremental costs, they identified a few items where there would be some increase in costs associated with a merger. These include Salary and Benefit costs between MSD and the City, i.e. the average benefit cost for the City is about \$8,900 per employee compared to \$11,600 per employee for MSD; a \$2,600 per employee difference. He stated if the merger were to happen there would be some transactional costs (legal, engineering and financing) at about \$700,000. Costs associated with IT Systems Integration range from \$435,000 to \$1.7 million. Also, as a consolidated entity, there is a need for Customer Service and Maintenance space at a cost of about \$6 million.

In summary of the Merger Scenarios, Mr. Mastracchio reported they looked at the Baseline (Status Quo) – no merger/consolidation and compared that to three Merger Scenarios. Merger Scenario 1, MSD transfers all of the staff from the City's Water Department to MSD and maintains that level of staffing from FY2014 through FY2022. Merger Scenarios 2 and 3, they factored in staff reduction through attrition and retirements. For the Water system they factored in 14 positions that could be eliminated do to cross training and consolidated efficiencies. Merger Scenario 3 incorporates potential reductions in MSD staff through attrition and retirements directly related to the merger. Mr. Mastracchio presented graphs showing the potential savings for each Scenario through FY2022 (Scenario 1 \$10.3 million; Scenario 2 \$16.8 million, and Scenario 3 \$21.9 million). He reported they also looked at what would be the Water Rate Impact in a consolidated entity and looked at the City's financial plan, as they were completing the analysis, in October, 2012. In that plan, there were a series of operating water rate increases projected. He presented a graph showing a number of years of 1.5% increases given the current CIP and operating cost structure. Using this as the baseline, they looked at the costs and savings associated with each Scenario and came up with the Water Rate Impacts. He stated after 2016, they do not project any rate increases under the assumptions and inputs they have in comparison to the baseline, therefore, there are significant rate reductions associated with the merged entity.

In summary (Phase 1), Ms. Traynor reported that the potential for significant savings to water customers from the merger is greater than \$2 - \$4 million per year by FY 2022 and as much as \$10.3 – \$21.9 million over 9 years as well as the potential to reduce City projected water rate increases. Staff reductions from operational efficiencies are possible, which may occur only from retirements or natural attrition and, post-merger, MSD will need to continue to re-invest in the system to preserve and prolong the life of the water system assets. Ms. Traynor further reported that the benefits of a merged system include: A unified front for economic development; regional board representation; enhanced ability to coordinate/manage water and sewer pipe replacements; the elimination of subsidy by non-city water customers (transfers to General Fund); coordinated and unified customer service and communications; uniform rate policies and structures and staff opportunities for career advancement with a unified organization. With regard to salary and benefit adjustments for City employees, Mr. Pelly asked how this will be done and where the cost savings is. Mr. Mastracchio stated they assumed that when a merger happens, City employees would receive equitable compensation levels (healthcare and salary benefits). With regard to cost savings, Mr. Mastracchio stated there are three areas that result in savings; overhead costs savings; savings from the elimination

of Sullivan Act Transfers, and cross-training staff so they are working on multiple functions. Mr. Pelly asked if they looked at the financial impact of raising all City employee benefits to the MSD level (\$2,500 per employee benefit). Mr. Hartye stated in addition to increase in benefits being included, there were increases to salaries of about 6.4% to account for the lack of cost of living increases for Water Department staff. Mr. Belcher asked if the \$2.2 million savings per year included savings from attrition and retirement. Mr. Mastracchio said no, the \$2.2 million is the overhead cost for support services (HR, IT, Accounting, etc.). Mr. Belcher asked what the savings is for attrition and retirement. Mr. Mastracchio said between \$100,000 and \$200,000 annually.

Ms. Traynor stated that Phase 11 of the study includes Biltmore Forest, Montreat and Weaverville. She reported Biltmore Forest has 20 miles of distribution line but does not have any above ground infrastructure and their water is supplied by the City of Asheville. Montreat has 12 supply wells, 2 water storage tanks, 2 booster pump stations, 18 miles of distribution lines and an emergency connection with the Town of Black Mountain. The Town of Weaverville has a water treatment plant, 62 miles of distribution pipeline, 7 storage tanks, 4 pump stations and an emergency connection with the City of Asheville and Town of Mars Hills. In evaluation of consolidation/merger, the following assumptions were made: MSD would retain the Town of Weaverville's water system employees (9 employees) as shown in Scenario 1. No staff from Biltmore Forest or Montreat will come to MSD as these towns do not have full-time staff dedicated to the water systems. MSD and the Town of Weaverville will need to decide whether the Public Works Facility would be needed as part of the consolidated entity. Biltmore Forest would continue to receive treated water from the Asheville system (no longer under the wholesale agreement). Billing would be consolidated and performed by MSD; MSD would assume Towns' water system indebtedness or possibly compensate Town's for remaining debt; MSD would keep water and sewer accounting separate, with no immediate impact to sewer customers or MSD's long-term business plan; all town water customers, including wholesale customers would remain unchanged after the merger and the evaluation of legal, governance, and asset compensation issues were beyond the study scope.

Mr. Mastracchio reported that potential merger impacts for the Town of Biltmore Forest include a reduction in personnel expense since current water system staff are part-time and would remain Town employees. However, they have added a 0.5 full time equivalent employee to support a consolidated system. With regard to MSD taking over the Town's debt, he stated this is not the case for Biltmore Forest since there is water system debt paid out of the General Fund, which is supported by taxes, not water revenues. He further reported that in their analysis, they wanted to look at a unified water rate structure by converting the Town's structure to the City's existing structure (17% lower) for a net savings of \$200,000. He presented a chart showing the savings through FY2022. As a representative of Biltmore Forest, Mr. Kelly stated that about 12 years ago, the Town borrowed a couple million dollars to replace 85% of the Town's water lines and although the debt comes out of the General Fund, the Town thinks it makes no sense to take the water system in the ground, and leave the Town with the debt. Mr. Mastracchio stated one of the things they didn't consider in the study was governance or compensation for assets. He explained if they had factored the debt service into the cash flow model it would show current revenues are not sufficient to cover the cost of the water system.

Mr. Mastracchio reported potential merger impacts for the Town of Montreat are similar to that of Biltmore Forest and included a reduction in personnel expense, but adding a 0.5 full time equivalent employee that would be split between Montreat and Biltmore Forest for a savings of approximately \$25,000; elimination of contributions to the General Fund of approximately \$15,000; water rate structure converted to the City's existing structure (17% lower) and cost savings of approximately \$422,000 through FY 2022. However, when you factor in reduced revenue, the net savings are negligible.

Mr. Mastracchio reported that for the Town of Weaverville they ran two Scenarios. One was to continue to operate the water plant under a consolidated entity and the other was to have the Town served by the City's water plant. Under Scenario 1, all of the budgeted full-time positions (9) will be transferred over to the consolidated entity. Under Scenario 2 plant related positions (4) would be eliminated by FY2017. In order to make this work, a pump station and pipeline would need to be built. He further reported that the water rate for Weaverville is equivalent to the City's water rate; a negligible residential bill impact. The net savings for Scenario 1 is \$209,000 (FY2014-FY2022) and \$675,000 for Scenario 2. He presented graphs showing Merger Scenario's 1 and 2.

Ms. Traynor reported that additional considerations of a consolidated entity, are a more regional/uniform rate structure; future capital needs shared by a regional customer base; enhanced ability to coordinate/manage water and sewer pipe replacements; coordinated and unified customer service and communications, and reduction in Town control over the water system. Ms. Traynor expressed her appreciation to the Board for the opportunity to perform the studies. Mr. Aceto called for any comments or questions. Mr. Pelly asked Mr. Mastracchio how they reconciled Weaverville's differential water rates. Mr. Mastracchio stated for simplicity sake they assumed a uniform rate under a consolidated entity and what that impact would be. Mr. Pelly asked if they considered the differential rate for Weaverville customers who live outside the city. Mr. Mastracchio stated they did not show that impact, but did factor in from a revenue side what the resulting revenue is from the current rate structure and compared that to a uniform rate under the merged scenario. Mr. Hartye stated MSD is required for everyone in the District to have the same rate. On behalf of the Board and the rate payers of MSD, Mr. Aceto expressed appreciation to Ms. Traynor and Mr. Mastracchio of Arcadis for their presentation and stated that they did an excellent job of producing a study that was fair, unbiased, comprehensive and responsive to what the Legislature asked MSD to study. It provides a benchmark that will be helpful to the Board in fulfilling its fiduciary obligation to the rate payers. Mr. Aceto called for further questions or comments. Ms. Ball called attention to recently introduced State legislation (HB 252). If passed, the City would not be able to utilize the 5 percent utility revenues listed as a benefit in Scenario 1, which would negate savings shown in the impact study. Mr. Mastracchio stated that funding for street and sidewalk repairs do not fall under the Water System and if a merger should occur, there may be other ways to do that. Ms. Ball stated she just wants to understand the dollar figure side. Mr. Powell stated the numbers that came from the City also had rate increases that reflected that need, therefore, even though the 5 percent would go away, the need for rate increases would go away as well, so there is a savings. Ms. Ball asked how this would help economic development in the region given that MSD is responsible to rate payers. Mr. Hartye stated one example is revenue sharing for expansion and he does not believe the City has that. He explained that when a developer expands and puts in a line the revenues they get from that line helps pay for the line in addition to the fact that MSD also does cost recovery programs. If the water should come over to MSD they would have the same policies as wastewater does. Mr. Aceto stated it's a level playing field revenue sharing policy. Under benefits, Ms. Ball asked if employees would have a better chance for job opportunities if they are part of a larger organization. Mr. Hemphill stated that it's part of MSD's responsibility to have succession planning for the future; the larger pool of opportunities you have, gives employees the opportunity for a fresh start. Ms. Traynor stated the focus of the study is the impact to MSD and its ratepayers. Mr. Hartye stated the same would apply to HB-252.

**10. Old Business:**

None

**11. New Business:**

None

**12. Adjournment:**

With no further business, Mr. Aceto called for adjournment at 3:17 p.m.

---

Jackie W. Bryson, Secretary/Treasurer



# MSD

## Regular Board Meeting

Metropolitan Sewerage District  
of Buncombe County, NC

## AGENDA FOR 3/20/13

✓	Agenda Item	Presenter	Time	
	Call to Order and Roll Call	Aceto	2:00	
	01. Inquiry as to Conflict of Interest	Aceto	2:05	
	02. Approval of Minutes of the February 20, 2013 Board Meeting.	Aceto	2:10	
	03. Discussion and Adjustment of Agenda	Aceto	2:15	
	04. Informal Discussion and Public Comment.	Aceto	2:20	
	05. Report of General Manager	Hartye	2:30	
	06. Report of Committees a. Right of Way Committee – 2/27/13 – Glenn Kelly	Aceto	2:45	
	07. Consolidated Motion Agenda	Aceto	2:55	
	a. Consideration of Compensation Budgets – Broadview Avenue GSR, Shadowlawn Drive SSR and Roberts Street @ Haywood Road SSR.	Hartye		
	b. Consideration of Developer Constructed Sewer Systems: Greeley Street; Stratford, Parkside & Woodbine; Thoms Estate; Thoms Estate – Phase 11 and Thoms Estate Phase 111A.	Hartye		
	c. Consideration of Audit Services Contract FY2013	Powell		
	d. Consideration of Series Resolution 2013 Revenue Refunding Bonds.	Powell		
	e. Cash Commitment Investment Report as of January 31, 2013	Powell		
	08. Final Report – Impact Study of MSD Rate Payers of Proposed Consolidation/Merger	Aceto	3:15	
	09. Old Business	Aceto	3:35	
	10. New Business	Aceto	3:40	
	11. Adjournment (Next Meeting 4/17/13)	Aceto	3:45	

# **APPROVAL OF MINUTES**

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT  
FEBRUARY 20, 2013**

**1. Call to Order and Roll Call:**

The regular monthly meeting of the Metropolitan Sewerage District Board was held in the Boardroom of MSD's Administration Building at 2:00 p.m., Wednesday, February 20, 2013. Chairman Aceto presided with the following members present: Bryson, Creighton, Haner, Kelly Manheimer, Pelly, Russell, Stanley, VeHaun and Watts. Mr. Root was absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Gary McGill with McGill Associates, PA, Joseph Martin with Woodfin Sanitary Water & Sewer District, Gary Jackson, Steve Shoaf and Phil Kleisler, City of Asheville, Marcus Jones and Natalie Berry with Henderson County, Nick Dirkes with Brown and Caldwell, Mark Barrett with the Asheville Citizen-Times, Patti Beaver with CIBO, Beth Jezek and Sam Speciale, Citizens, and MSD Staff, Ed Bradford, Stan Boyd, Peter Weed, Jim Hemphill, Scott Powell, Mike Stamey, Ken Stines, Matthew Walter, Angel Banks, Julie Willingham and Sondra Honeycutt.

**2. Inquiry as to Conflict of Interest:**

Mr. Aceto asked if there were any conflicts of interest with the agenda items. No conflicts were reported.

**3. Approval of Minutes of the January 16, 2013 Board Meeting:**

Mr. Aceto asked if there were any changes to the Minutes of the January 16, 2013 Board Meeting. With no changes, the Minutes were approved by acclamation.

**4. Discussion and Adjustment of Agenda:**

Mr. Hartye asked that an additional item be added to the Consolidated Motion Agenda under item f. (Moore Circle PRP). In addition, he noted the inclusion of the Resolution concerning Cane Creek Water and Sewer District under item c.

**5. Informal Discussion and Public Comment:**

Mr. Aceto welcomed guests and call for public comment. There was no public comment.

**6. Report of General Manager:**

Mr. Hartye reported the preliminary report for Phase II of the Water Study was presented to the Planning Committee on February 13<sup>th</sup>. The Final report for Phase I and Phase II will be brought before the Board at the March 20<sup>th</sup> meeting. The City study and the proposal response letter from Gary Jackson will be discussed under "Old Business."

Mr. Hartye called on Ed Bradford for a presentation on the new filters that have recently been put into operation at the treatment plant.

Mr. Bradford reported that based on the Facilities Plan recommendations, design of the final Microscreen Project began in September, 2007. The Board awarded the construction contract in October, 2010 at a cost of \$9.1 million over three fiscal years. Construction & Performance Testing is complete and the facility is in operation and working very well. He presented slides showing the building interior prior to construction; during the demolition phase; construction underway; construction complete and the 16 AquaDisk Units and filters during hydrostatic testing. He explained that the filters are hollow and carpet like and wastewater flows by gravity through each one and is filtered. He presented a slide showing the control room. He stated the controls for the Intermediate Pump Project and the Microscreen Project were combined into one; saving

the District money. He presented a slide showing the control panel screen in operation, which is part of the SCADA for the AquaDisk units. He presented a slide showing the control panels in the bay; drywell showing pumps & valves; unit in operation; filling the basin for the first time, and testing backwash sequence during filling. In summary, he reported the system is working very well and the performance numbers are better than expected with TSS (Total Suspended Solids) reduced on average by 60%. He presented slides showing filter project results. Mr. Aceto asked how this has affected wastewater treatment plant performance. Mr. Bradford said it's much better.

Mr. Hartye reported the next regular Board Meeting will be March 20<sup>th</sup> at 2pm. The next Right of Way Committee meeting is scheduled for February 27<sup>th</sup> at 9am. The Home Show will be held the weekend of March 15<sup>th</sup> at which MSD will have a booth.

## 7. **Report of Committees:**

### **Planning Committee**

In the absence of Mr. Root, Mr. Hartye reported the Planning Committee met February 13, 2013 to hear a report by Malcolm Pirnie/Arcadis. Both the report and study are posted on the MSD website. He further reported the study only looked at potential savings with water function, not impacts to each Town's general operations or the effect of policy issues like double rates versus annexation and future tax revenues and is only a preliminary study to identify the major factors and efficiencies that could be realized.

Mr. Hartye reported the Weaverville system consist of 62 miles of pipe, 7 tanks, 4 pump stations, 1.5 MGD treatment plant and serves 2000 customers. There are 8 full time employees, some admin staff partially allocated to the water fund, and water rates are slightly less than Asheville.

Mr. Hartye reported the Biltmore Forest system buys bulk from Asheville through 3 meters, 20 miles of water mains and serves 770 customers. There is no full-time staff. They have some admin/PW staff allocated to the water function. He further reported in 2002 Biltmore Forest replaced 85% of the lines; their water rates are higher than Asheville and Biltmore Forest is currently servicing their existing water debt from the general fund.

Mr. Hartye reported the Montreat system has 670 customers, 12 wells, 2 tanks and 2 pump stations. There is no full-time staff, but the Town has 8 employees partially allocated to the water function. Since the mid 1980's, Montreat has replaced 80% of its water lines. Its water rates are higher than Asheville.

Mr. Hartye reported with regard to the results of the mergers. For Weaverville there are two (2) scenarios. Merger Scenario 1 involves keeping the plant running as is and bringing over 8 employees (distribution and treatment). Merger Scenario 2 involves 4 employees brought over for distribution and reducing treatment employees from 4 to 1 while mothballing the plant and building a pump station and trunk main to transfer Asheville water to Weaverville. Both scenarios include no transfer of admin staff; debt paid for and CIP maintained. Savings for Scenario 1 equals \$209,000 over 9 years while savings for Scenario 2 equals \$675,000 over 9 years. Savings for Biltmore Forest is \$200,000 over 9 years, assuming debt still being funded from general fund. The savings for Montreat is negligible. Mr. Aceto stated this information was gathered as a result of the District's desire to respond to what the Legislative Research Commission directed that a study, in connection with their legislation be done on the merger impact of the surrounding communities. Mr. Haner asked if that legislation has been filed. Ms. Manheimer stated in terms of timing, it was mentioned that if legislation was filed it would wait until Representative Fisher returned from Japan; in about 2 weeks.

**8. Consolidated Motion Agenda:**

**a. Consideration of Bids for Dump Truck Replacement – Fleet Purchase:**

Mr. Hartye reported at the March 12, 2012 Fleet Replacement Committee meeting members recommended the purchase of one (1) new dump truck replacement. This purchase was included in the FY2013 budget. The following bids were received and opened on January 15, 2013: The Pete Store/Peterbilt with a total bid of \$115,745; MHC Kenworth with a total bid of \$126,178 and Piedmont Peterbilt with a total bid of \$116,679. Staff recommends award of the bid from The Pete Store/Peterbilt in the amount of \$115,745. Mr. Aceto asked what will happen to the old dump truck and how old it is. Ms. Willingham said it's a 1993 model that will be sent to auction.

**b. Consideration of Developer Constructed Sewer System for the Versant Subdivision on-site – Phase 1 Sewer Extension Project:**

Mr. Hartye reported the project is located inside the District boundary off Baird Cove Road in the Town of Woodfin. The project included the installation of approximately 13,815 linear feet of 8" gravity sewer to serve the 327 unit residential development. Staff recommends acceptance of the developer constructed sewer system. All MSD requirements have been met.

**c. Consideration of Resolution Concerning Cane Creek Water and Sewer District Recommended Terms of Merger:**

Mr. Hartye reported the Resolution is a follow-up from the last Board Meeting where the Board considered terms and conditions for bringing the Cane Creek Water & Sewer District (CCWSD) into the District (MSD). Mr. Watts stated the Resolution does not address any change to the Board and asked if it intended to. Mr. Hartye said no, that representation was addressed in House Bill 1009, which was passed last summer. Mr. Watts asked about the consequences of the Bill. Mr. Hartye stated CCWSD would get two (2) Board Members and everyone else would keep their same representation. Mr. Clarke stated CCWSD would still have to adopt a Resolution asking to become a part of the MSD, and MSD would have to adopt a Resolution allowing them in. Mr. Aceto asked whether we have any knowledge that they want to come into the District. Ms. Hartye said we're not really sure, but want to make it clear what the MSD terms would be if they ask to come in; however, they would ultimately have to take the first step. Mr. Aceto stated the LRC is not involved in this case, but the Board is being asked to take the initiative to consider a Resolution that is appropriate for its rate payers. Mr. Manheimer asked what would happen if they asked to come in. Mr. Clarke stated the governing body of the CCWSD (Henderson County) would adopt a resolution asking MSD to take them in then the MSD Board would vote yes or no. If the vote is yes, MSD would forward its Resolution to the Buncombe County Commissioners and the Environmental Management Commission and if they think it's a good idea, they would hold a public hearing. If at that public hearing they decide to go forward there's an opportunity for people in the areas to be brought in, to object. If 10% of the people in the area to be included object, an election on the question would be held.

**d. Second Quarter Budget to Actual Review – FY2013:**

Mr. Powell reported Domestic and Industrial User Fees are at budgeted expectations. Facility and Tap Fees are slightly below budgeted expectations due to the unpredictable nature of collections. Interest and miscellaneous income are above budgeted expectations. This is a direct result of the District selling renewable energy credits associated with the hydro-electric facility, as well as receiving \$314,000 from the termination of the District's forward delivery agreement in August. He further

reported O&M expenditures are at 48.01% of budget. The favorable variance is attributed to utilities and fuel trending lower than budget. Bond principal and interest actually spent are less than budget due to actual variable interest rates averaging .16% as well as timing of debt service principal and interest payments. Amounts budgeted for capital projects are rarely expended proportionately throughout the year. Additionally the amounts include encumbered amounts of \$3.7 Million.

**e. Cash Commitment/Investment Report – Month Ended December 31, 2012:**

Mr. Powell reported Page 2 presents the makeup of the District's Investment Portfolio. There has been a slight change in the makeup of the portfolio from the prior month. The debt service reserve had a maturity which was held as cash at the end of the month. This amount was reinvested at the first of January. Page 3 is the MSD Investment Manager report as of the month of December. The weighted average maturity of the investment portfolio is 396 days. The yield to maturity is .85% and exceeds the benchmarks of the 6 month T-Bill and NCCMT cash portfolio. Page 6 is the MSD Variable Debt Service Report. Both the 2008 A&B series are performing better than budgeted expectations. As of the end of January both issues have saved the District rate payers approximately \$6.3 million dollars in debt service.

**f. Consideration of Bids for Sanitary Sewer Rehabilitation Project – Moore Circle PRP:**

Mr. Hartye reported this project is for the replacement of an aged eight-inch vitrified clay and PVC sanitary sewer line. This project was generated through MSD's Pipe Rating program and is located near Ridgecrest and I-40. The project is comprised of 1,561 linear feet of 8-inch DIP. The following bids were received on February 7, 2013: Cana Construction Co., with a total bid of \$298,439.00; Carolina Specialties, LLC with a total bid of \$282,669.00; T&K Utilities with a total bid of \$267,667.00; Huntley Construction Company with a total bid of \$263,673.69; Terry Brothers Construction Co., Inc. with a total bid of \$248,470.00 and Bryant's Land & Development, Inc. with a total bid of \$240,640.58. Mr. Hartye stated the apparent low bidder is Bryant's Land & Development, Inc. with a bid of \$240,640.58. Because Bryant's has not had previous experience with MSD rehabilitation projects, staff performed an extensive reference check and although there were mixed results, there were more positive reviews than negative. Therefore, staff recommends award of this contract to Bryant's Land & Development, Inc., subject to review and approval of District Counsel.

With regard to item b. (Versant Subdivision), Mr. Russell expressed a concern about erosion control on this property and asked what MSD has done to ensure installation is done properly and how it protects itself against liability issues. Mr. Hartye stated that MSD's Planning & Development staff inspect and test the lines and all documents and warranties are in place. Mr. Boyd stated staff recently performed inspections, quality assurance tests and low pressure air tests, which were satisfactory. He stated most of the pipeline is ductile iron pipe and although staff did not do a TV inspection, they re-performed the quality assurance tests.

Mr. Russell moved the Board approve the Consolidated Motion Agenda as presented. Mr. Stanley seconded the motion. Mr. Aceto called for discussion. Mr. Kelly asked if the Board adopts the CCWSD Resolution and Cane Creek says yes will MSD have an opportunity to vote on whether to accept them. Mr. Clarke said yes and explained the process. With no further discussion, Mr. Aceto called for the question. Roll call vote was as follows: 11 Ayes; 0 Nays.

**9. Old Business:**

Mr. Hartye reported that following the Planning Committee meeting, Chairman Root requested that staff look at the differences in the MSD Arcadis Consultant Report and the City's Staff report. He stated that both reports generally found a merger could save money for the rate payers and that the effect on the bottom line, the monthly bill would be similar. However, above that line, in terms of allocating water and sewer charges there are significant differences. He called on Mr. Powell for a presentation on those differences.

Mr. Powell reported that in comparing both reports, staff focused on observations as it pertains to assertions made by the MSD consultant's report. He stated that City staff confirmed that savings to the rate payer would occur with the Public Water System merging with MSD. City staff did not consult with MSD as to the allocation of savings between water and sewer functions identified in the MSD report. Instead they chose to allocate MSD consultant findings using the Cost Allocation Plan the City currently uses, which based on responses MSD received in its data request, are believed to be erroneous assumptions. With regard to the City's CIP, Mr. Powell reported in July, 2012, City Council approved a 5-year \$36.7 million CIP. On October 11, 2012 MSD received a 10-year \$153.9 million CIP from the City, which was revised down to a 10-year \$122.3 million CIP on October 24, 2012. He questioned whether the revised CIP is a bona fide number and will it be approved and funded by Council if the merger does not happen. He stated that the numbers from a CIP perspective are a moving target, which has an impact on both MSD and City reports as it pertains to the projected rate increases the City communicated in their report as well as the MSD report. Mr. Powell reported that the City, in the various merger scenarios they were analyzing from MSD's consultant report that in Merger Scenario 1, there would be a cost impact to the water rate payer from MSD and that the sewer rate payer would see a substantial savings. He stated he did not think the City intended to misrepresent this information to the public, but the numbers are different from the MSD analysis and a lot of that is due to the nature of how costs were allocated between the water and sewer functions.

Mr. Powell further reported that on 12/10/12 MSD requested the City provide details/assumptions for Water impact as it pertains to the MSD's report in relation to cost allocation of Central Services. The City responded with the following assumptions: The 13 positions that were identified in MSD's report would be allocated to the Water impact 100% and that Central Services expenses from MSD would be allocated to each utility based on the percentage of customer accounts. He stated that MSD then asked the City to provide detail/assumptions for Sewer impact as it pertains to savings from shared Central Services cost. The response from the City was the same. Mr. Powell presented a table from the City's report showing the cost allocation of Central services at \$2.9 million and that savings to the sewer rate payer in year one would be approximately \$1.7 million.

Mr. Powell reported the concerns MSD has in relation to the report include: the impact of the 13 additional staff that were allocated to Water only compared to 12 of 13 staff identified in the Malcolm Pirnie Study were specifically central services related; 1 for purchasing, 3 for IT, 3 for HR, etc. He stated the City allocated 100% of those people to the Water side, but if the allocation is done properly, all staff will be put in central services and allocate that amount to both sides, which did not occur. This had an annual impact of about \$670,000 in relation to those numbers. Also included in the central services numbers the City used was they allocated MSD's existing Building & Trades Department. In the Malcolm Pirnie Report, page 4-7, it clearly communicated that the 13<sup>th</sup> position was specifically to address the Building & Trades element for the Water Department. MSD was told if it were asked by the City, MSD had no intention to allocate its Building & Trades Department to the Water side because they are already 100% allocated. Mr. Powell further stated the City was just looking at cost from MSD allocating over to the Water Department, but in their own Cost Allocation Plan, they

allocated Customer services and Meter services to various other departments, which did not occur in their analysis. He explained that MSD did a direct cost allocation and took into consideration all of those variables and allocated as if MSD would be running the merged utility system. In relation to all the scenarios, the water impact versus the sewer impact, there are savings to both rate payers. Mr. Powell stated the reason Malcolm Pirnie did not go into trying to do that allocation is because they were asked to show a net impact. Mr. Hartye stated the main point is that 80% of the customers have both water & sewer and that all of the customers will realize a savings no matter what side it comes from. He expressed his appreciation to Scott Powell for his report.

With regard to the impact on the rate payer for both Water and Sewer, Mr. Aceto asked if they are better off or worse if they remain separate entities. Mr. Hartye stated that there are savings to consolidating the water/sewer function. Mr. Hartye presented a copy of the letter from Asheville City Manager, Gary Jackson. Mr. Hartye referenced the December 18<sup>th</sup> letter from Mayor Bellamy to Chairman Steve Aceto regarding a Resolution passed by City Council stating its commitment to negotiate a local solution. Mr. Hartye stated MSD is always open to good faith negotiation. Ms. Manheimer asked about the combined cost of health care. Mr. Hartye stated this is something that will need to be looked at. Mr. Aceto stated that Mr. Jackson's letter is not unwelcome, but is not a response to MSD's proposal and MSD is now being asked to consider something different. He further stated that efforts to share expenses would take time to work out and is a matter that should go back to the Planning and Personnel Committees or staff to work out and that MSD has done what it thinks is responsible.

**10. New Business:**

None

**11. Adjournment:**

With no further business, Mr. Aceto called for adjournment at 2:59 p.m.

---

Jackie W. Bryson, Secretary/Treasurer



**REPORT OF GENERAL MANAGER**

## MEMORANDUM

TO: MSD Board  
FROM: Thomas E. Hartye, P.E., General Manager  
DATE: March 14, 2013  
SUBJECT: Report from the General Manager

- Update on Water Study

The Final Report From Arcadis will be presented at the Board Meeting. There has been no legislation introduced as of the date of this memo that directly affects MSD.

- Kudos

- On January 29, Mr. Kennedy from 308 Cove Wood Trail called to express his appreciation for the excellent service Wayne Rice provided. Wayne took care of the blockage and his service was appreciated.

- On February 6, Dee Dee Anderson from 210 Governor's View called to compliment Wayne Rice. She stated she works with the public and doesn't often run across people that are so kind, helpful, and polite. She wanted us to know she appreciated the help and wanted this passed along to Wayne and his supervisor.

- Received a call February 14th from Mr. G.J. Bieksha from Candler. Mr. Bieksha wanted to express his appreciation for Mary Alice Hunter. Mr. Bieksha, under the belief that MSD now handled the water, had called in with a problem about discolored water. Mary Alice helped him by identifying the people and phone number to call with the City. His conversation described Mary Alice as "professional, courteous, gracious and spectacular." He said that he had been in Customer Service himself and recognized excellent work. He wanted MSD to know what a good job Mary Alice had done.

- Attached is a note of appreciation from Rick Philipser.

- Board/Committee Meetings/Events

The Right of Way Committee Meeting for March 27<sup>th</sup> is cancelled. The next meeting is scheduled for April 24<sup>th</sup> at 9am. The next Regular Board Meeting will be April 17, at 2 pm.

I would like to give a <sup>11/14/13</sup> big  
shout of thanks to Chris + James  
who came to my rescue today  
when my sewage line was  
backing up. They did a quick  
+ good job with the "Tiger Tail".

Another crew also came to the  
house on Dec. 22. They also

did a terrific job.

Hopefully this will keep the  
line open.

Thank you,  
Rick Philipson  
2 Chipmunk Cove.

Chris Johnson  
James Beaver  
Jurnan Dea  
Marvin Felder

# **REPORT OF COMMITTEES**

**RIGHT OF WAY  
COMMITTEE RECOMMENDATIONS  
AND MINUTES  
February 27, 2013**

**I. Call To Order**

The regular monthly meeting of the Right of Way Committee was held in the Boardroom of the William H. Mull Building and called to order at 9:00 a.m. on Wednesday, February 27, 2013. The following Right of Way Committee members were present: Glenn Kelly, Jackie Bryson, Esther Manheimer, Chris Pelly, Jerry VeHaun and Robert Watts.

Others present were: Ellen McKinnon, Martin/McGill; Steven Aceto, Chairman of the Board; Tom Hartye, Ed Bradford, Angel Banks, Hunter Carson, Shaun Armistead, Wesley Banner and Pam Nolan, M.S.D.

**II. Inquiry as to Conflict of Interest**

Mr. Kelly inquired if anyone had a conflict of interest with Agenda items. There were none.

**III. Consideration of Condemnation – Old US 70 @ Grovemont Avenue Sanitary Sewer Rehabilitation – Project No. 2007322**

**PIN No.'s 9699-41-2317, 9699-41-3840 & 9699-31-7744 –**

Subject property is improved with a commercial concrete business. The property owner has voiced several concerns pertaining to the project. The major concern is that the owner is requesting to be the sole material supplier for all concrete materials on this project. MSD explained to the owner numerous times that this is not possible since the project will be bid out and is subject to state purchasing laws. There were other concerns voiced by the property owner that MSD has made provisions for, including after hours work to minimize disturbance to his business. The property owner has stated he is not in agreement with the compensation amount (\$5490). However, he has not made a counteroffer. Despite several phone calls and a letter the property owner has become non responsive.

Total Contacts: 5

**STAFF RECOMMENDATION: Authority to obtain appraisal and proceed with condemnation.**

**\*NOTE – Owner signed Easement Agreement before this meeting, after agenda was prepared. No recommendation necessary.**

**IV. Consideration of Compensation Budgets –  
Broadview Avenue GSR, Project No. 2009127  
Shadowlawn Drive SSR, Project No. 2007019  
Roberts Street @ Haywood Road SSR, Project No. 2010098**

The attached Compensation Budgets are based on current, newly appraised as of January, 2013, ad valorem tax values and follow the MSD approved formula.

Staff will discuss values and will consider need to present small projects whose total is under \$1,000.00 before Staff & GM's Contingency is added.

**STAFF RECOMMENDATION: Approval of Compensation Budgets and give Staff authority to proceed with compensation budgets under \$1,000.00, before contingency, without formal presentation.**

Ms. Banks reviewed the projects. The Broadview Avenue GSR project is located in Oakley and consists of about 4500 linear feet of 8" DIP and 8" HDPE for pipe bursting to replace existing 6" and 8" VCP. The Shadowlawn Drive SSR project is located in West Asheville and consists of approximately 4,000 linear feet of 8", 10" and 12" DIP and HDPE to replace 8" VCP. The Roberts Street @ Haywood Road SSR project consists of 200 linear feet of 8" DIP to replace 6" and 8" VCP. There was no discussion.

Staff discussed with the Committee the need to present small projects whose compensation, before contingency, is under \$1,000.00, using the Roberts Street @ Haywood Road project as an example. The total amount of compensation before contingency was added on this project was \$61.00. There was some discussion regarding the fact that the Board approves project budgets when the CIP Budget is approved every year, thus right of way funding is technically already approved. These budgets are brought before the Right of Way Committee simply to provide more specific information to the Committee.

Mr. Watts made the motion to approve the Compensation Budgets and give Staff authority to proceed with compensation budgets under \$1,000.00 without being presented to Right of Way Committee or Board. Ms. Bryson seconded the motion. Voice vote was unanimous.

Staff will make appropriate changes to Right of Way Policy, then submit these changes for review and approval at the next Right of Way Committee meeting.

**COMMITTEE RECOMMENDATION: Approval of Compensation Budgets and give Staff authority to proceed with compensation budgets under \$1,000.00, before contingency, without formal presentation.**

**V. Other business:**

Ms. Banks discussed impacts of the 2013 tax reassessments to compensation budgets. In residential areas there should not be tremendous change. In commercial areas though, particularly within the city limits, there will be significant increases.

Due to the variables noted below, it is not possible to cite a specific percentage effect across the board for our compensation budgets. First, there are large variances in parcel values; some commercial land has increased by 100%, while some has decreased as much as 72%. Second, MSD designs rehab projects in the same trench were possible, netting out existing easement areas and associated compensation. Third, project corridors can include a mix of commercial and residential so where value increases occur with commercial land, offsets could be seen with losses in residential values. By looking at future projects though, and applying 2013 values to past projects, we can get an idea of range of impact.

In one future project at the intersection of Hendersonville Road and Mills Gap Road, values on commercial land increased 31% to 60%. From preliminary design it appears about one-half of the project may be rehabbed in the existing trench which will mitigate the effect of the value increase. In another future project along Merrimon Avenue near Clearview Terrace, values on office land increased by 54% while values of apartment land decreased 72%. From preliminary design it appears more square footage will be across the apartment complex, thereby mitigating effects of the office land increase. Looking at two budgets approved last year with 2012 values and applying 2013 values, we would have seen a 13% increase in our Short Coxe Avenue @ Southside Avenue project and an 85% increase in our Givens Estate project.

Lastly, the net result of these changes is that we won't see tremendous increases all at once because we have a higher proportion of residential projects across fiscal years mixed in with a few commercial projects. However, we will definitely see larger compensation budget amounts for those commercially oriented project areas as they come into our overall project mix.

Staff also handed out the 2013 Right of Way Meeting Schedule

**There being no further business the meeting adjourned at 9:21 am.**

# **CONSOLIDATED MOTION AGENDA**



# Metropolitan Sewerage District of Buncombe County Board Action Item - Right-of-Way Committee

COMMITTEE MEETING DATE: 2/27/2013

BOARD MEETING DATE: 3/20/2013

SUBMITTED BY: Tom Hartye, PE, General Manager  
PREPARED BY: Angel Banks, Right of Way Manager  
REVIEWED BY: Ed Bradford, PE, Director of CIP

**SUBJECT: Consideration of Compensation Budgets –  
Broadview Avenue GSR, Project No. 2009127  
Shadowlawn Drive SSR, Project No. 2007019  
Roberts Street @ Haywood Road SSR, Project No. 2010098**

The attached Compensation Budgets are based on current, newly appraised as of January, 2013, ad valorem tax values and follow the MSD approved formula.

Staff will discuss values and will consider need to present small projects whose total is under \$1,000.00 before Staff & GM's Contingency is added.

**STAFF RECOMMENDATION: Approval of Compensation Budgets and give Staff authority to proceed with compensation budgets under \$1,000.00, before contingency, without formal presentation.**

Ms. Banks reviewed the projects. The Broadview Avenue GSR project is located in Oakley and consists of about 4500 linear feet of 8" DIP and 8" HDPE for pipe bursting to replace existing 6" and 8" VCP. The Shadowlawn Drive SSR project is located in West Asheville and consists of approximately 4,000 linear feet of 8", 10" and 12" DIP and HDPE to replace 8" VCP. The Roberts Street @ Haywood Road SSR project consists of 200 linear feet of 8" DIP to replace 6" and 8" VCP. There was no discussion.

Staff discussed with the Committee the need to present small projects whose compensation, before contingency, is under \$1,000.00, using the Roberts Street @ Haywood Road project as an example. The total amount of compensation before contingency was added on this project was \$61.00. There was some discussion regarding the fact that the Board approves project budgets when the CIP Budget is approved every year, thus right of way funding is technically already approved. These budgets are brought before the Right of Way Committee simply to provide more specific information to the Committee.

Mr. Watts made the motion to approve the Compensation Budgets and give Staff authority to proceed with compensation budgets under \$1,000.00 without being presented to Right of Way Committee or Board. Ms. Bryson seconded the motion. Voice vote was unanimous.

Staff will make appropriate changes to Right of Way Policy, then submit these changes for review and approval at the next Right of Way Committee meeting.

**COMMITTEE RECOMMENDATION: Approval of Compensation Budgets and give Staff authority to proceed with compensation budgets under \$1,000.00, before contingency, without formal presentation.**

COMMITTEE ACTION TAKEN	
Motion by: Robert Watts	To: <input checked="" type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by: Jackie Bryson	<input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff
	<input type="checkbox"/> Other
BOARD ACTION TAKEN	
Motion by:	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to Staff

# Broadview Avenue GSR

Project Number 2009127

## Compensation Budget

13-Feb-13

Pin Number and Name

27 Pin	83 Pin	Acres	Parcel SF	Land Value	LV/SF	PE	PE Assd. Value	50% PE Assd. Value	TCE SF	TCE Assd. Value	10% Annl Return	Proj Time (Months)	TCE Rent Value	Total Comp. (Rounded)
	9657772411	0.18	7,840.80	\$31,100.00	\$3.97	1,026.62	\$4,075.68	\$2,037.84	1,412.57	\$5,607.90	\$560.79	6	\$280.40	\$2,318
	9657660577	0.25	10,890.00	\$32,600.00	\$2.99	68.42	\$204.58	\$102.29	768.64	\$2,298.23	\$229.82	6	\$114.91	\$217
	9657661566	0.32	13,939.20	\$33,700.00	\$2.42	26.61	\$64.40	\$32.20	1,094.57	\$2,648.86	\$264.89	6	\$132.44	\$165
	9657675197	0.36	15,681.60	\$34,300.00	\$2.19	890.31	\$1,949.78	\$974.89	1,519.77	\$3,328.30	\$332.83	6	\$166.41	\$1,141
	9657679328	0.32	13,939.20	\$33,700.00	\$2.42	1,280.10	\$3,097.84	\$1,548.92	2,770.95	\$6,705.70	\$670.57	6	\$335.28	\$1,884
	9657679218	0.32	13,939.20	\$33,700.00	\$2.42	75.93	\$183.75	\$91.88	1,241.33	\$3,004.02	\$300.40	6	\$150.20	\$242
	9657663835	0.60	26,136.00	\$36,800.00	\$1.41	0.00	\$0.00	\$0.00	5,169.86	\$7,289.50	\$728.95	6	\$364.48	\$364
	9657677179	0.32	13,939.20	\$33,700.00	\$2.42	673.48	\$1,629.82	\$814.91	1,372.56	\$3,321.60	\$332.16	6	\$166.08	\$981
	9657675093	0.44	19,166.40	\$35,200.00	\$1.84	2,170.70	\$3,994.09	\$1,997.04	4,482.95	\$8,248.63	\$824.86	6	\$412.43	\$2,409
	9657771308	0.55	23,958.00	\$36,300.00	\$1.52	3,660.51	\$5,563.98	\$2,781.99	3,418.83	\$5,196.62	\$519.66	6	\$259.83	\$3,042
	9657677386	0.16	6,969.60	\$30,600.00	\$4.39	0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	6	\$0.00	\$0
	9657677279	0.32	13,939.20	\$33,700.00	\$2.42	0.00	\$0.00	\$0.00	3,815.81	\$9,234.26	\$923.43	6	\$461.71	\$462
	9657665728	1.54	67,082.40	\$61,100.00	\$0.91	0.00	\$0.00	\$0.00	1,509.80	\$1,373.92	\$137.39	6	\$68.70	\$69
	9657771511	0.32	13,939.20	\$33,700.00	\$2.42	17.67	\$42.76	\$21.38	2,217.53	\$5,366.42	\$536.64	6	\$268.32	\$290
	9657663731	0.36	15,681.60	\$34,300.00	\$2.19	0.00	\$0.00	\$0.00	1,137.39	\$2,490.88	\$249.09	6	\$124.54	\$125
	9657675012	0.25	10,890.00	\$32,600.00	\$2.99	0.00	\$0.00	\$0.00	699.47	\$2,091.42	\$209.14	6	\$104.57	\$105

<b>TOTALS:</b>	\$13,814
<b>Staff Contingency:</b>	\$10,000
<b>GM's Contingency</b>	\$10,000
<b>Amendment</b>	
<b>Total Budget:</b>	\$33,814

# Shadowlawn Drive SSR

Project Number 2007019

## Compensation Budget

13-Feb-13

Pin Number and Name

27 Pin	83 Pin	Acres	Parcel SF	Land Value	LV/SF	PE	PE Asstd. Value	50% PE Asstd. Value	TCE SF	TCE Asstd. Value	10% Annl Return	Proj Time (Months)	TCE Rent Value	Total Comp. (Rounded)
	9628246466	0.38	16,552.80	\$25,900.00	\$1.56	1,487.40	\$2,320.34	\$1,160.17	1,051.40	\$1,640.18	\$164.02	4	\$54.67	\$1,215
	9628247607	0.30	13,068.00	\$25,100.00	\$1.92	0.00	\$0.00	\$0.00	777.50	\$1,492.80	\$149.28	4	\$49.76	\$50
	9628341470	0.24	10,454.40	\$24,300.00	\$2.32	482.40	\$1,119.17	\$559.58	1,420.70	\$3,296.02	\$329.60	4	\$109.87	\$669
	9628338790	3.03	131,986.80	\$60,300.00	\$0.46	7,382.70	\$3,396.04	\$1,698.02	11,785.40	\$5,421.28	\$542.13	4	\$180.71	\$1,879
	9628249700	0.16	6,969.60	\$23,000.00	\$3.30	0.00	\$0.00	\$0.00	283.50	\$935.55	\$93.56	4	\$31.19	\$31
	9628440165	4.71	205,167.60	\$75,500.00	\$0.37	0.00	\$0.00	\$0.00	1,318.40	\$487.81	\$48.78	4	\$16.26	\$16
	9628340491	0.21	9,147.60	\$23,900.00	\$2.61	787.70	\$2,055.90	\$1,027.95	1,087.90	\$2,839.42	\$283.94	4	\$94.65	\$1,123
	9628244668	0.37	16,117.20	\$25,800.00	\$1.60	0.00	\$0.00	\$0.00	1,506.90	\$2,411.04	\$241.10	4	\$80.37	\$80
	9628247421	0.20	8,712.00	\$23,700.00	\$2.72	1.31	\$3.56	\$1.78	120.40	\$327.49	\$32.75	4	\$10.92	\$13
	9628246762	0.32	13,939.20	\$25,300.00	\$1.82	1,491.60	\$2,714.71	\$1,357.36	2,083.90	\$3,792.70	\$379.27	4	\$126.42	\$1,484
	9628247594	0.29	12,632.40	\$24,900.00	\$1.97	190.60	\$375.48	\$187.74	1,367.10	\$2,693.19	\$269.32	4	\$89.77	\$278
	9628249277	0.40	17,424.00	\$26,100.00	\$1.50	2,567.80	\$3,851.70	\$1,925.85	2,506.50	\$3,759.75	\$375.98	4	\$125.33	\$2,051
	9628249680	0.17	7,405.20	\$23,200.00	\$3.13	0.00	\$0.00	\$0.00	757.90	\$2,372.23	\$237.22	4	\$79.07	\$79
	9628246512	0.20	8,712.00	\$23,700.00	\$2.72	655.60	\$1,783.23	\$891.62	500.80	\$1,362.18	\$136.22	4	\$45.41	\$937
	9628248457	0.31	13,503.60	\$25,200.00	\$1.87	0.00	\$0.00	\$0.00	1,944.70	\$3,636.59	\$363.66	4	\$121.22	\$121
	9628245966	0.31	13,503.60	\$26,700.00	\$1.98	0.00	\$0.00	\$0.00	1,404.00	\$2,779.92	\$277.99	4	\$92.66	\$93
	9628244858	0.40	17,424.00	\$26,100.00	\$1.50	0.00	\$0.00	\$0.00	1,126.80	\$1,690.20	\$169.02	4	\$56.34	\$56
	9628245549	0.20	8,712.00	\$23,700.00	\$2.72	235.50	\$640.56	\$320.28	600.90	\$1,634.45	\$163.44	4	\$54.48	\$375
	9628248287	0.25	10,890.00	\$24,400.00	\$2.24	1,290.10	\$2,889.82	\$1,444.91	675.70	\$1,513.57	\$151.36	4	\$50.45	\$1,495
	9628430325	1.15	50,094.00	\$30,200.00	\$0.60	7,473.80	\$4,484.28	\$2,242.14	7,741.10	\$4,644.66	\$464.47	4	\$154.82	\$2,397
	9628245793	0.35	15,246.00	\$25,600.00	\$1.68	880.80	\$1,479.74	\$739.87	2,388.00	\$4,011.84	\$401.18	4	\$133.73	\$874
	9628340702	0.57	24,829.20	\$27,400.00	\$1.10	4,521.00	\$4,973.10	\$2,486.55	3,713.10	\$4,084.41	\$408.44	4	\$136.15	\$2,623
	9628247641	0.25	10,890.00	\$24,400.00	\$2.24	0.00	\$0.00	\$0.00	707.80	\$1,585.47	\$158.55	4	\$52.85	\$53
	9628340413	0.25	10,890.00	\$24,400.00	\$2.24	1,221.50	\$2,736.16	\$1,368.08	1,132.80	\$2,537.47	\$253.75	4	\$84.58	\$1,453
	9628249435	0.27	11,761.20	\$24,700.00	\$2.10	255.40	\$536.34	\$268.17	1,725.00	\$3,622.50	\$362.25	4	\$120.75	\$389
	9628342359	0.32	13,939.20	\$25,300.00	\$1.82	194.00	\$353.08	\$176.54	1,616.40	\$2,941.85	\$294.18	4	\$98.06	\$275
	9628245575	0.19	8,276.40	\$23,500.00	\$2.84	549.50	\$1,560.58	\$780.29	501.80	\$1,425.11	\$142.51	4	\$47.50	\$828

**Shadowlawn Drive SSR**

Project Number 2007019

**Compensation Budget**

13-Feb-13

Pin Number and Name		Acres	Parcel SF	Land Value	LV/SF	PE	PE Assd. Value	50% PE Assd. Value	TCE SF	TCE Assd. Value	10% Annl Return	Proj Time (Months)	TCE Rent Value	Total Comp. (Rounded)
27 Pin	83 Pin	-												

<b>TOTALS:</b>	\$20,935
<b>Staff Contingency:</b>	\$15,000
<b>GM's Contingency</b>	\$15,000
<b>Amendment</b>	
<b>Total Budget:</b>	\$50,935

**Roberts Street @ Haywood Road Rehab.**

Project Number 2010098

**Compensation Budget**

13-Feb-13

Pin Number and Name

27 Pin	83 Pin	Acres	Parcel SF	Land Value	LV/SF	PE	PE Assd. Value	50% PE Assd. Value	TCE SF	TCE Assd. Value	10% Annl Return	Proj Time (Months)	TCE Rent Value	Total Comp. (Rounded)
	9648084025	1.34	58,370.40	\$207,900.00	\$3.56	20.56	\$73.19	\$36.60	814.72	\$2,900.40	\$290.04	1	\$24.17	\$61

<b>TOTALS:</b>	\$61
<b>Staff Contingency:</b>	\$5,000
<b>GM's Contingency</b>	\$5,000
<b>Amendment</b>	
<b>Total Budget:</b>	\$10,061

# Metropolitan Sewerage District of Buncombe County

## Board Action Item

BOARD MEETING DATE: March 20, 2013

SUBMITTED BY: Thomas Hartye, P.E., General Manager

PREPARED BY: Kevin Johnson

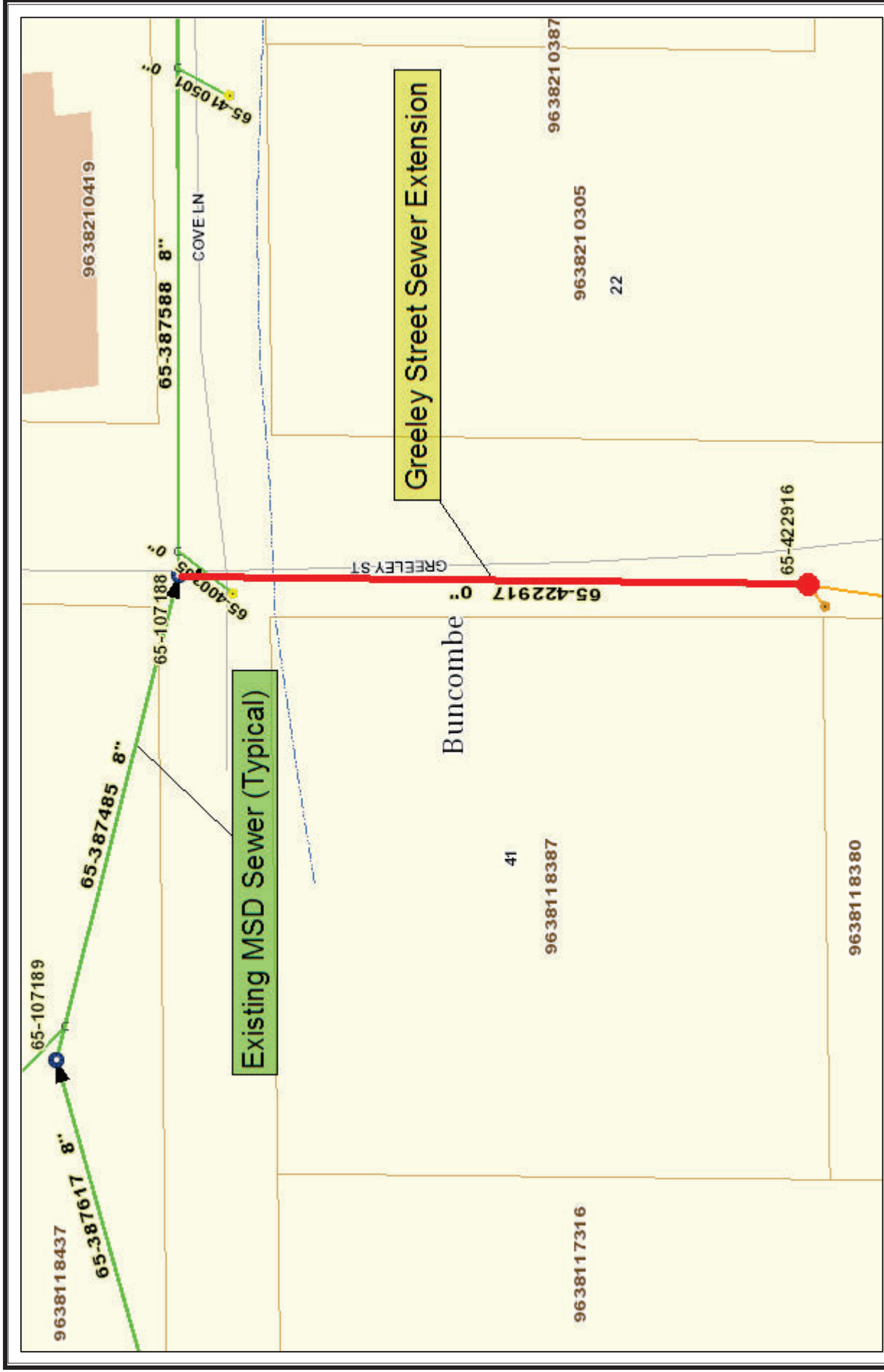
REVIEWED BY: Stan Boyd, PE, Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for the Greeley Street Sewer Extension Project.

BACKGROUND: This project is located inside the District boundary on Greeley Street in the City of Asheville. The developer of the project is James Boren of Green Earth Developments, LLC. The project included the installation of approximately 113 linear feet of 8" gravity sewer to serve the two unit residential development. A wastewater allocation was issued in the amount of 400 GPD for the project. The estimated cost of the sewer extension is \$9,000.00.

STAFF RECOMMENDATION: Acceptance of developer constructed sewer system.  
(All MSD requirements have been met)

<b>COMMITTEE ACTION TAKEN</b>	
Motion by :	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	
<b>BOARD ACTION TAKEN</b>	
Motion by	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	



## Greeley Street - MSD Project #2011053

Author: KJ

1 in = 25 ft  
Date: 3/13/2013

The Metropolitan Sewerage District of Buncombe County, NC has prepared these maps based on best available information for use in assisting District maintenance work, service area analysis, and planning. The District does not warrant the accuracy of any of the information shown. Field verification is advised for all information shown on the maps or included with manhole data. No guarantee is given as to the accuracy or currency of any of the data. Therefore, in no event shall the District be liable for any special, indirect, or consequential damages or any damages whatsoever resulting from loss of use, data, or profits, whether in an action of contract, negligence, or other action, arising out of or in connection with the use of the information herein provided. Grid shown is North Carolina State Plane Coordinate System NAD 1983 (North American Datum 1983).

# Metropolitan Sewerage District of Buncombe County

## Board Action Item

BOARD MEETING DATE: March 20, 2013

SUBMITTED BY: Thomas Hartye, P.E., General Manager

PREPARED BY: Kevin Johnson

REVIEWED BY: Stan Boyd, PE, Engineering Director

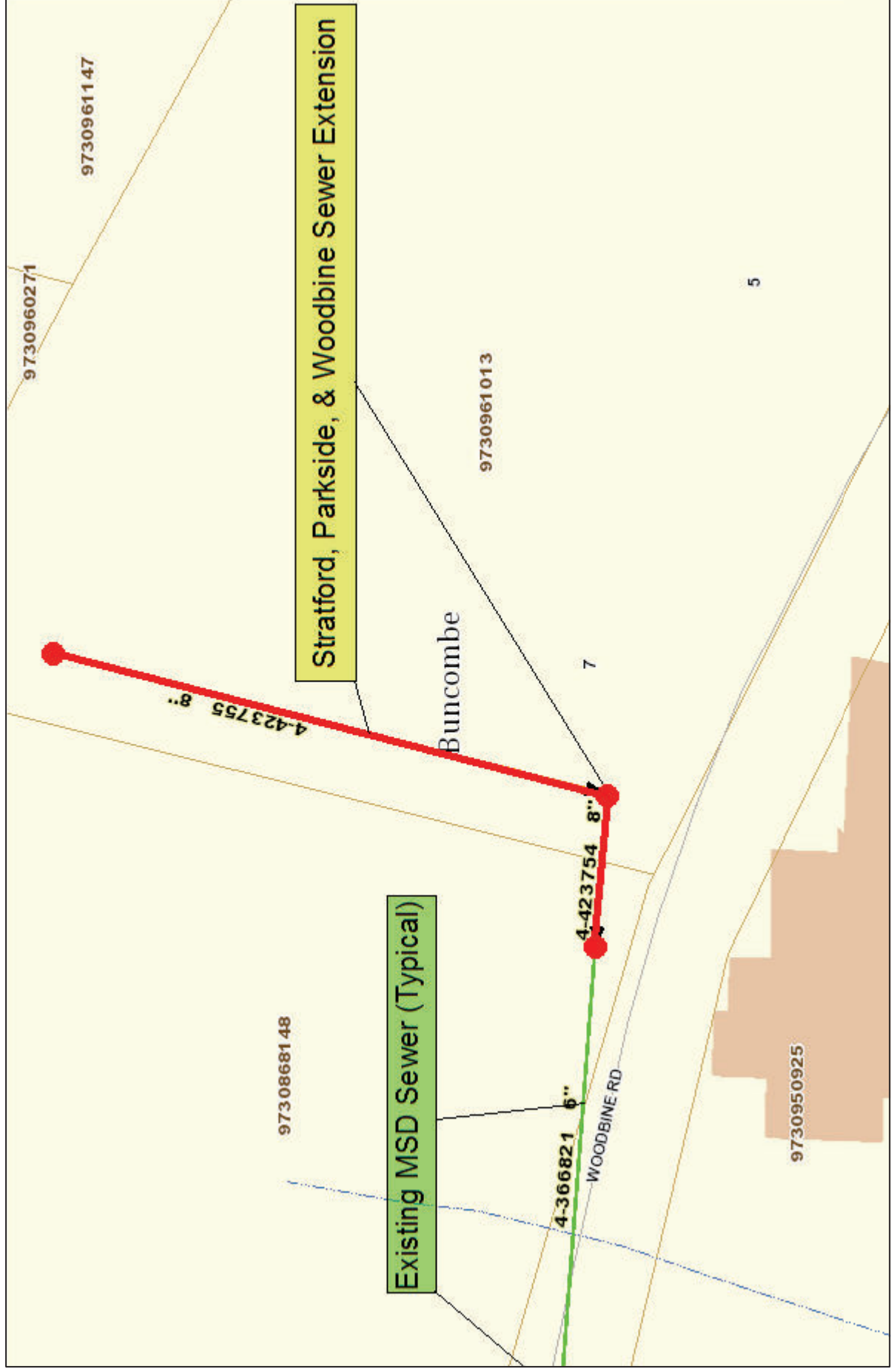
SUBJECT: Acceptance of Developer Constructed Sewer System for the Stratford, Woodbine, and Parkside Sewer Extension Project.

BACKGROUND: This project is located inside the District boundary off Merrimon Avenue at Stratford and Woodbine in the City of Asheville. The developer of the project is Jay Fiano of Fiano Properties. The project included the installation of approximately 130 linear feet of 8" gravity sewer to serve the six unit residential development. A wastewater allocation was issued in the amount of 2,500 GPD for the project. The estimated cost of the sewer extension is \$35,000.00.

STAFF RECOMMENDATION: Acceptance of developer constructed sewer system.  
(All MSD requirements have been met)

<b>COMMITTEE ACTION TAKEN</b>	
Motion by :	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	
<b>BOARD ACTION TAKEN</b>	
Motion by	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	





**Stratford, Parkside, & Woodbine - MSD Project #2012002**

Author: KJ

1 in = 25 ft

Date: 3/13/2013

The Metropolitan Sewerage District of Buncombe County, NC has prepared these maps based on best available information for use in assisting District maintenance work, service area analysis, and planning. The District does not warrant the accuracy of any of the information shown. Field verification is advised for all information shown on the maps or included with manhole data. No guarantee is given as to the accuracy or currency of any of the data. Therefore, in no event shall the District be liable for any special, indirect, or consequential damages or any damages whatsoever resulting from loss of use, data, or profits, whether in an action of contract, negligence, or other action, arising out of or in connection with the use of the information herein provided. Grid shown is North Carolina State Plane Coordinate System NAD 1983 (North American Datum 1983).

# Metropolitan Sewerage District of Buncombe County

## Board Action Item

BOARD MEETING DATE: March 20, 2013

SUBMITTED BY: Thomas Hartye, P.E., General Manager

PREPARED BY: Kevin Johnson

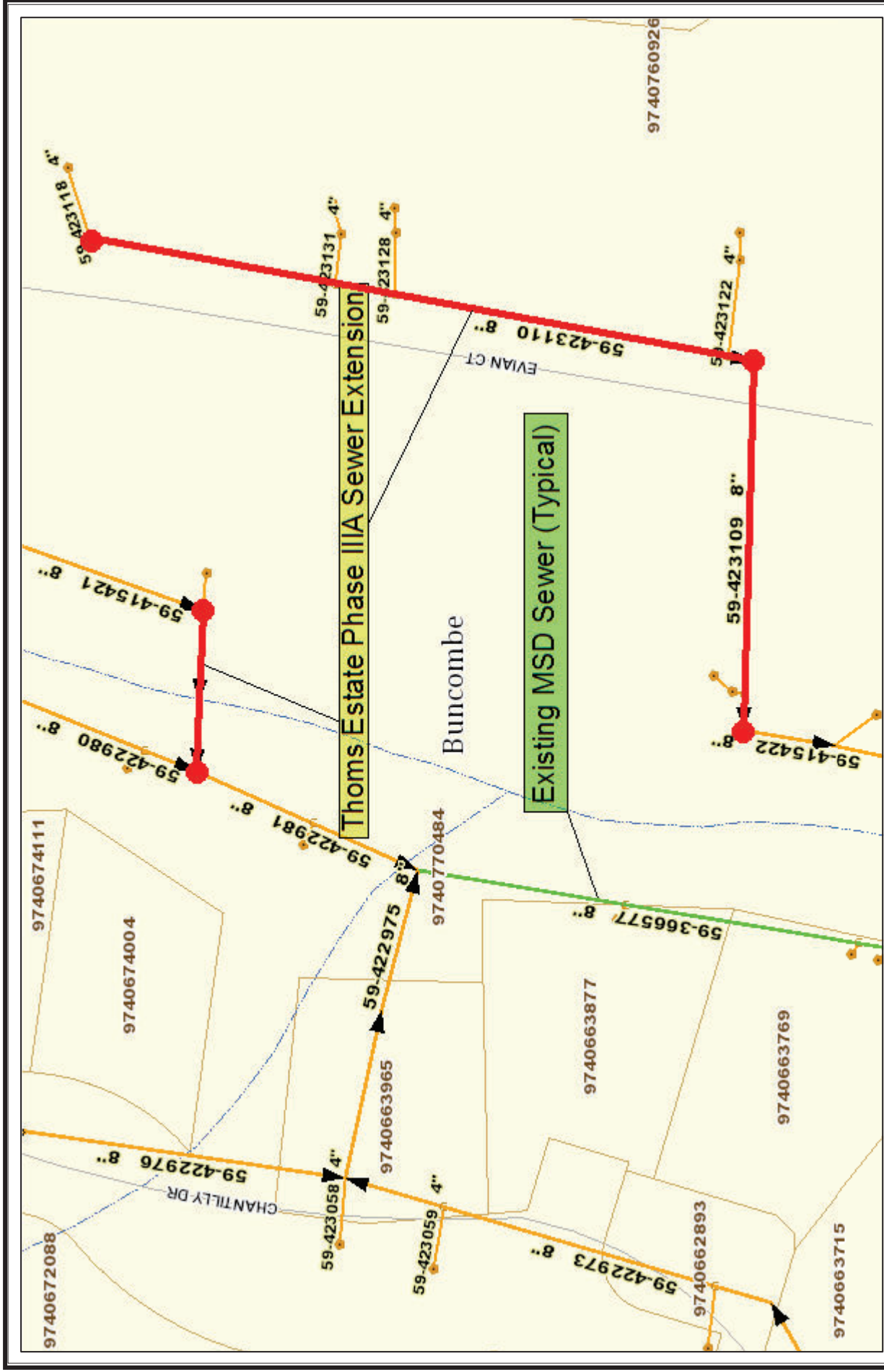
REVIEWED BY: Stan Boyd, PE, Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for the Thoms Estate Sewer Extension Project.

BACKGROUND: This project is located inside the District boundary off Wild Cherry Road in the City of Asheville. The developer of the project is Atlas NC I SPE, LLC. The project included the installation of approximately 3,055 linear feet of 8" gravity sewer to serve the 162 unit residential development. A wastewater allocation was issued in the amount of 58,320 GPD for the project. The estimated cost of the sewer extension is \$200,000.00.

STAFF RECOMMENDATION: Acceptance of developer constructed sewer system.  
(All MSD requirements have been met)

<b>COMMITTEE ACTION TAKEN</b>	
Motion by :	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	
<b>BOARD ACTION TAKEN</b>	
Motion by	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	



## Thoms Estate Phase IIIA - MSD Project #2011022

Author: KJ

1 in = 50 ft

Date: 3/13/2013

The Metropolitan Sewerage District of Buncombe County, NC has prepared these maps based on best available information for use in assisting District maintenance work, service area analysis, and planning. The District does not warrant the accuracy of any of the information shown. Field verification is advised for all information shown on the maps or included with manhole data. No guarantee is given as to the accuracy or currency of any of the data. Therefore, in no event shall the District be liable for any special, indirect, or consequential damages or any damages whatsoever resulting from loss of use, data, or profits, whether in an action of contract, negligence, or other action, arising out of or in connection with the use of the information herein provided. Grid shown is North Carolina State Plane Coordinate System NAD 1983 (North American Datum 1983).

# Metropolitan Sewerage District of Buncombe County

## Board Action Item

BOARD MEETING DATE: March 20, 2013

SUBMITTED BY: Thomas Hartye, P.E., General Manager

PREPARED BY: Kevin Johnson

REVIEWED BY: Stan Boyd, PE, Engineering Director

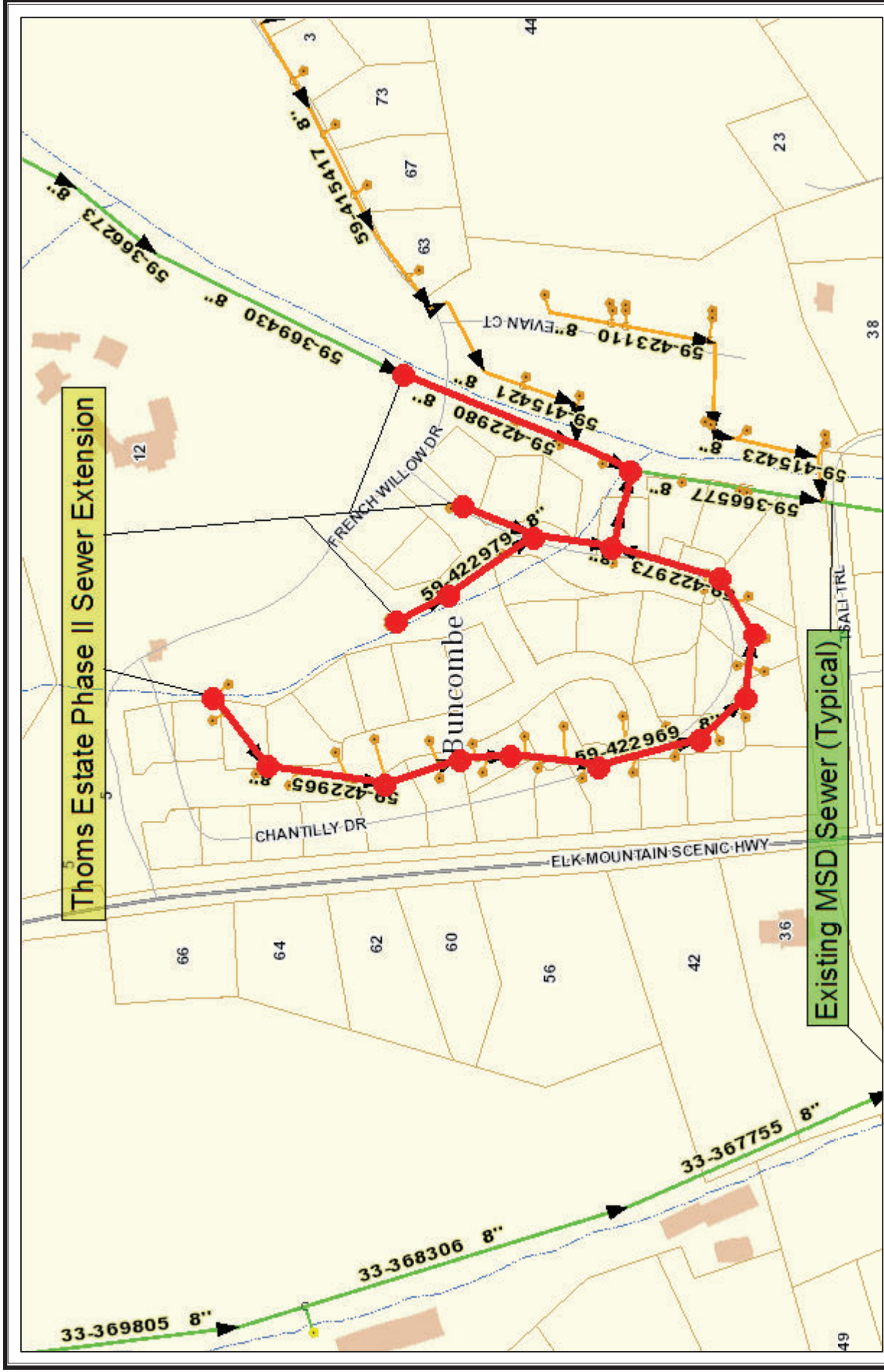
SUBJECT: Acceptance of Developer Constructed Sewer System for the Thoms Estate Phase II Sewer Extension Project.

BACKGROUND: This project is located inside the District boundary off Elk Mountain Scenic Highway in the City of Asheville. The developer of the project is Ronald Brittan of Gated Communities of Asheville, LLC. The project included the installation of approximately 2,138 linear feet of 8" gravity sewer to serve the 40 unit residential development. A wastewater allocation was issued in the amount of 12,000 GPD for the project. The estimated cost of the sewer extension is \$94,506.00.

STAFF RECOMMENDATION: Acceptance of developer constructed sewer system.  
(All MSD requirements have been met)

<b>COMMITTEE ACTION TAKEN</b>	
Motion by :	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	
<b>BOARD ACTION TAKEN</b>	
Motion by	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	





**Thoms Estate Phase II - MSD Project #2008071**

Author: KJ

1 in = 200 ft

Date: 3/13/2013

The Metropolitan Sewerage District of Buncombe County, NC has prepared these maps based on best available information for use in assisting District maintenance work, service area analysis, and planning. The District does not warrant the accuracy of any of the information shown. Field verification is advised for all information shown on the maps or included with manhole data. No guarantee is given as to the accuracy or currency of any of the data. Therefore, in no event shall the District be liable for any special, indirect, or consequential damages or any damages whatsoever resulting from loss of use, data, or profits, whether in an action of contract, negligence, or other action, arising out of or in connection with the use of the information herein provided. Grid shown is North Carolina State Plane Coordinate System NAD 1983 (North American Datum 1983).

# Metropolitan Sewerage District of Buncombe County

## Board Action Item

BOARD MEETING DATE: March 20, 2013

SUBMITTED BY: Thomas Hartye, P.E., General Manager

PREPARED BY: Kevin Johnson

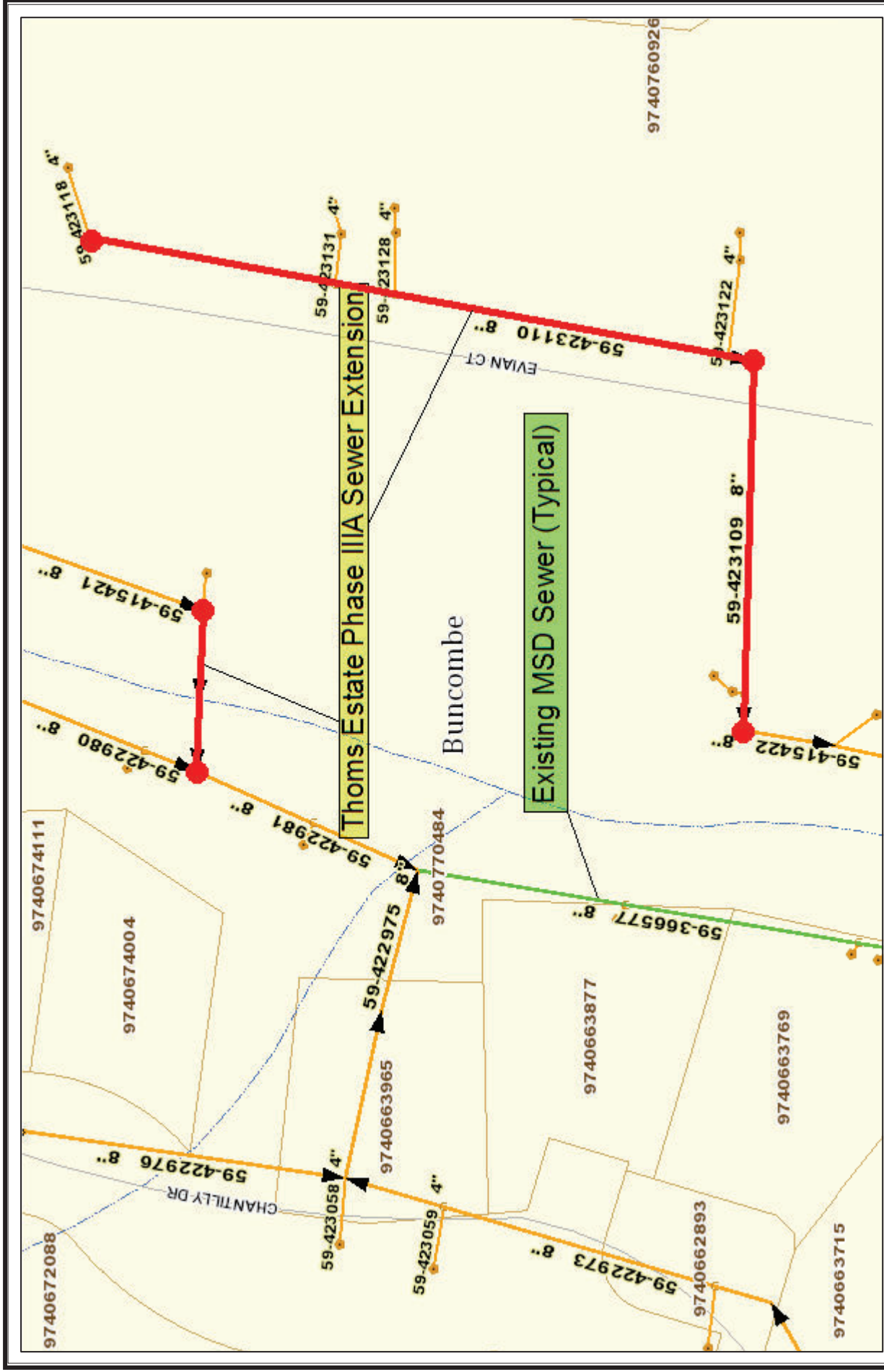
REVIEWED BY: Stan Boyd, PE, Engineering Director

SUBJECT: Acceptance of Developer Constructed Sewer System for the Thoms Estate Phase IIIA Sewer Extension Project.

BACKGROUND: This project is located inside the District boundary off Elk Mountain Scenic Highway in the City of Asheville. The developer of the project is Ronald Brittan of Gated Communities of Asheville, LLC. The project included the installation of approximately 446 linear feet of 8" gravity sewer to serve the 8 unit residential development. A wastewater allocation was issued in the amount of 2,400 GPD for the project. The estimated cost of the sewer extension is \$23,404.00.

STAFF RECOMMENDATION: Acceptance of developer constructed sewer system.  
(All MSD requirements have been met)

COMMITTEE ACTION TAKEN	
Motion by :	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	
BOARD ACTION TAKEN	
Motion by	To: <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove
Second by:	<input type="checkbox"/> Table <input type="checkbox"/> Send back to staff
<input type="checkbox"/> Other:	



## Thoms Estate Phase IIIA - MSD Project #2011022

Author: KJ

1 in = 50 ft

Date: 3/13/2013

The Metropolitan Sewerage District of Buncombe County, NC has prepared these maps based on best available information for use in assisting District maintenance work, service area analysis, and planning. The District does not warrant the accuracy of any of the information shown. Field verification is advised for all information shown on the maps or included with manhole data. No guarantee is given as to the accuracy or currency of any of the data. Therefore, in no event shall the District be liable for any special, indirect, or consequential damages or any damages whatsoever resulting from loss of use, data, or profits, whether in an action of contract, negligence, or other action, arising out of or in connection with the use of the information herein provided. Grid shown is North Carolina State Plane Coordinate System NAD 1983 (North American Datum 1983).

## Metropolitan Sewerage District of Buncombe County BOARD ACTION ITEM

**Meeting Date:** March 20, 2013

**Submitted By:** Thomas E. Hartye, PE., General Manager

**Prepared By:** W. Scott Powell, CLGFO, Director of Finance

**Subject:** Consideration of Auditing Services Contract for FY2013

### **Background**

In FY 2003, the District issued an RFP for audit services. The scope of the contract was for a minimum of three years covering the fiscal years ending June 30, 2004 through 2006. The RFP specified that after the first year of the contract, it could be continued on the basis of annual negotiation. On September 15, 2006, the Finance Committee accepted staff's recommendation that if the General Manager and Director of Finance were satisfied with the quality of the auditor's work and service that they be allowed to negotiate a proposed amount for future audits. An RFP would be issued only upon failure to arrive at a mutually agreeable fee amount.

### **Discussion**

For this year's engagement, the auditors proposed a 4.5% reduction in fees from \$48,670 to \$46,500. The auditor's experience and the District's preparedness on previous engagements have helped in reducing cost. Mr. Burke has also provided staff with a three-year commitment letter to keep audit fees at the aforementioned amount. Cherry, Bekaert, LLP will continue to work hard to control expenses, and pass on any additional savings to the District.

### **Fiscal Impact**

The decrease in combined audit fees and reimbursable expenses from \$48,670 to \$46,500 (See attached engagement letter and audit contract) represents a savings of \$2,170, which will be included in the FY2013-2014 budget.

### **Staff Recommendation**

Staff recommends approval of the FY 2013 audit contract with Cherry, Bekaert, LLP.

#### **Action Taken**

Motion by:	to	Approve	Disapprove
Second by:		Table	Send to Committee
Other:			
Follow-up required:			
Person responsible:		Deadline:	



March 13, 2013

Mr. W. Scott Powell, Director of Finance  
Metropolitan Sewerage District of Buncombe County, North Carolina  
2028 Riverside Drive  
Asheville, North Carolina

Dear Mr. Powell:

This engagement letter between Metropolitan Sewerage District of Buncombe County, North Carolina (hereafter referred to as the “District”) and Cherry Bekaert LLP (the “Firm” or “CB”) sets forth the nature and scope of the services we will provide, the District’s required involvement and assistance in support of our services, the related fee arrangements and other Terms and Conditions, which are attached hereto and incorporated by reference, designed to facilitate the performance of our professional services and to achieve the mutually agreed upon objectives of the District.

### **SUMMARY OF SERVICES**

We will provide the following services to the District as of and for the year ended June 30, 2013:

#### **Audit services**

1. We will audit the statement of financial position of the District as of and for the year ended June 30, 2013 and the related statements of revenues, expenses, and changes in net assets, and cash flows (“financial statements”) for the year then ended.
2. The letter of transmittal and statistical section accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements and our auditor’s report will not provide an opinion or any assurance on that information.
3. We will audit the supplementary information other than the required supplementary information (RSI) accompanying the District’s basic financial statements. As part of our engagement, we will apply certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves.
4. We will apply limited procedures to the management’s discussion and analysis (MD&A) which will consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements.

### **YOUR EXPECTATIONS**

As part of our planning process, we have discussed with you your expectations of CB, changes that occurred during the year, your views on risks facing you, any relationship issues with CB, and specific engagement arrangements and timing. Our services plan, which includes our audit plan, is designed to provide a foundation for an effective, efficient, and quality-focused approach to accomplish the engagement objectives and meet or exceed your expectations. Our service plan will be reviewed with you periodically and will serve as a benchmark against which you will be able to measure our performance. Any additional services that you may request, and that we agree to provide, will be the subject of separate written arrangements.

**Metropolitan Sewerage District of Buncombe County, North Carolina**

**March 13, 2013**

**Page 2**

The engagement will be led by Eddie Burke, who will be responsible for assuring the overall quality, value, and timeliness of the services provided to you.

**AUDIT SERVICES**

The objective of our audit is the expression of opinions as to whether your 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 referred to in the Summary of Services section when considered in relation to the financial statements taken as a whole.

- Internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements and grants, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

The reports on internal control and compliance will each include a statement that the report is intended solely for the information and use of the audit committee, management, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and will include tests of accounting records and other procedures as deemed necessary to enable us to express such opinions and to render the required reports. If any of our opinions resulting from the procedures described above 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 issue a report as a result of this engagement.

**FEES**

The estimated fee contemplates only the services described in the Summary of Services section of this letter. If Management requests additional services not listed above, we will provide an estimate of those fees prior to commencing additional work.

The fees will be billed periodically. Invoices are due on presentation. A service charge will be added to past due accounts equal to 1-1/2% per month (18% annually) on the previous month's balance less payments received during the month, with a minimum charge of \$2.00 per month. The fee for our audit as described in this letter will not exceed \$46,500.

**Metropolitan Sewerage District of Buncombe County, North Carolina**

**March 13, 2013**

**Page 3**

If the foregoing is in accordance with your understanding, please sign a copy of this letter in the space provided and return it to us. If you have any questions, please call Eddie Burke at (910) 273-6000.

Sincerely,

**CHERRY BEKAERT LLP**

Handwritten signature in cursive script that reads "Cherry Bekaert LLP".

ATTACHMENT – Engagement Letter Terms and Conditions

---

Metropolitan Sewerage District

ACCEPTED BY: \_\_\_\_\_

TITLE: \_\_\_\_\_ DATE: \_\_\_\_\_

**Cherry Bekaert LLP**  
**Engagement Letter Terms and Conditions**

---

The following terms and conditions are an integral part of the attached engagement letter and should be read in their entirety in conjunction with your review of the letter.

**LIMITATIONS OF THE AUDIT REPORT**

Should the District wish to include or incorporate by reference these financial statements and our report thereon into *any* other document at some future date, we will consider granting permission to include our report into another such document at the time of the request. However, we may be required by generally accepted auditing standards (“GAAS”) to perform certain procedures before we can give our permission to include our report in another document such as an annual report, private placement, regulator filing, official statement, offering of debt securities, etc. You agree that you will not include or incorporate by reference these financial statements and our report thereon, or our report into any other document without our prior written permission. In addition, to avoid unnecessary delay or misunderstandings, it is important to provide us with timely notice of your intention to issue any such document.

**LIMITATIONS OF THE AUDIT PROCESS**

In conducting the audit, we will perform tests of the accounting records and such other procedures as we consider necessary in the circumstances to provide a reasonable basis for our opinion on the financial statements. We also will assess the accounting principles used and significant estimates made by Management, as well as evaluate the overall financial statement presentation.

Our audit will include procedures designed to obtain reasonable assurance of detecting misstatements due to errors or fraud that are material to the financial statements. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. For example, audits performed in accordance with GAAS are based on the concept of selective testing of the data being examined and are, therefore, subject to the limitation that material misstatements due to errors or fraud, if they exist, may not be detected. Also, an audit is not designed to detect matters that are immaterial to the financial statements. In addition, an audit conducted in accordance with GAAS does not include procedures specifically designed to detect illegal acts having an indirect effect (e.g., violations of fraud and abuse statutes that result in fines or penalties being imposed on the District) on the financial statements.

**LIMITATIONS OF THE AUDIT PROCESS (CONTINUED)**

Similarly, in performing our audit we will be aware of the possibility that illegal acts may have occurred. However, it should be recognized that our audit provides no assurance that illegal acts generally will be detected, and only reasonable assurance that illegal acts having a direct and material effect on the determination of financial statement amounts will be detected. We will inform you with respect to errors and fraud, or illegal acts that come to our attention during the course of our audit unless clearly inconsequential. In the event that we have to consult with the District’s counsel or counsel of our choosing regarding any illegal acts we identify, additional fees incurred may be billed to the District. You agree to cooperate fully with any procedures we deem necessary to perform with respect to these matters.

If, for any reason, we are unable to complete the audit, or are unable to form, or have not formed an opinion on the financial statements, we may decline to express an opinion or decline to issue a report as a result of the engagement. We will notify the appropriate party within your organization of our decision and discuss the reasons supporting our position.

## **MANAGEMENT'S RESPONSIBILITIES RELATED TO THE AUDIT**

Management is responsible for the fair presentation of the financial statements in conformity with GAAP for making all financial records and related information available to us, for ensuring that all material information is disclosed to us, and for identifying and ensuring that the District complies with the laws and regulations applicable to its activities and with the provisions of contracts and grant agreements.

Management is responsible for the preparation of the supplementary information in conformity with GAAP. Management agrees to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. Management also agrees to include the audited financial statements with any presentation of the supplementary information that includes our report thereon 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 also responsible for adjusting the financial statements to correct material misstatements, informing us of events that occurred subsequent to the balance sheet date until the date of the auditors' report that might affect the financial statements or related disclosures and informing us of any discovery of facts related to items that existed at the financial statement date that might affect the financial statements or related disclosures.

Management is responsible for informing us of its views regarding the risk of fraud at the District. Management must inform us of their knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, regulators, or others and for informing us about all known or suspected fraud affecting the District involving (a) Management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements.

Management is responsible for the design and implementation of programs and controls over financial reporting and to prevent and detect fraud. Appropriate supervisory review procedures are necessary to provide reasonable assurance that adopted policies and prescribed procedures are adhered to and to identify errors and fraud or illegal acts. As a part of our audit, we will consider the District's internal control structure, as required by GAAS, sufficient to plan the audit and to determine the nature, timing, and extent of auditing procedures necessary for expressing our opinion concerning the financial statements. An audit is not designed to provide any assurance on internal controls. As part of our consideration of the District's internal control structure, we will inform you of matters that come to our attention that represent significant deficiencies or material weaknesses in the design or operation of the internal control structure.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying to us previous audits or other engagements or 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 or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions and recommendations, as well as your planned corrective actions, and the timing and format related thereto.

## **MANAGEMENT'S RESPONSIBILITIES RELATED TO THE AUDIT (CONTINUED)**

At the conclusion of the engagement, Management will provide to us a representation letter that, among other things, addresses (1) Management's responsibilities related to the audit and confirms certain representations made to us during the audit, including, Management's acknowledgement of its responsibility for the design and implementation of programs and controls to prevent and detect fraud; (2) Management's responsibilities related to the monitoring of internal control over financial reporting; and (3) Management's knowledge, directly or from allegations by others, of fraud or suspected fraud affecting the District. The representation letter will also affirm to us that Management believes that the effects of any uncorrected misstatements, if any, pertaining to the financial statements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The Firm will rely on Management providing these representations to us, both in the planning and performance of the audit, and in considering the fees that we will charge to perform the audit.

## **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 professional 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 District or to acts by management or employees acting on behalf of the District. 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 fraud, or illegal acts that come to our attention during the course of our audit. 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 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, 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 also require certain written representations from you about the financial statements and related matters.

## **AUDIT PROCEDURES – INTERNAL CONTROLS**

Our audit will include obtaining an understanding of the District 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.

## **AUDIT PROCEDURES – INTERNAL CONTROLS (CONTINUED)**

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*.

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 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 District's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures 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*.

## **Communications**

At the conclusion of the audit engagement, we may provide Management and those charged with governance a letter stating any significant deficiencies or material weaknesses which may have been identified by us during the audit and our recommendations designed to help the District make improvements in its internal control structure and operations related to the identified matters discovered in the financial statement audit. As part of this engagement we will ensure that certain additional matters are communicated to the appropriate members of the District. Such matters include (1) our responsibility under GAAS; (2) the initial selection of and changes in significant accounting policies and their application; (3) our independence with respect to the District; (4) the process used by Management in formulating particularly sensitive accounting estimates and the basis for our conclusion regarding the reasonableness of those estimates; (5) audit adjustments, if any, that could, in our judgment, either individually or in the aggregate be significant to the financial statements or our report; (6) any disagreements with Management concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements; (7) our views about matters that were the subject of Management's consultation with other accountants about auditing and accounting matters; (8) major issues that were discussed with Management in connection with the retention of our services, including, among other matters, any discussions regarding the application of accounting principles and auditing standards; and (9) serious difficulties that we encountered in dealing with Management related to the performance of the audit.

*Government Auditing Standards* require that we provide you with a copy of our most recent quality control review report. Our most recent peer review report accompanies this letter.

## **OTHER MATTERS**

### **Access to working papers**

The working papers and related documentation for the engagement are the property of the Firm and constitute confidential information. We have a responsibility to retain the documentation for a period of time to satisfy legal or regulatory requirements for records retention. Except as discussed below, any requests for access to our working papers will be discussed with you prior to making them available to requesting parties.

We may be requested to make certain documentation available to regulators, governmental agencies (e.g., SEC, PCAOB, HUD, DOL, etc.) or their representatives ("Regulators") pursuant to law or regulations. If requested, access to the documentation will be provided to the Regulators. The Regulators may intend to distribute to others, including other governmental agencies, our working papers and related documentation without our knowledge or express permission. You hereby acknowledge and authorize us to allow Regulators access to and copies of documentation as requested. In addition, our Firm, as well as all other major accounting firms, participates in a "peer review" program covering our audit and accounting practices as required by the American Institute of Certified Public Accountants. This program requires that once every three years we subject our quality assurance practices to an examination by another accounting firm. As part of the process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected by the other firm for their review. If it is, they are bound by professional standards to keep all information confidential. If you object to having the work we do for you reviewed by our peer reviewer, please notify us in writing.

### **Electronic transmittals**

During the course of our engagement, we may need to electronically transmit confidential information to each other, within the Firm, and to other entities engaged by either party. Although email is an efficient way to communicate, it is not always a secure means of communication and thus, confidentiality may be compromised. You agree to the use of email and other electronic methods to transmit and receive information, including confidential information between the Firm, the District and other third party providers utilized by either party in connection with the engagement.

### **Subpoenas**

In the event we are requested or authorized by you or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for you, you will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expense, as well as the fees and expenses of our counsel, incurred in responding to such a request at standard billing rates.

### **Dispute resolution procedures**

If any dispute, controversy or claim arises in connection with the performance or breach of this agreement, either party may, on written notice to the other party, request that the matter be mediated. Such mediation would be conducted by a mediator appointed by and pursuant to the rules of the American Arbitration Association (AAA) or such other neutral facilitator acceptable to both parties. Both parties would exert their best efforts to discuss with each other in good faith their respective positions in an attempt to finally resolve such dispute, controversy, or claim.



## TERMS AND CONDITIONS SUPPORTING FEE

The estimated fees set forth in the attached engagement letter are based on anticipated full cooperation from your personnel, timely delivery of requested audit schedules and supporting information, timely communication of all significant accounting and financial reporting matters, the assumption that unexpected circumstances will not be encountered during the audit, as well as working space and clerical assistance as mutually agreed upon and as is normal and reasonable in the circumstances.

We strive to ensure that we have the right professionals scheduled on each engagement. As a result, sudden District requested scheduling changes or scheduling changes necessitated by the agreed information not being ready on the agreed upon dates can result in expensive downtime for our professionals. Any last minute schedule changes that result in downtime for our professionals could result in additional fees. Our estimated fee does not include assistance in bookkeeping or other accounting services not previously described. If for any reason the District is unable to provide such schedules, information and assistance, the Firm and the District will mutually revise the fee to reflect additional services, if any, required of us to achieve these objectives.

The estimated fees contemplate that the District will provide adequate documentation of its systems and controls related to significant transaction cycles and audit areas.

In providing our services, we will consult with the District with respect to matters of accounting, financial reporting or other significant business issues as permitted by professional standards. Accordingly, time necessary to effect a reasonable amount of such consultation is reflected in our fee. However, should a matter require research, consultation or audit work beyond that amount, the Firm and the District will agree to an appropriate revision in our fee.

The estimated fees are based on auditing and accounting standards effective as of the date of this engagement letter and known to apply to the District at this time, but do not include any time related to the application of new auditing or accounting standards that impact the District for the first time. If new auditing or accounting standards are issued subsequent to the date of this letter and are effective for the period under audit, we will estimate the impact of any such standard on the nature, timing and extent of our planned audit procedures and will communicate with you concerning the scope of the additional procedures and the estimated fees.

The District agrees to pay all costs of collection (including reasonable attorneys' fees) that the Firm may incur in connection with the collection of unpaid invoices. In the event of nonpayment of any invoice rendered by us, we retain the right to (a) suspend the performance of our services, (b) change the payment conditions under this engagement letter, or (c) terminate our services. If we elect to suspend our services, such services will not be resumed until your account is paid. If we elect to terminate our services for nonpayment, the District will be obligated to compensate us for all time expended and reimburse us for all expenses through the date of termination.

This engagement letter sets forth the entire understanding between the District and the Firm regarding the services described herein and supersedes any previous proposals, correspondence, and understandings whether written or oral. Any subsequent changes to the terms of this letter, other than additional billings, will be rendered in writing and shall be executed by both parties. Should any portion of this engagement letter be ruled invalid, it is agreed that such invalidity will not affect any of the remaining portions.

August 27, 2010

System Review Report

To the Partners of Cherry, Bekaert & Holland L.L.P.  
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Cherry, Bekaert & Holland L.L.P. (the firm) applicable to non-SEC issuers in effect for the year ended April 30, 2010. 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. 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](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, and an audit performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Cherry, Bekaert & Holland L.L.P., applicable to non-SEC issuers in effect for the year ended April 30, 2010, 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*. Cherry, Bekaert & Holland L.L.P. has received a peer review rating of *pass*.



EisnerAmper LLP

AICPA Peer Review Program  
Administered by the  
National Peer Review Committee

October 7, 2010

Howard Joseph Kies, CPA  
Cherry Bekaert & Holland LLP  
1700 Bayberry Ct Ste 300 Ste 300  
Richmond, VA 23226

Dear Mr. Kies:

It is my pleasure to notify you that on September 16, 2010 the National Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is October 31, 2013. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,



Robert Rohweder  
Chair—National PRC  
nprc@aicpa.org 919 402-4502

cc: Lawrence Gray, CPA

Firm Number: 10011816 Review Number: 309298

**CONTRACT TO AUDIT ACCOUNTS**  
**Of Metropolitan Sewerage District of Buncombe County**  
 Governmental Unit

On this 13th day of March, 2013, Cherry Bekaert LLP

Auditor

1111 Metropolitan Avenue, Suite 1000, Charlotte, North Carolina 28204

Mailing Address

\_\_\_\_\_ , hereinafter referred to as

the Auditor, and Commissioners of Metropolitan Sewerage District of Buncombe County, hereinafter referred  
 to as the Governing Board of Governmental Unit  
 to as the Governmental Unit, agree as follows:

1. The Auditor shall audit all statements and disclosures required by generally accepted accounting principles and additional required legal statements and disclosures of all funds and/or divisions of the Governmental Unit for the period beginning July 1, 2012, and ending June 30, 2013. The non-major combining, and individual fund statements and schedules shall be subjected to the auditing procedures applied in the audit of the basic financial statements and an opinion will be rendered in relation to (as applicable) the governmental activities, the business-type activities, the aggregate discretely presented component units, each major governmental and enterprise fund, and the aggregate remaining fund information (non-major government and enterprise funds, the internal service fund type, and the fiduciary fund types).
2. At a minimum, the Auditor shall conduct his/her audit and render his/her report in accordance with generally accepted auditing standards. The Auditor shall perform the audit in accordance with *Government Auditing Standards* if required by the State Single Audit Implementation Act, as codified in G.S. 159-34. If required by OMB Circular A-133 and the State Single Audit Implementation Act, the auditor shall perform a Single Audit. This audit and all associated workpapers may be subject to review by Federal and State agencies in accordance with Federal and State laws, including the staffs of the Office of State Auditor (OSA) and the LGC. If the audit and/or workpapers are found in this review to be substandard, the results of the review may be forwarded to the North Carolina State Board of CPA Examiners.
3. This contract contemplates an unqualified opinion being rendered. If financial statements are not prepared in accordance with generally accepted accounting principles (GAAP), or the statements fail to include all disclosures required by GAAP, please provide an explanation for that departure from GAAP in an attachment.
4. This contract contemplates an unqualified opinion being rendered. The audit shall include such tests of the accounting records and such other auditing procedures as are considered by the Auditor to be necessary in the circumstances. Any limitations or restrictions in scope which would lead to a qualification should be fully explained in an attachment to this contract
5. If this audit engagement is subject to the standards for audit as defined in *Government Auditing Standards*, July 2007 revisions, issued by the Comptroller General of the United States, then by accepting this engagement, the Auditor warrants that he has met the requirements for a peer review and continuing education as specified in *Government Auditing Standards*. The Auditor agrees to provide a copy of their most recent peer review report regardless of the date of the prior peer review report to the Governmental Unit and the Secretary of the Local Government Commission prior to the execution of the audit contract. (See Item 22) If the audit firm received a peer review rating other than pass, the auditor shall not contract with any Local Government Units without first contacting the Secretary of the Local Government Commission for a peer review analysis that may result in additional contractual requirements.

If the audit engagement is not subject to *Government Accounting Standards*, the Auditor shall provide an explanation as to why in an attachment.

6. It is agreed that time is of the essence in this contract. All audits are to be performed and the report of audit submitted to the SLGFD within four months of fiscal year end. Audit report is due on: October 31, 2013. If it becomes necessary to amend this due date or the audit fee, an amended contract along with a written explanation of the delay must be submitted to the Secretary of the Local Government Commission for approval.
7. It is agreed that generally accepted auditing standards include a review of the Governmental Unit's systems of internal control and accounting as the systems relate to accountability of funds, adherence to budget requirements, and adherence to law requirements. In addition, the Auditor will make a written report, which may or may not be a part of the written report of audit, to the Governing Board setting forth his findings, together with his recommendations for improvement. That written report must include all matters defined as "significant deficiencies and material weaknesses" in AU 325 of the *AICPA Professional Standards*. The Auditor shall file a copy of that report with the Secretary of the Local Government Commission.
8. All local government and public authority contracts for audit or audit-related work require the approval of the Secretary of the Local Government Commission. This includes annual or special audits, agreed upon procedures related to Internal Control, bookkeeping or other assistance necessary to prepare the Unit's records for audit, financial statement preparation, any finance-related investigations, or any other audit-related work in the State of North Carolina. Invoices for services rendered under these contracts shall not be paid by the Governmental Unit until the invoice has been approved by the Secretary of the Local Government Commission. (This also includes any progress billings.) [G.S. 159-34 and 115C-447] The process for invoice approval has changed. All invoices for Audit work must be submitted by email in PDF format to the Secretary of the Local Government Commission for approval. The invoices must be emailed to: [lgc.invoices@nctreasurer.com](mailto:lgc.invoices@nctreasurer.com)

Email Subject line should read “unit name – invoice. The PDF invoice marked approved with approval date will be returned by email to the Auditor for them to present to the Local Government Unit for payment. Approval is not required on contracts and invoices for system improvements and similar services of a non-auditing nature.

9. In consideration of the satisfactory performance of the provisions of this agreement, the Governmental Unit shall pay to the Auditor, upon approval by the Secretary of the Local Government Commission, the following fee, which includes any cost the Auditor may incur from work paper or peer reviews or any other quality assurance program required by third parties (Federal and State grantor and oversight agencies or other organizations) as required under the Federal and State Single Audit Acts:

**Year-end bookkeeping assistance – [For audits subject to Government Auditing Standards, this is limited to bookkeeping services permitted by revised Independence Standards]** N/A

**Audit** \$46,500

**Preparation of the annual financial statements** N/A

Prior to submission of the completed audited financial report, applicable compliance reports and amended contract (if required) auditors may submit invoices for approval for services rendered, not to exceed 75% of the total of the stated fees above. If the current contracted fee is not fixed in total, invoices for services rendered may be approved for up to 75% of the prior year audit fee. **The 75% cap for interim invoice approval for this audit contract is** \$34,875

10. The auditor working with a local governmental unit that has outstanding revenue bonds will include in the notes to the audited financial statements, whether or not required by the revenue bond documents, a calculation demonstrating compliance with the revenue bond rate covenant. Additionally, the auditor should be aware that any other bond compliance statements or additional reports required in the authorizing bond documents need to be submitted to the Local Government Commission simultaneously with the local government's audited financial statements unless otherwise specified in the bond documents.
11. After completing the audit, the Auditor shall submit to the Governing Board a written report of audit. This report shall include but not be limited to the following information: (a) Management’s Discussion and Analysis, (b) the financial statements and notes of the governmental unit and all of its component units prepared in accordance with generally accepted accounting principles, (c) supplementary information requested by the client or required for full disclosure under the law, and (d) the Auditor’s opinion on the material presented. The Auditor shall furnish the required number of copies of the report of audit to the Governing Board as soon as practical after the close of the accounting period.
12. If the audit firm is required by the NC CPA Board or the Secretary of the Local Government Commission to have a pre-issuance review of their audit work, there must be a statement added to the engagement letter specifying the pre-issuance review including a statement that the Unit of Government will not be billed for the pre-issuance review. The pre-issuance review must be performed **prior** to the completed Audit being submitted to the Local Government Commission. The pre-issuance report must accompany the audit report upon submission to the Local Government Commission.
13. The Auditor shall electronically submit the report of audit to the Local Government Commission when (or prior to) submitting the invoice for services rendered. The report of audit, as filed with the Secretary of the Local Government Commission, becomes a matter of public record for inspection and review in the offices of the Secretary by any interested parties. Any subsequent revisions to these reports must be sent to the Secretary of the Local Government Commission. These audited financial statements are used in the preparation of Official Statements for debt offerings (the auditors’ opinion is not included), by municipal bond rating services, to fulfill secondary market disclosure requirements of the Securities and Exchange Commission, and other lawful purposes of the government, without subsequent consent of the auditor. If it is determined by the Local Government Commission that corrections need to be made to the unit’s financial statements they should be provided within three days of notification unless, another time frame is agreed to by the Local Government Commission.

The Local Government Commission’s process for submitting contracts, audit reports and Invoices are subject to change. Auditors should use the submission process in effect at the time of submission.

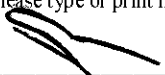
In addition, if the North Carolina Office of the State Auditor designates certain programs to be audited as major programs, a turnaround document and a representation letter addressed to the State Auditor shall be submitted to the Local Government Commission.

14. Should circumstances disclosed by the audit call for a more detailed investigation by the Auditor than necessary under ordinary circumstances, the Auditor shall inform the Governing Board in writing of the need for such additional investigation and the additional compensation required therefore. Upon approval by the Secretary of the Local Government Commission, this agreement may be varied or changed to include the increased time and/or compensation as may be agreed upon by the Governing Board and the Auditor.
15. If an approved contract needs to be varied or changed for any reason, the change must be made in writing, signed and dated by all parties and pre-audited if the change includes a change in audit fee. This document and a written explanation of the change must be submitted by email in PDF format to the Secretary of the Local Government Commission for approval. The portal address to upload your amended contract and Letter of explanation documents is <http://nctreasurer.slgfd.leapfile.net> No change shall be effective unless approved by the Secretary of the Local Government Commission, the Governing Board, and the Auditor.

16. Whenever the Auditor uses an engagement letter with the client, Item 17 is to be completed by referencing the engagement letter and attaching a copy of the engagement letter to the contract to incorporate the engagement letter into the contract. In case of conflict between the terms of the engagement letter and the terms of this contract, the terms of this contract will control. Engagement letter terms are deemed to be void unless the conflicting terms of this contract are specifically deleted in Item 22 of this contract. Engagement letters containing indemnification clauses will not be approved by the Local Government Commission.
17. Special provisions should be limited. Please list any special provisions in an attachment.
18. A separate contract should not be made for each division to be audited or report to be submitted. A separate contract must be executed for each component unit which is a local government and for which a separate audit report is issued.
19. The contract must be executed, pre-audited, physically signed by all parties and submitted in PDF format including unit and auditor signatures to the Secretary of the Local Government Commission. The current portal address to upload your contractual documents is <http://nctreasurer.slgfd.leapfile.net>. Electronic signatures are not accepted at this time. Included with this contract are instructions to submit contracts and invoices for approval as of March 5, 2012. These instructions are subject to change. Please check the NC Treasurer's web site at [www.nctreasurer.com](http://www.nctreasurer.com) for the most recent instructions.
20. The contract is not valid until it is approved by the Local Government Commission. The staff of the Local Government Commission shall notify the unit and auditor of contract approval by email. The audit should not be started before the contract is approved.
21. There are no other agreements between the parties hereto and no other agreements relative hereto that shall be enforceable unless entered into in accordance with the procedure set out herein and approved by the Secretary of the Local Government Commission.
22. All of the above paragraphs are understood and shall apply to this agreement, except the following numbered paragraphs shall be deleted: (See Item 16.)
23. **All communications regarding Audit contract requests for modification or official approvals will be sent to the email Addresses provided in the following areas.**

**Audit Firm Signature:**  
Firm Cherry Bekaert LLP

By Eddie Burke  
(Please type or print name)

  
\_\_\_\_\_  
(Signature of authorized audit firm representative)

**Email Address of Audit Firm:**  
eburke@cbh.com

Date 3/13/2013

**Unit Signatures:**

By \_\_\_\_\_  
(Please type or print name and title)

**(Signature of Mayor/Chairperson of governing board)**

Date \_\_\_\_\_

**Date Governing Body Approved Audit Contract - G.S. 159-34(a)**

**Unit Signatures (continued):**

By \_\_\_\_\_  
(Chair of Audit Committee- please type or print name)

\_\_\_\_\_  
(Signature of Audit Committee Chairperson)

Date \_\_\_\_\_  
(If unit has no audit committee, this section should be marked "N/A.")

This instrument has been preaudited in the manner required by The Local Government Budget and Fiscal Control Act or by the School Budget and Fiscal Control Act. Additionally, the following date is the date this audit contract was approved by the governing body.

\_\_\_\_\_  
Governmental Unit Finance Officer (Please type or print name)

\_\_\_\_\_  
(Signature)

**Email Address of Finance Officer**

Date \_\_\_\_\_

**(Preaudit Certificate must be dated.)**

**SIGN HERE**

**SIGN HERE**

**SIGN HERE**

## Steps to Completing the Audit Contract

1. Complete the Header Information
2. Item No. 1 - Complete the period covered by the audit
3. Item No. 6 – Fill in the Audit due date. For all units, the contract due date can be no later than 4 months after the end of the fiscal year, even though amended contracts may not be required until a later date.
4. Item No. 8 – The process for invoice approval changed during 2011, so make sure you and your administrative staff are familiar with the new process.
5. Item No. 9 – Complete the fee section as in the past but please note:
  - New language has been inserted into the contract that specifies the cap on interim payments to 75% of the current audit fee for services rendered if the contracted fee amount is a fixed amount. If any part of the fee is variable, interim payments are limited to 75% of the prior year total audit fee. If the contract fee is in any part variable we will compare the authorized interim payment on the contract to 75% of last year's actual approved total audit fee amount according to our records. There is a report of audit fees paid by each Local Government Unit on our web site:  
<http://www.nctreasurer.com/dsthome/StateAndLocalGov/AuditingAndReporting/>  
- Auditors and Audit Fees. Please call our office at 919-807-2350 if you have any questions about the fees on this list.
  - For variable fees for services, are the hourly rates or other rates clearly stated in detail? If issued separately in an addendum, has the separate page been acknowledged in writing by the government?
  - For fees for services that are a combination of fixed and variable fees, are the services to be provided for the fixed portion of the fee clearly stated? Are the hourly rates or other rates clearly stated for the variable portion of the fee? See previous bullet point regarding variable fees.
6. Item No. 18- If there is a reference to an engagement letter or other document, has the engagement letter or other document been acknowledged by the governmental unit and attached to the contract submitted to the SLGFD?
  - a. Does the engagement letter contain an indemnification clause? The audit contract will not be approved if there is an indemnification clause – refer to Memo # 986.
7. Signature Area – Make sure all signatures have been obtained. **The contract must be approved by your governing board.** Please place the date the Board approved the Audit Contract in the space provided.
  - a. Please make sure that you provide email addresses for the audit firm and finance officer as these will be used to communicate official approval of the contract.
  - b. Has the pre-audit certificate been Signed and Dated by the appropriate party?



- c. Has the name and title of the Mayor or Chairperson of the governing board been typed or printed on the contract and has he/she signed in the correct area directly under the Auditor's signature?
8. If the auditor is performing an audit under the yellow book or single audit rules, has year-end bookkeeping assistance been limited to those areas permitted under the revised GAO Independence Standards? Although not required, we encourage units and auditors to disclose the nature of these services in the contract or an engagement letter. Fees for these services should be shown in the space indicated in Item 9 of the contract.
9. Has the most recently issued peer review report for the audit firm been included with the contract? (This is required if the audit firm has received a new peer review report that has not yet been forwarded to us. The audit firm is not required to send the report multiple times.)
10. After all the signatures have been obtained and the contract and is complete, please convert contract and all other supporting documentation to be submitted for approval into a PDF copy. Peer Review Reports should be submitted in a separate PDF file. These documents should be submitted using the most current submission process which can be obtained at the NC Treasurer's web site –  
<http://www.nctreasurer.com/DSTHome/StateAndLocalGov/AuditingAndReporting/LGC+Resources>  
- Contract and Audit Forms



March 13, 2013

Mr. W. Scott Powell  
Director of Finance  
Metropolitan Sewerage District of Buncombe County, North Carolina  
2008 Riverside Drive  
Asheville, North Carolina

Dear Mr. Powell:

On behalf of Cherry Bekaert LLP (“CB”), we are pleased to present Metropolitan Sewerage District of Buncombe County, North Carolina (the “District”) with a three year fee commitment for audit services. We believe that we have a great working relationship with the District and its Finance Department, have been responsive to your needs, provided strong service, and been an asset to the District which warrants this three year fixed fee commitment and we look forward to continuing this relationship.

As one of the largest regional accounting firms in the United States, our growth is based on our reputation for exceeding our clients’ service expectations. For over 60 years, we have demonstrated our commitment to providing high quality, value-based services to our clients. CB’s Charlotte and Mid Carolina (Raleigh, Asheboro and Fayetteville) practices will be proud to continue serving you as a client. CB has prospered along with the North Carolina economy by forging strong service and advisory relationships with some of the leading governmental agencies, for-profit companies, service-based firms, nonprofit entities, and individual clients in the State. Our local presence, combined with our regional resource network uniquely qualifies CB to serve organizations like you in the most thorough, efficient and cost-effective manner possible.

**Local Commitment.** As a professional services firm, we are only as good as our people. Thus, we are committed to hiring only the best and brightest employees and providing them with the opportunity to excel. Because we are committed to our staff, they, in turn, are committed to the Firm and to the clients they serve. Our local Charlotte staff understands the importance of providing professional, timely and valuable service, especially to a client that we have served for many years, such as the District.

**Resources and Solutions.** At CB, we serve as a proactive and innovative business partner for our clients. With more than 600 professionals, CB has the proprietary knowledge to craft highly tailored solutions for audit, review, accounting, tax, and strategic management issues. In addition, our professionals will continue to take a consultative, team-based approach to address issues and provide solutions to those issues.

CB would like to officially request that the District accept our audit proposal to include the years ending June 30, 2013, 2014, and 2015. If the District elects to accept this proposal then CB agrees to freeze our 2013 audit fee for three years.

CB's fees are based on our past engagements, understanding of any changes in the scope of the audit engagement, and our best estimate of the hours to be incurred by individuals assigned to the engagement. The proposed fee breakdown is below.

Proposed Audit Fees:	
Fiscal Year	Fee
2013	\$46,500
2014	\$46,500
2015	\$46,500

Thank you for the opportunity to re-present our professional qualifications and to continue our relationship. If you have questions or require additional information, please contact me at 919.782.1040 or Matthew Socha at 704.940.2680.

With best regards,

**Cherry Bekaert LLP**



Eddie Burke  
Partner

# Metropolitan Sewerage District of Buncombe County BOARD ACTION ITEM

**Meeting Date:** March 20, 2013

**Submitted By:** Thomas E. Hartye, PE., General Manager

**Prepared By:** W. Scott Powell, CLGFO, Director of Finance

**Reviewed By:** Billy Clarke, Board Counsel

**Subject:** Series Resolution Authorizing Issuance of Bonds

## **Background**

On January 18<sup>th</sup>, the Board approved making an application to the Local Government Commission ("LGC") to issue revenue bonds to refund the remaining maturities of the Series 2003 and Series 2008B. An Application was submitted on February 4<sup>th</sup> and with the LGC approved the issuance on March 6<sup>th</sup>. Under the District's Bond Order, the Board is required to adopt a Series Resolution authorizing issuance of the bonds and related actions necessary to sell the bonds.

## **Discussion**

The attached Series Resolution **(1)** authorizes issuance of bonds designated "Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Bonds Series 2013" ( the "Series 2013 Bonds") in an aggregate principal amount not to exceed \$37,500,000 to pay for the replacement and rehabilitation of sewer lines and treatment plant improvements and to pay the costs of issuance of the bonds; **(2)** Authorizes the form of the Series 2013 Bonds; **(3)** Appoints the Bank of New York as Trustee for the proceeds of the Series 2013 Bonds and establishes certain accounts with the Trustee for the proceeds of the sale of the Series 2013 Bonds; **(4)** Authorizes the General Manager to determine the final aggregate amount of the bonds (not to exceed \$37,500,000), to determine the maturities and the sale date and to negotiate the final sale in accordance with certain limitations; **(5)** Obligates the District to promptly pay interest and principal on the Series 2009B Bonds when due; **(6)** Approves the Official Statement for the Series 2013 Bonds; **(7)** Requests the LGC to award the Series 2013 Bonds to Wells Fargo, NA at an underwriters discount of not more than one percent (1%) of the par amount of the bonds subject to the approval of the General Manager; **(8)** Approves the Bond Purchase Agreement with Wells Fargo, NA and authorizes the Chair and the GM to execute the Bond Purchase Agreement; and **(9)** Authorizes and directs Officers and Agents of the District and Trustee to do all acts and things required of them by the Series Resolution and the Bond Order to complete the sale of the Series 2013 Bonds. The Series Resolution was drafted by the District's Bond Counsel, Sidley Austin and has been reviewed and approved by the Local Government Commission and by the District's counsel, Billy Clarke.

## **Financial Impact**

A refunding analysis has been attached to provide the financial impact of the debt refunding. Based on interest rates as of February 28, 2013, the District would achieve a net present value savings in excess of 14.7%. The District would save in excess of \$8.97 million over the remaining life of the two issues being refunded.

## **Staff Recommendation**

Staff recommends approval of the attached resolution.

### **Action Taken**

Motion by:	to	Approve	Disapprove
Second by:		Table	Send to Committee
Other:			
Follow-up required:			
Person responsible:		Deadline:	

**Metropolitan Sewerage District of Buncombe County, NC**  
**Refunding Analysis - Series 2003/2008B Bonds**  
**Market as of February 28, 2013**

Refunded Bonds	Series 2003	Series 2008B	Aggregate
Par Amount	17,875,000	19,145,000	37,020,000
Coupons	3.90% - 5.25%	Varying <sup>2</sup>	--
Maturities	July 1, 2013-2022	July 1, 2013-2029	July 1, 2013-2031
Maximum Annual Net Debt Service <sup>1,2</sup>	4,466,215	1,725,197	6,172,070
Total Net Debt Service <sup>1,2</sup>	21,292,703	26,559,194	47,851,896
Call Date	July 1, 2013 @ 100%	May 1, 2013 @ 100%	--
Refunding Bonds <sup>1</sup>			
Par Amount	14,140,000	16,190,000	30,330,000
Maturities	July 1, 2014-2022	July 1, 2014-2029	July 1, 2014-2029
Maximum Annual Debt Service	3,917,550	1,478,500	5,378,450
Total Debt Service	16,295,625	22,586,367	38,881,992
<b>Net Present Value Savings (\$) <sup>1,2</sup></b>	<b>2,009,391</b>	<b>3,427,187</b>	<b>5,436,578</b>
<b>Net Present Value Savings (%) <sup>1,2</sup></b>	<b>11.24%</b>	<b>17.90%</b>	<b>14.69%</b>
Annual Savings (7/1) <sup>1,2</sup>			
2013	50,998	23,454	74,452
2014	554,610	244,240	798,850
2015	548,665	244,955	793,620
2016	550,865	246,697	797,562
2017	549,165	249,402	798,567
2018	550,535	249,293	799,828
2019	546,835	247,477	794,312
2020	546,585	245,739	792,324
2021	547,835	245,522	793,357
2022	550,985	247,478	798,463
2023	0	247,953	247,953
2024	0	246,821	246,821
2025	0	244,459	244,459
2026	0	248,332	248,332
2027	0	244,785	244,785
2028	0	247,301	247,301
<u>2029</u>	<u>0</u>	<u>248,919</u>	<u>248,919</u>
Total Savings	4,997,078	3,972,827	8,969,904
All-in True Interest Cost	1.52%	2.58%	2.30%
Negative Arbitrage (\$)	54,162	0	54,162

<sup>1</sup> Assumes interest rates on the underlying variable rate bonds of 3.50% thru 7/1/14 and 4.00% thereafter on Series 2008B Bonds

<sup>2</sup> Assumes annual, ongoing fees (liquidity, remarketing, trustee) of 0.70% thru 7/1/15 and 0.85% thereafter on Series 2008B Bonds

---

METROPOLITAN SEWERAGE DISTRICT OF  
BUNCOMBE COUNTY, NORTH CAROLINA

---

SERIES RESOLUTION

Adopted March 20, 2013

---

Authorizing and Securing Not Exceeding  
\$37,500,000  
Metropolitan Sewerage District of Buncombe County, North Carolina  
Sewerage System Revenue Refunding Bonds, Series 2013

---

SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$37,500,000 SEWERAGE SYSTEM REVENUE REFUNDING BONDS, SERIES 2013 OF THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, PURSUANT TO THE PROVISIONS OF SECTION 2.08 OF THE AMENDED AND RESTATED BOND ORDER ADOPTED BY THE DISTRICT BOARD OF SAID DISTRICT ON APRIL 21, 1999, AS AMENDED.

WHEREAS, the Metropolitan Sewerage District of Buncombe County (the “District”), a public body and body politic and corporate in the County of Buncombe, State of North Carolina, is authorized under the provisions of The State and Local Government Revenue Bond Act, as amended (the “Act”) to acquire, lease, construct, reconstruct, improve, extend, enlarge, equip, repair, maintain and operate any sewerage system or part thereof within and without the District, to issue revenue bonds of the District to pay the cost of a sewerage system and to issue revenue refunding bonds; and

WHEREAS, the District has heretofore issued (a) \$26,970,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2003, which are currently outstanding in the principal amount of \$17,875,000 (the “Series 2003 Bonds”), (b) \$33,635,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2008A, which are currently outstanding in the principal amount of \$32,925,000, (c) \$22,165,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2008B, which are currently outstanding in the principal amount of \$19,145,000 (the “Series 2008B Bonds”), (d) \$17,205,000 principal amount of its Sewerage System Revenue Bonds, Series 2009A, which are currently outstanding in the principal amount of \$15,960,000, and (e) \$13,360,000 of its Sewerage System Revenue Refunding Bonds, Series 2009B, which are currently outstanding in the principal amount of \$4,945,000, pursuant to the Act and an amended and restated bond order adopted by the District Board of the District (the “Board”) on April 21, 1999 (the “Amended and Restated Bond Order”, and together with any orders supplemental and amendatory thereto, the “Order”); and

WHEREAS, Section 2.08 of the Order authorizes the issuance, from time to time, of additional revenue bonds of the District in one or more series for the purpose of providing funds for paying, with any other available funds, the cost (including financing costs) of refunding any Bonds (as defined in the Order); and

WHEREAS, the Board has determined to issue a series of revenue refunding bonds of the District designated “Sewerage System Revenue Refunding Bonds, Series 2013” (the “Series 2013 Bonds”) pursuant to Section 2.08 of the Order for the purpose of providing funds, together with other available funds, to (a) refund all or a portion of the outstanding Series 2003 Bonds, (b) refund all or a portion of the outstanding Series 2008B Bonds, and (c) pay certain costs and expenses incurred in connection with the issuance of the Series 2013 Bonds; and

WHEREAS, the Board has received information to the effect that the District will be able to satisfy the requirements of Sections 2.08 and 7.16 of the Order with respect to the issuance of the Series 2013 Bonds; and

WHEREAS, the District has submitted an application to the Local Government Commission of North Carolina (the “Local Government Commission”) requesting approval for the issuance of the Series 2013 Bonds and the sale of the Series 2013 Bonds at private sale and

without advertisement as required by Section 159-123 of the North Carolina General Statutes; and

NOW, THEREFORE, THE DISTRICT BOARD OF THE METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY DOES HEREBY RESOLVE, as follows:

Section 1. Definitions.

(a) Meaning of Words and Terms. Unless otherwise required by the context, words and terms used herein which are defined in the Order shall have the meanings assigned to them therein, and the following words and terms shall have the following meanings:

“Bond Registrar” means The Bank of New York Mellon Trust Company, N.A., as designated by Section 2(a) of this Series Resolution.

“Bond Year” means the period commencing on July 1 of any year and ending on June 30 of the following year; provided, however, that the initial Bond Year shall commence on the delivery date of the Series 2013 Bonds and end on June 30, 2013.

“Costs of Issuance Account” means the account created and so designated by Section 4(a) hereof.

“Escrow Agent” means The Bank of New York Mellon Trust Company, N.A. and any successor thereto under the Escrow Deposit Agreement.

“Escrow Deposit Agreement” means the Escrow Deposit Agreement, dated as of April 1, 2013, between the District and the Escrow Agent.

“Escrow Fund” means the fund so designated and created under the Escrow Deposit Agreement.

“Interest Payment Date” means July 1, 2013 and each January 1 and July 1 thereafter, to and including July 1, 2029.

“Investment Obligations” means any investment permitted by Section 159-30 of the North Carolina General Statutes, as amended from time to time, or any successor statute.

“Rating Agency” means Fitch Ratings, Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services, a Standard & Poor’s financial Services LLC division, its successors and assigns.

“Regular Record Date” means the 15th day of the month preceding any Interest Payment Date, whether or not a Business Day.

“Securities Depository” means The Depository Trust Company, New York, New York, or other recognized securities depository selected by the District, which maintains a book-entry system in respect of the Series 2013 Bonds, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

“Securities Depository Nominee” means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name shall be registered on

the registration books maintained by the Bond Registrar the Series 2013 certificates to be required to be deposited with the Bond Registrar during the continuation with such Securities Depository of participation in such book-entry system.

“Serial Bonds” means the Series 2013 Bonds, if any, that are designated as such and mature on July 1 in the years and amounts set forth in the Series Certificate.

“Series 2013 Bonds” means the Metropolitan Sewerage District of Buncombe County, Sewerage System Revenue Refunding Bonds, Series 2013, issued pursuant to the Order and this Series Resolution.

“Series 2013 Subaccount of the Interest Account” means the subaccount in the Interest Account of the Bond Fund created and so designated by Section 4(a) of this Series Resolution.

“Series 2013 Subaccount of the Principal Account” means the subaccount in the Principal Account of the Bond Fund created and so designated by Section 4(a) of this Series Resolution.

“Series 2013 Subaccount of the Redemption Account” means the subaccount in the Redemption Account of the Bond Fund created and so designated by Section 4(a) of this Series Resolution.

“Series 2013 Subaccount of the Sinking Fund Account” means the subaccount in the Sinking Fund Account of the Bond Fund created and so designated by Section 4(a) of this Series Resolution.

“Series Certificate” shall have the meaning given such term by Section 2(e) of this Series Resolution.

“Sinking Fund Requirement” means, with respect to the Term Bonds, if any, for any Bond Year, the principal amount fixed or computed as provided in the Series Certificate for the retirement of the Term Bonds by purchase or redemption on July 1 of the following Bond Year.

The Sinking Fund Requirement for the Term Bonds, if any, for each Bond Year shall be initially the respective principal amounts of the Term Bonds to be redeemed, or otherwise retired, on July 1 of the following Bond Year, as set forth in the Series Certificate.

During any Bond Year on or before the 45th day next preceding any July 1 on which Series 2013 Bonds, which are Term Bonds, are to be retired pursuant to the Sinking Fund Requirement, the District may deliver to the Trustee for cancellation Term Bonds required to be redeemed on such July 1 in any aggregate principal amount desired and receive a credit against amounts required to be transferred from the Series 2013 Subaccount of the Sinking Fund Account on account of such Series 2013 Bonds in the amount of 100% of the principal amount of any such Term Bonds so purchased. If, during any Bond Year, the total principal amount of Term Bonds retired by purchase or redemption under the provisions of this Series Resolution and the Series Certificate shall be greater than the amount of the Sinking Fund Requirement for such Term Bonds, the subsequent Sinking Fund Requirements for such Term Bonds shall be reduced by the amount of such excess as shall be specified in an Officer’s Certificate filed with the Trustee on or prior to July 15 of the next ensuing Bond Year.



It shall be the duty of the Trustee, on or before the 15th day of July in each Bond Year, to recompute, if necessary, the Sinking Fund Requirement for such Bond Year and all subsequent Bond Years for the Term Bonds Outstanding, provided, however, that such recomputation is to be based solely and exclusively on an Officer's Certificate filed with the Trustee. The Sinking Fund Requirement for such Bond Year as so recomputed shall continue to be applicable during the balance of such Bond Year and no adjustment shall be made therein by reason of Term Bonds purchased or redeemed or called for redemption during such Bond Year.

If any Term Bonds are paid or redeemed by operation of the Series 2013 Subaccount of the Redemption Account or otherwise, the Trustee shall reduce future Sinking Fund Requirements therefor in such manner as shall be specified in an Officer's Certificate to be filed with the Trustee pursuant to Section 2(e) of this Series Resolution.

"Term Bonds" means the Series 2013 Bonds, if any, that are designated as such and mature on July 1 in the years and amounts set forth in the Series Certificate.

(b) Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words used herein shall include the plural as well as the singular number. References herein to particular articles or sections are references to articles or sections of this Series Resolution unless some other reference is indicated.

Section 2. Authorization, Form, Issuance, Delivery and Registration of the Series 2013 Bonds.

(a) Authorization of the Series 2013 Bonds. Pursuant to the Act and Section 2.08 of the Order, the District hereby authorizes the issuance of revenue refunding bonds of the District, designated "Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Refunding Bonds, Series 2013" (the "Series 2013 Bonds") in an aggregate principal amount not exceeding \$37,500,000 for the purpose of providing funds, together with other available funds, to (1) refund all or a portion of the outstanding Series 2003 Bonds, (2) refund all or a portion of the outstanding Series 2008B Bonds, and (3) pay certain expenses incurred in connection with the issuance of the Series 2013 Bonds. The Series 2013 Bonds shall be dated the date of delivery thereof.

The Bank of New York Mellon Trust Company, N.A. is hereby appointed Bond Registrar for the Series 2013 Bonds.

(b) Form of Series 2013 Bonds. The Series 2013 Bonds are issuable in fully registered form in denominations of \$5,000 or any whole multiple thereof, shall be lettered "R2013-" and shall be numbered from 1 consecutively upward. The Series 2013 Bonds and the Certificate of the Local Government Commission and the Certificate of Authentication to be endorsed on all the Series 2013 Bonds shall be substantially in the following forms, with such variations, omissions and insertions as are required or permitted by the Order or this Series Resolution:

[Form of Series 2013 Bond]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. R2013-\_\_\_\_\_

\$\_\_\_\_\_

United States of America  
 State of North Carolina  
 County of Buncombe

METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY  
 SEWERAGE SYSTEM REVENUE REFUNDING BOND, SERIES 2013

<u>Maturity Date</u>	<u>Original Issuance Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>
July 1, 20__		_____%	_____

The Metropolitan Sewerage District of Buncombe County (the “District”), a public body and body politic and corporate in the County of Buncombe, State of North Carolina, is justly indebted and for value received hereby promises to pay, solely from the sources and in the manner hereinafter set forth, to CEDE & CO. or registered assigns or legal representative, on the maturity date specified above (or earlier as hereinafter referred to), upon the presentation and surrender hereof at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., in Jacksonville, Florida, or any successor bond registrar (the “Bond Registrar”) (the “Bond Registrar”), the principal sum of

\_\_\_\_\_ DOLLARS (\$\_\_\_\_\_).

The District promises to pay, but solely from said sources, interest on this bond (calculated on the basis of a 360-day year consisting of twelve 30-day months) from the interest payment date next preceding the date on which it is authenticated, unless it is authenticated on an interest payment date, or it is authenticated prior to July 1, 2013, in which event it shall bear interest from the Original Issuance Date set forth above, payable on July 1, 2013, and semiannually thereafter on January 1 and July 1 of each year at the rate per annum set forth above until the principal sum hereof is paid. The interest so payable and punctually paid or duly provided for on any interest payment date will be paid to the person in whose name this bond is registered at the close of business on the regular record date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding an interest payment date (the “Regular Record Date”). Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the person who was the registered owner on such Regular Record Date and may be paid to the person in whose name this bond is registered at the close of business on a Special Record Date, as defined in the hereinafter-mentioned Order, for the payment of such defaulted interest to be fixed by the Trustee hereinafter mentioned,

notice whereof being given to registered owners not less than ten (10) days prior to such Special Record Date, or may be paid in any other lawful manner not inconsistent with the requirements of applicable law or any securities exchange on which the bonds may be listed and upon such notice as may be required by such law or exchange, all as more fully provided in the Order. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

This bond is one of a duly authorized series of revenue refunding bonds of the District, designated "Sewerage System Revenue Refunding Bonds, Series 2013" (the "Series 2013 Bonds"), issued for the purpose of providing funds, with any other available funds, to (i) refund all or a portion of the District's outstanding Sewerage System Revenue Refunding Bonds, Series 2003 (the "Series 2003 Bonds"), (ii) refund all or a portion of the District's outstanding Sewerage System Revenue Refunding Bonds, Series 2008B (the "Series 2008B Bonds"), and (iii) pay certain costs and expenses incurred in connection with the issuance of the Series 2013 Bonds.

The Series 2013 Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Series Resolution, as hereinafter defined. One Series 2013 Bond certificate with respect to each date on which the Series 2013 Bonds are stated to mature, registered in the name of the Securities Depository Nominee (as defined in the Series Resolution) is being issued and required to be deposited with the Bond Registrar and immobilized in its custody. The book-entry system will evidence positions held in the Series 2013 Bonds by the Securities Depository's participants, beneficial ownership of the Series 2013 Bonds in the principal amount of \$5,000 or any multiple thereof being evidenced in the records of such participants. Transfers of ownership will be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The District, the Bond Registrar and the Trustee will recognize the Securities Depository Nominee, while the registered owner of this Series 2013 Bond, as the owner of this Series 2013 Bond for all purposes, including (i) payments of principal of, and redemption premium, if any, and interest on, this Series 2013 Bond, (ii) notices and (iii) voting. Transfer of principal, interest and any redemption premium payments to participants of the Securities Depository will be the responsibility of the Securities Depository, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Series 2013 Bonds by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The District, the Bond Registrar and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository Nominee, the Securities Depository's participants or persons acting through such participants. While the Securities Depository Nominee is the registered owner of this Series 2013 Bond, notwithstanding the provisions hereinabove contained, payments of principal of, redemption premium, if any, and interest on this Series 2013 Bond shall be made in accordance with existing arrangements between the Bond Registrar or its successors under the Order and the Series Resolution and the Securities Depository.

The Series 2013 Bonds are being issued under and pursuant to the Constitution and laws of the State of North Carolina, including the North Carolina Metropolitan Sewerage Districts Act, as amended, and The State and Local Government Revenue Bond Act, as amended (collectively, the "Act"), an amended and restated bond order duly adopted by the District Board of the District (the "Board") on April 21, 1999 (said amended and restated bond order, together

with all orders supplemental and amendatory thereto as therein permitted, being herein collectively called the "Order") and a series resolution duly adopted by the Board on February 20, 2013 (the "Series Resolution"). The District has heretofore issued and secured under the Order \$26,970,000 original principal amount of its Sewerage System Revenue Refunding Bonds, Series 2003 (the "Series 2003 Bonds") [the Series 2003 Bonds are to be removed from the bond form if all of the Series 2003 Bonds are to be redeemed], \$33,635,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2008A (the "Series 2008A Bonds"), \$22,165,000 principal amount of its Sewerage System Revenue Refunding Bonds, Series 2008B (the "Series 2008B Bonds") [the Series 2008B Bonds to be removed from bond form if all of the Series 2008B Bonds are to be redeemed], \$17,205,000 original principal amount of its Sewerage System Revenue Bonds, Series 2009A (the "Series 2009A Bonds"), and \$13,360,000 original principal amount of its Sewerage System Revenue Refunding Bonds, Series 2009B (the "Series 2009B Bonds") for the purpose of paying, directly or indirectly, the cost of acquiring and constructing Additional Projects (as defined in the Order) of the System. The Order provides for the issuance from time to time under the conditions, limitations and restrictions therein set forth of additional bonds to provide funds for paying all or any part of the cost of acquiring and constructing any Additional Project (as defined in the Order), to provide funds for completing payment of the cost of the Project (as defined in the Order) and any Additional Project, and to provide funds to pay the cost (including financing costs) of refunding any bonds issued under the Order, Parity Debt (as defined in the Order) or Subordinated Indebtedness (as defined in the Order) (such additional bonds, the remaining Series 2009B Bonds, the remaining Series 2009A Bonds, [the remaining 2008B Bonds], the remaining 2008A Bonds, [the remaining Series 2003 Bonds] and the Series 2013 Bonds being herein collectively called the "Bonds"). Copies of the Order and the Series Resolution are on file at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the "Trustee") in Jacksonville, Florida. By the acceptance of this bond, the registered owner hereof assents to all of the provisions of the Order and the Series Resolution.

The Series 2013 Bonds are special obligations of the District secured by a pledge, charge and lien upon Net Receipts (as defined in the Order). The District is not obligated to pay the principal of or interest on the Series 2013 Bonds except, as provided in the Order, from Net Receipts or certain other monies made available therefor under the Order and neither the faith and credit nor the taxing power of the State of North Carolina or any political subdivision thereof or the District is pledged to the payment of the principal of and the interest on the Series 2013 Bonds. The Order provides for the issuance or incurrence from time to time under the conditions, limitations and restrictions therein set forth of Bonds and Parity Debt (as defined in the Order) secured on a parity as to the pledge of Net Receipts.

Reference is hereby made to the Order and the Series Resolution for a more complete statement of the provisions thereof and the rights of the District, the Trustee and the registered owners of the Series 2013 Bonds.

The Order provides for the creation of a special fund designated the "Metropolitan Sewerage District of Buncombe County, North Carolina Sewerage System Revenue Bonds Bond Fund" (the "Bond Fund"). Pursuant to the Series Resolution, special subaccounts have been created within the various accounts of the Bond Fund with respect to the Series 2013 Bonds (the "Subaccounts"), which Subaccounts are pledged to and charged with the payment for the principal of and interest on the Series 2013 Bonds. The Series Resolution also provides for the

deposit of Net Receipts to the credit of the Subaccounts to the extent and in the manner provided in the Order.

The Order provides for the charging by the District of rates, fees and charges for the use of and for the services and facilities furnished or to be furnished by the Sewerage System, as defined in the Order in order to produce at all times sufficient Net Revenues to pay the principal of and interest on all Parity Indebtedness and Subordinate Indebtedness as the same shall become due and to create certain reserves for such purposes.

The Series 2013 Bonds are issuable in fully registered form, in such denominations as the Board may by resolution determine. At the principal corporate trust office of the Bond Registrar, in the manner and subject to the limitations and conditions provided in the Order, Series 2013 Bonds may be exchanged for an equal aggregate principal amount of Series 2013 Bonds of the same maturity, of authorized denominations and bearing interest at the same rate.

The transfer of this bond is registrable by the registered owner hereof in person or by his attorney or legal representative at the principal corporate trust office of the Bond Registrar but only in the manner and subject to the limitations and conditions provided in the Order and upon surrender and cancellation of this bond. Upon any such registration of transfer the District shall execute and the Bond Registrar shall authenticate and deliver in exchange for this bond a new Series 2013 Bond or Series 2013 Bonds, registered in the name of the transferee, of authorized denominations, in aggregate principal amount equal to the principal amount of this bond, of the same series and maturity and bearing interest at the same rate. The District or the Bond Registrar may make a charge for every such exchange or registration of transfer of Series 2013 Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any registered owner for the privilege of exchanging or registering the transfer of Series 2013 Bonds. Neither the District nor the Bond Registrar shall be required to make any such exchange or registration of transfer of Series 2013 Bonds during the fifteen (15) days immediately preceding the date of first giving of notice of any redemption of Series 2013 Bonds or any portion thereof or of any Series 2013 Bond after such Series 2013 Bond or any portion thereof has been selected for redemption.

The Series 2013 Bonds at the time outstanding that are stated to mature on or after July 1, 20\_\_ may be redeemed prior to their respective maturities, at the option of the District, on or after July 1, 20\_\_ in whole or in part on any date, in such order of maturity as the District in its discretion may determine and by lot within a single maturity, from any moneys that may be available for such purpose, at the following redemption prices (expressed as a percentage of the principal amount of Series 2013 Bonds to be redeemed), plus the interest accrued thereon to the redemption date:

<u>Redemption Dates (inclusive)</u>	<u>Redemption Price</u>
July 1, 20__ to June 30, 20__	%
July 1, 20__ to June 30, 20__	
July 1, 20__ and thereafter	100

[The Series 2013 Bonds at the time outstanding that are stated to mature on July 1, 20\_\_ are required to be redeemed from moneys in the Series 2013 Subaccount of the Sinking Fund

Account, as defined in the Order, on July 1, \_\_, and on each July 1 thereafter set forth below, in the principal amounts set forth below, at a redemption price equal to 100% of the principal amount of such Series 2013 Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Principal Amount</u>
*	

---

\* Maturity Date

The Series 2013 Bonds at the time outstanding that are stated to mature on July 1, 20\_\_ are required to be redeemed from moneys in the Series 2013 Subaccount of the Sinking Fund Account, as defined in the Order, on July 1, \_\_, and on each July 1 thereafter set forth below, in the principal amounts set forth below, at a redemption price equal to 100% of the principal amount of such Series 2013 Bonds to be redeemed, plus accrued interest to the redemption date:

<u>Year</u>	<u>Principal Amount</u>
*	

---

\* Maturity Date]

If less than all of the Series 2013 Bonds are called for redemption, the Series 2013 Bonds to be so redeemed shall be called for redemption in the manner that the District shall determine as set forth in an Officer’s Certificate filed with the Trustee. If less than all of the Series 2013 Bonds of any one maturity are called for redemption, the Bond Registrar shall select the Series 2013 Bonds to be redeemed by lot, each \$5,000 portion of principal being counted as one 2013 Bond for this purpose; provided, however, that so long as the only registered owner of the Series 2013 Bonds is Cede & Co., such selection shall be made by DTC.

Not more than forty-five (45) days and at least thirty (30) days before the redemption date of any Series 2013 Bonds, the Bond Registrar shall cause a notice of any such redemption, either in whole or in part, signed by the Bond Registrar, to be mailed, first-class, postage prepaid, to all registered owners of Series 2013 Bonds or portions of Series 2013 Bonds to be redeemed at their addresses as they appear on the registration books of the District kept by the Bond Registrar, but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption as to any registered owners to whom such notice was given as so required. The Bond Registrar shall also cause a notice of any such redemption to be given to such other parties as provided in the Series Resolution. On the date designated for redemption, notice having been

given as aforesaid, the Series 2013 Bonds or portions of Series 2013 Bonds so called for redemption shall become and be due and payable at the redemption price provided for the redemption of such Series 2013 Bonds or portions thereof on such date, and, if moneys for payment of the redemption price and the accrued interest are held by the Bond Registrar, as provided in the Order, interest on such Series 2013 Bonds or portions thereof shall cease to accrue, such Series 2013 Bonds or portions thereof shall cease to be entitled to any benefit or security under the Order, and the registered owners thereof shall have no rights in respect of such Series 2013 Bonds or portions thereof except to receive payment of the redemption price thereof and the accrued interest so held by the Bond Registrar. If a portion of this bond shall be called for redemption, a new Series 2013 Bond or Series 2013 Bonds in principal amount equal to the unredeemed portion hereof, of the same maturity and bearing interest at the same rate will be issued to the registered owner upon surrender hereof.

With respect to any notice of redemption of Series 2013 Bonds (other than a notice given with respect to a mandatory sinking fund redemption), such notice may state that such redemption shall be conditional upon the receipt by the Trustee or the Bond Registrar, on or prior to the date fixed for such redemption, of moneys sufficient to pay the redemption price of and accrued interest on the such Series 2013 Bonds to be redeemed, and that if such moneys shall not have been so received, said notice shall be of no force and effect and the District shall not be required to redeem such Series 2013 Bonds. In the event that such notice of redemption contains such a provision and such moneys are not so received, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

The registered owner of this bond shall have no rights to enforce the provisions of the Order or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Order or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Order.

In certain events, on the conditions, in the manner and with the effect set forth in the Order, the principal of all Bonds and Parity Debt then outstanding under the Order may become or may be declared due and payable before the stated maturities thereof, together with the interest accrued thereon.

Modifications or alterations of the Order may be made by the District only to the extent and in the circumstances permitted by the Order.

As declared by the Act, this bond, subject only to the provisions for registration and registration of transfer stated herein and contained in the Order, is an investment security within the meaning of and for all the purposes of Article 8 of the Uniform Commercial Code of the State of North Carolina.

This bond is issued with the intent that the laws of the State of North Carolina shall govern its construction.

All acts, conditions and things required by the Constitution and laws of the State of North Carolina, the Order and the Series Resolution to happen, exist and be performed precedent to and in the issuance of this bond have happened, exist and have been performed as so required.

This bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Order until it shall have been authenticated by the execution by the Bond Registrar of the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, the Metropolitan Sewerage District of Buncombe County has caused this bond to bear the [manual] [facsimile] signatures of the Chairperson and the Secretary-Treasurer of the Board of the District and [a facsimile of] the corporate seal of the District to be imprinted hereon, all as of the \_\_\_\_ day of \_\_\_\_\_, 2013.

METROPOLITAN SEWERAGE DISTRICT OF  
BUNCOMBE COUNTY

[SEAL]

By: \_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Secretary-Treasurer

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

The issuance of the within bond has been approved under the provisions of The State and Local Government Revenue Bond Act of North Carolina.

\_\_\_\_\_  
Secretary  
Local Government Commission of North Carolina



**CERTIFICATE OF AUTHENTICATION**

This bond is one of the Bonds of the series designated therein and issued under the provisions of the within-mentioned Order.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Bond Registrar

By: \_\_\_\_\_  
Authorized Officer

Date of authentication: \_\_\_\_\_

**ASSIGNMENT**

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
\_\_\_\_\_

PLEASE INSERT SOCIAL SECURITY NUMBER  
OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

\_\_\_\_\_  
\_\_\_\_\_

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS OF TRANSFEREE

\_\_\_\_\_  
\_\_\_\_\_ the within bond and all right thereunder, and hereby irrevocably constitutes and appoints

\_\_\_\_\_  
attorney, to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

\_\_\_\_\_  
NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

(c) Details of Series 2013 Bonds. The Series 2013 Bonds shall be dated as of the date of their delivery, shall be stated to mature on July 1, in such years and amounts, shall bear interest, payable on July 1, 2013 and semiannually thereafter on January 1 and July 1 in each year, at such rate or rates, and shall have such optional redemption provisions as shall be set forth in the Series Certificate; provided, however, that the final maturity of the Series 2013 Bonds shall not be later than July 1, 2029 and the true interest cost thereof shall not exceed 5.0%

per annum. The Series 2013 Bonds that are designated as Term Bonds in the Series Certificate shall have such Sinking Fund Requirements as set forth in such certificate.

The Series 2013 Bonds shall be issued by means of a book-entry system with no physical distribution of bond certificates to be made except as hereinafter provided. One bond certificate with respect to each date on which the Series 2013 Bonds are stated to mature, in the aggregate principal amount of the Series 2013 Bonds stated to mature on such date and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), will be issued and required to be deposited with the Bond Registrar and immobilized in its custody. The book-entry system will evidence ownership of the Series 2013 Bonds in the principal amount of \$5,000 or any multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The principal of and any redemption premium on each Series 2013 Bond and interest with respect thereto shall be payable to Cede & Co. or any other person appearing on the registration books of the District as the registered owner of such Series 2013 Bond or its registered assigns or legal representatives. Transfer of principal, interest and any redemption premium payments to participants of DTC will be the responsibility of DTC, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Series 2013 Bonds by participants of DTC will be the responsibility of such participants and other nominees of such beneficial owners. The District, the Bond Registrar and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing records maintained by DTC, its participants or persons acting through such participants.

In the event that (i) DTC determines not to continue to act as Securities Depository for the Series 2013 Bonds or (ii) the District determines that continuation of the book-entry system of evidence and transfer of ownership of the Series 2013 Bonds would adversely affect the interests of the beneficial owners of the Series 2013 Bonds, the District will discontinue the book-entry system with DTC. If the District identifies another qualified Securities Depository to replace DTC, the District will make arrangements with DTC and such other Securities Depository to effect such replacement and deliver replacement bonds registered in the name of such other Securities Depository or its Securities Depository Nominee in exchange for the outstanding Series 2013 Bonds, and the references to DTC or Cede & Co. in this Series Resolution shall thereupon be deemed to mean such other Securities Depository or its Securities Depository Nominee. If the District fails to identify another qualified Securities Depository to replace DTC, the District will deliver replacement bonds in the form of fully registered certificates in the denomination of \$5,000 or any multiple thereof in exchange for the outstanding Series 2013 Bonds as required by DTC.

(d) Delegation and Standards. The District hereby delegates to the General Manager of the District, subject to the limitations contained herein, the power to determine and carry out the following with respect to the Series 2013 Bonds:

(i) Principal Amount. To determine the aggregate principal amount of the Series 2013 Bonds and the principal amounts of each maturity of the Series 2013 Bonds, such principal amount, not to exceed \$37,500,000, to be sufficient for the purposes described in Section 2(a) of this Series Resolution;

(ii) Maturities. To determine the maturity dates of the Series 2013 Bonds and the final maturity date thereof, such final stated maturity not to extend beyond July 1, 2029;

(iii) Serial Bonds and Term Bonds. To determine the Series 2013 Bonds to be designated as and comprising Serial Bonds and the Series 2013 Bonds, if any, to be designated as and comprising Term Bonds, if any;

(iv) Optional Redemption Requirements. To determine the optional redemption provisions and redemption prices, if any, relating to the Series 2013 Bonds;

(v) Sinking Fund Requirements. To determine the Sinking Fund Requirements for any Series 2013 Bonds designated as and comprising Term Bonds;

(vi) Date of Sale. To determine the date of the sale of the Series 2013 Bonds;

(vii) Refunded Bonds. To determine the specific maturities and principal amounts of the Series 2003 Bonds to be refunded and the Series 2008B Bonds to be refunded;

(viii) Negotiated Sale. To approve the sale of the Series 2013 Bonds in a negotiated sale in accordance with the provisions of Section 16 of this Series Resolution; provided, however, that the net interest cost for the Series 2013 Bonds shall not exceed five percent (5%) per annum and, provided further, that the underwriters' discount for the Series 2013 Bonds shall not exceed one percent (1.00%) of the par amount of the Series 2013 Bonds; and

(ix) Other Provisions. To determine any other provisions deemed advisable and not in conflict with the provisions of this Series Resolution or the Order.

(e) Series Certificate. The General Manager of the District shall execute a certificate or certificates (collectively, the "Series Certificate") evidencing the determinations or other actions taken by him pursuant to the authority granted in this Series Resolution, and any such Series Certificate shall be conclusive evidence of the action taken.

(f) Issuance and Delivery of Series 2013 Bonds; Application of Certain Proceeds and Certain Other Moneys. The Series 2013 Bonds shall be executed substantially in the forms and in the manner herein set forth and shall be deposited with the Bond Registrar for authentication, but before the Series 2013 Bonds shall be authenticated and delivered to the purchasers thereof, there shall be filed with the Trustee the items required to be delivered to the Trustee pursuant to Section 2.08 of the Order.

When the documents mentioned in Section 2.08 of the Order shall have been filed with the Trustee, and when the Series 2013 Bonds shall have been executed and authenticated as required by this Series Resolution, the Series 2013 Bonds shall be delivered to or upon the order of the purchasers thereof, but only upon the deposit with the Trustee of the purchase price of the Series 2013 Bonds.

### Section 3. Redemption of Series 2013 Bonds.

#### (a) Redemption of Series 2013 Bonds.

(i) The Series 2013 Bonds shall not be subject to prior redemption except as provided in the Series Certificate, this Section 3 and in Article III of the Order.

(ii) Term Bonds, if any, shall be subject to mandatory redemption, as specified in the Series Certificate and shall be redeemed to the extent of any Sinking Fund Requirement therefor on July 1 immediately following each Bond Year in which there is a Sinking Fund Requirement, at a redemption price equal to 100% of the principal amount of Term Bonds to be redeemed, plus accrued interest to the redemption date.

(b) Selection of Series 2013 Bonds for Redemption. The Series 2013 Bonds shall be redeemed only in whole multiples of \$5,000. If less than all the Series 2013 Bonds are called for redemption, the Series 2013 Bonds to be so redeemed shall be called for redemption in the manner set forth in an Officer's Certificate filed with the Trustee.

If less than all of the Series 2013 Bonds of any one maturity are to be called for redemption, the Bond Registrar shall select the Series 2013 Bonds to be redeemed by lot, each five thousand dollar (\$5,000) portion of principal being counted as one Series 2013 Bond for this purpose; provided, however, that so long as the only Owner of the Series 2013 Bonds is a Securities Depository Nominee, such selection shall be made by the Securities Depository. If less than all of any one maturity of Series 2013 Bonds that are Term Bonds are called for redemption at the option of the District, the District shall cause an Officer's Certificate to be filed with the Trustee not later than July 15 of the following Bond Year setting forth the amount by which the Sinking Fund Requirements with respect to such Term Bonds are to be reduced.

(c) Redemption Notice. At least thirty (30) days but not more than forty-five (45) days prior to the redemption date of any Series 2013 Bonds to be redeemed, whether such redemption be in whole or in part, the Bond Registrar shall cause a notice of any such redemption signed by the Bond Registrar to be mailed, first class, postage prepaid, to all Owners of Series 2013 Bonds to be redeemed in whole or in part, provided that notice to any Securities Depository shall be sent by registered or certified mail and provided further that failure to mail any such notice to any Owner or any defect in such notice shall not affect the validity of the proceedings for such redemption as to the Series 2013 Bonds of any other Owner to whom such notice has been properly given. The Bond Registrar shall also give such notice of redemption to the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access (EMMA) system, or any other entity designated or authorized by the MSRB or the Securities and Exchange Commission in accordance with then current guidelines, but failure to mail such notice or any defect therein shall not affect the validity of any proceedings for the redemption of any Series 2013 Bonds.

Each such notice shall set forth the designation and date of the Series 2013 Bonds, the CUSIP numbers of the Series 2013 Bonds to be redeemed, the date fixed for redemption, the Redemption Price to be paid, the address and phone number of the Trustee and Bond Registrar, the date of the redemption notice, the maturities of the Series 2013 Bonds to be redeemed and, if less than all of the Series 2013 Bonds of any one maturity then Outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Series 2013 Bonds to be redeemed and, in the case of Series 2013 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Series 2013 Bond is to be redeemed in part only, the notice of redemption shall also state that on or after the redemption date, upon surrender of such Series 2013 Bond, a new Series 2013 Bond in principal amount equal to the unredeemed portion of such Series 2013 Bond will be issued.

Any notice of redemption, except a notice of redemption with respect to a Sinking Fund Requirement, may state that the redemption to be effected is conditioned upon the receipt by the Trustee or Bond Registrar on or prior to the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the Series 2013 Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such Series 2013 Bonds shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the principal of and premium, if any, and interest on such Series 2013 Bonds are not received by the Trustee or Bond Registrar on or prior to the redemption date, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4. Costs of Issuance Account, Subaccounts in Other Accounts, Application of Net Receipts and Investment of Funds

(a) Establishment of Costs of Issuance Account and Subaccounts in Other Accounts. There is hereby established with the Trustee an account designated “Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Refunding Bonds, Series 2013 Costs of Issuance Account.”

The following subaccounts are hereto established:

- (i) Series 2013 Subaccount of the Interest Account of the Bond Fund;
  - (ii) Series 2013 Subaccount of the Principal Account of the Bond Fund;
  - (iii) Series 2013 Subaccount of the Sinking Fund Account of the Bond Fund;
- and
- (iv) Series 2013 Subaccount of the Redemption Account of the Bond Fund.

The subaccounts mentioned above shall be established with and held by the Trustee pursuant to the Order and this Series Resolution.

(b) Costs of Issuance Account. On the delivery date of the Series 2013 Bonds, the District shall cause to be deposited with the Trustee, from the proceeds of the Series 2013 Bonds, to the credit of the Costs of Issuance Account, such amount as is required by Section 4(c) of this Series Resolution. Money shall be disbursed from the Costs of Issuance Account, upon requisition of the District in substantially the form attached hereto as Appendix A, for the purpose of paying the costs of issuance of the Series 2013 Bonds and pending such disbursement, shall be held solely for the security of the owners of the Series 2013 Bonds. The Trustee shall transfer any balance remaining on deposit in Costs of Issuance Account to the Series 2013 Subaccount of the Interest Account on May 1, 2014, or any earlier date that the Trustee shall receive an Officer’s Certificate certifying that all costs of issuance of the Series 2013 Bonds have been paid.

(c) Application of Proceeds of the Series 2013 Bonds. Simultaneously with the delivery of the Series 2013 Bonds and the deposit of the net proceeds of the Series 2013 Bonds

with the Trustee, the Trustee shall deposit such net proceeds of the Series 2013 Bonds as follows:

(i) An amount set forth in the Series Certificate shall be transferred to the Escrow Agent for the purpose of refunding the Series 2003 Bonds to be refunded;

(ii) An amount set forth in the Series Certificate shall be paid to the bond registrar for the Series 2008B Bonds for the purpose of redeeming the Series 2008B Bonds on the date the Series 2013 Bonds are issued; and

(iii) The balance of the proceeds of the Series 2013 Bonds shall be deposited to the credit of the Costs of Issuance Account.

(d) Application of Net Receipts. On or before the dates set forth below, the District shall, subject to the provisions of the Order, deposit or cause to be deposited, from Net Receipts held in the Revenue Account, with the Trustee the following amounts, and the Trustee shall apply such amounts to the various subaccounts and account specified herein in the following order:

(i) into the Series 2013 Subaccount of the Interest Account, two Business Days prior to the next ensuing Interest Payment Date, an amount equal to the interest payable on the Series 2013 Bonds on such Interest Payment Date;

(ii) into the Series 2013 Subaccount of the Principal Account, two Business Days prior to July 1 of each year, an amount equal to the principal of all Serial Bonds due on such July 1; and

(iii) into the Series 2013 Subaccount of the Sinking Fund Account, two Business Days prior to July 1 of each year, the amount required to retire the Term Bonds, if any, to be called by mandatory redemption or to be paid at maturity on such July 1, in accordance with the Sinking Fund Requirements therefor.

In addition, the Trustee shall deposit to the Series 2013 Subaccount of the Redemption Account all amounts as shall be delivered to the Trustee by the District from time to time with written instructions that such amounts be so deposited.

(e) Application of Money in the Series 2013 Subaccount of the Sinking Fund Account. Money held in the Series 2013 Subaccount of the Sinking Fund Account shall be applied during each Bond Year to the purchase or retirement of Term Bonds then Outstanding as follows:

(i) The Trustee shall, at the written request of the District, endeavor to purchase and cancel Term Bonds or portions thereof subject to redemption by operation of the Series 2013 Subaccount of the Sinking Fund Account or maturing on the next ensuing July 1. The purchase price of each such Term Bond shall not exceed par plus accrued interest to the date of purchase. The Trustee shall pay the interest accrued on such Term Bonds to the date of settlement therefor from the Series 2013 Subaccount of the Interest Account or from other funds made available by the District and the purchase price from the Series 2013 Subaccount of the Sinking Fund Account, but no such purchase shall be made by the Trustee from money in the Series 2013 Subaccount of the

Sinking Fund Account within the period of forty-five (45) days immediately preceding any July 1 on which such Term Bonds are subject to redemption. The aggregate purchase price of Term Bonds during such Bond Year shall not exceed the amount deposited in the Series 2013 Subaccount of the Sinking Fund Account on account of the Sinking Fund Requirement for the Term Bonds for such Bond Year. If in any Bond Year the sum of the amount on deposit in the Series 2013 Subaccount of the Sinking Fund Account for the payment of any Term Bonds and the principal amount of the Term Bonds that were purchased during such Bond Year pursuant to the provisions of this paragraph (i) or delivered during such Bond Year to the Trustee by the District exceeds the Sinking Fund Requirement for the Outstanding Term Bonds for such Bond Year, the Trustee, at the written request of the District, shall endeavor to purchase Outstanding Term Bonds with such excess money at a price no greater than par plus accrued interest;

(ii) The Trustee shall call for redemption on July 1 immediately following the then current Bond Year the Term Bonds then subject to redemption in a principal amount equal to the aggregate Sinking Fund Requirement for the Term Bonds for such Bond Year, less the principal amount of any such Term Bonds retired during such Bond Year by purchase pursuant to paragraph (i) of this Section or delivered during such Bond Year to the Trustee by the District. If the amount available in the Series 2013 Subaccount of the Sinking Fund Account on such July 1 is not equal to the Sinking Fund Requirement for the Term Bonds for such Bond Year less the principal amount of any such Term Bonds so delivered or purchased and retired, the Trustee shall apply the amount available in the Series 2013 Subaccount of the Sinking Fund Account to the redemption of Term Bonds then subject to redemption so as to exhaust, to the extent practicable, the amount available. On each redemption date the Trustee shall withdraw from the Series 2013 Subaccount of the Sinking Fund Account the amount required to pay the redemption price of the Term Bonds so called for redemption. The amount of interest on the Term Bonds so called for redemption shall be paid from the Series 2013 Subaccount of the Interest Account. If such date is the stated maturity date of any such Term Bonds, the Trustee shall not call such Term Bonds for redemption but, on such maturity, shall withdraw the amount required for paying the principal of such Term Bonds when due and payable.

If on any date there is money in the Series 2013 Subaccount of the Sinking Fund Account and no Term Bonds are then Outstanding or if on any payment date money remains therein after the mandatory redemption of Term Bonds in accordance with the Sinking Fund Requirement therefor, the Trustee shall withdraw such money therefrom and shall apply the same as follows and in the following order: (x) deposit in the Series 2013 Subaccount of the Interest Account and the Series 2013 Subaccount of the Principal Account, the amounts, if any, required to be paid thereto in such month and (y) deliver to the District all remaining amounts for deposit to the Revenue Account.

If, in any Bond Year, by the application of money in the Series 2013 Subaccount of the Sinking Fund Account, the Trustee should purchase or receive from the District and cancel Term Bonds in excess of the aggregate Sinking Fund Requirement for such Bond Year, the Trustee shall file with the District not later than the twentieth (20th) day prior to the next July 1 on which Term Bonds are to be redeemed, a statement identifying the Term Bonds purchased or delivered during such Bond Year and the amount of such excess. The District shall thereafter cause an Officer's Certificate to be filed with the Trustee not later than July 15 of the following Bond

Year setting forth with respect to the amount of such excess the Bond Years in which the Sinking Fund Requirements with respect to Term Bonds are to be reduced and the amount by which the Sinking Fund Requirements so determined are to be reduced.

Upon the retirement of any Term Bonds by purchase and redemption pursuant to the provisions of this Section, the Trustee shall file with the District a statement identifying such Bonds and setting forth the date of purchase or redemption, the amount of the purchase price or the Redemption Price of such Term Bonds, and the amount paid as interest thereon. The expenses incurred in connection with the purchase or redemption of any such Term Bonds shall be paid by the District from the Revenue Account or from any other available moneys.

(f) Application of Money in the Series 2013 Subaccount of the Redemption Account. The Trustee shall apply money in the Series 2013 Subaccount of the Redemption Account to the purchase or redemption of Series 2013 Bonds as follows:

(i) Subject to the provisions of clause (iii) of this Section 4(f), at the written request of the District, the Trustee shall endeavor to purchase and cancel Series 2013 Bonds or portions thereof, regardless of whether such Bonds or portions thereof are then subject to redemption, provided that the purchase price of each Series 2013 Bond shall not exceed the Redemption Price that would be payable on the next redemption date to the Owner of such Series 2013 Bond under the provisions of the applicable Series 2013 Subaccount of the Redemption Account. The Trustee shall pay the interest accrued on such Bonds or portions thereof to the date of settlement from the Series 2013 Subaccount of the Interest Account or other funds provided by the District and the purchase price from the Series 2013 Subaccount of the Redemption Account, but no such purchase shall be made by the Trustee from money in the Series 2013 Subaccount of the Redemption Account within the period of forty-five (45) days immediately preceding any date on which such Series 2013 Bonds or portions thereof are to be redeemed.

(ii) Subject to the provisions of clause (iii) of this Section 4(f), the Trustee shall call for redemption on a date permitted by this Series Resolution such amount of Series 2013 Bonds or portions thereof as, with the redemption premium, if any, will exhaust the money then held in the Series 2013 Subaccount of the Redemption Account as nearly as may be practicable; provided, however, that not less than Fifty Thousand Dollars (\$50,000) in principal amount of the Series 2013 Bonds shall be called for redemption at any one time unless the Trustee is so instructed in writing by the District. The Trustee shall pay the accrued interest on the Series 2013 Bonds or portions thereof to be redeemed to the date of redemption from the Series 2013 Subaccount of the Interest Account and the Redemption Price of such Bonds or portions thereof from the Series 2013 Subaccount of the Redemption Account. The Trustee shall withdraw from the Series 2013 Subaccount of the Redemption Account and set aside the respective amounts required to pay the Redemption Price of the Series 2013 Bonds or portions thereof so called for redemption.

(iii) Money in the Series 2013 Subaccount of the Redemption Account shall be applied by the Trustee in each Fiscal Year to the purchase or the redemption of Series 2013 Bonds then Outstanding in accordance with the latest Officer's Certificate filed with the Trustee designating the Series 2013 Bonds to be redeemed.



Upon the retirement of any Series 2013 Bonds by purchase or redemption pursuant to the provisions of this Section, the Trustee shall file with the District a statement identifying such Series 2013 Bonds and setting forth the date of purchase or redemption, the amount of the purchase price or the Redemption Price of such Bonds and the amount paid as interest thereon. The expenses incurred by the Trustee in connection with the purchase or redemption of any such Series 2013 Bonds shall be paid by the District from the Revenue Account or from any other available moneys.

(g) Investment of Money. Money held for the credit of the Costs of Issuance Account and subaccounts in the Bond Fund established by this Series Resolution shall be continuously invested and reinvested by the Trustee at the written direction of the District in Investment Obligations to the extent practicable. Absent written instructions from the District, the Trustee shall not invest any money held for the credit of the Costs of Issuance Account and the subaccounts in the Bond Fund established by this Series Resolution. Any such Investment Obligations shall mature not later than the respective dates when the money held for the credit of such account or subaccounts will be required for the purposes intended. No Investment Obligations in any such account or subaccount may mature beyond the latest maturity date of any Series 2013 Bonds Outstanding at the time such Investment Obligations are deposited.

Investment Obligations acquired with money in or credited to any account or subaccount established by this Series Resolution shall be deemed at all times to be part of such account or subaccount. Any loss realized upon the disposition or maturity of such Investment Obligations shall be charged against such account or subaccount. The interest accruing on any such Investment Obligations and any profit realized upon the disposition or maturity of such Investment Obligations shall be credited to such account or subaccounts as follows:

<u>Accounts or Subaccounts</u>	<u>Credit to</u>
Costs of Issuance Account	Costs of Issuance Account
All Subaccounts	Respective Subaccounts

Any such interest accruing and any such profit realized shall be transferred upon the receipt thereof by the District or the Trustee, as the case may be, pursuant to the provisions of the Order and this Series Resolution.

An Authorized Officer shall give to the Trustee written directions respecting the investment of any money required to be invested hereunder, subject, however, to the provisions of this Section 4(g), and the Trustee shall then invest such money as so directed. The Trustee may request in writing additional direction or authorization from the Authorized Officer with respect to the proposed investment of money. Upon receipt of such directions, the Trustee shall invest, subject to the provisions of this Section 4(g), such money in accordance with such directions. The Trustee shall not be liable to the District for any loss suffered by the District as a result of or in connection with any investment in Investment Obligations made by the Trustee in good faith as instructed by or approved by an Authorized Officer.

The Trustee shall sell or reduce to cash a sufficient amount of such Investment Obligations whenever it is necessary to do so in order to provide money to make any payment from any such account or subaccount. The Trustee shall not be liable or responsible for any loss resulting from any such investment.

Whenever a transfer of money between two or more of the accounts or subaccounts is permitted or required, such transfer may be made as a whole or value determined at the time of such transfer in accordance with Article VI of the Order, provided that the Investment Obligations transferred are those in which money of the receiving account or subaccount could be invested at the date of such transfer.

Ratings of Investment Obligations shall be determined at the time of purchase of such Investment Obligations and without regard to ratings subcategories. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such trades, including cash sweep account fees. Although the District recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the District hereby agrees that confirmations of Investment Obligations are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month. The Trustee may conclusively rely upon the Authorized Officer's written instructions as to both the suitability and legality of the directed investments.

(h) Payment of Principal, Interest and Premium. The District covenants that it will promptly pay the principal of and the interest on every Series 2013 Bond at the places, on the dates and in the manner provided herein and in the Series 2013 Bonds, and any premium required for the retirement of the Series 2013 Bonds by purchase or redemption, according to the true intent and meaning thereof. The District further covenants that it will faithfully perform at all times all of its covenants, undertakings and agreements contained in this Series Resolution and the Order, or in any Series 2013 Bond or in any proceedings of the District pertaining thereto. The District represents and covenants that it is duly authorized under the Constitution and laws of the State, particularly the Act, to issue the Series 2013 Bonds authorized by this Series Resolution and to pledge the Net Receipts in the manner and to the extent in the Order set forth; that all action on its part for the issuance of the Series 2013 Bonds has been duly and effectively taken; and that such Series 2013 Bonds in the hands of the Owners thereof are and will be valid and binding special obligations of the District payable according to their terms.

(i) Tax Covenant. The District covenants to do and perform all acts and things permitted by law in order to assure that interest paid on the Series 2013 Bonds which was excludable from the gross income of their Owners for federal income taxes on the date of their issuance shall continue to be so excludable.

## Section 5. The Trustee

(a) Acceptance of Duties by Trustee. Simultaneously with the taking effect of the Order and this Series Resolution, the Trustee shall, by the execution of an instrument of acceptance, accept and agree to perform the duties and fulfill the trusts imposed upon it by this Series Resolution.

(b) Trustee Not Responsible for Disclosure Documents. The Trustee shall have no duty or responsibility to examine or review, and shall have no liability for, the contents of any documents submitted to or delivered to any Owner in the nature of a preliminary or final placement memorandum, official statement, offering circular or similar disclosure document.

Section 6. Supplemental Resolutions

(a) Supplemental Resolutions Without Consent of Owners. The District may, from time to time and at any time, adopt such resolutions supplemental hereto (which supplemental resolutions shall thereafter form a part hereof) as shall be substantially consistent with the terms and provisions of this Series Resolution and, in the opinion of the Trustee, who may rely upon a written opinion of legal counsel, shall not materially and adversely affect the interest of the Owners:

(i) to cure any ambiguity or formal defect or omission, to correct or supplement any provision herein that may be inconsistent with any other provision herein, to make any other provisions with respect to matters or questions arising under this Series Resolution or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in this Series Resolution;

(ii) to grant or to confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee;

(iii) to add to the covenants and agreements of the District in this Series Resolution other covenants and agreements thereafter to be observed by the District or to surrender any right or power herein reserved to or conferred upon the District;

(iv) to permit the qualification of this Series Resolution under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the District so determines, to add to this Series Resolution or any supplemental Order such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law; or

(v) to provide for the issuance of Series 2013 Bonds in bearer form.

(b) Supplemental Resolutions with Consent of Owners and the Local Government Commission. Subject to the terms and provisions contained in this Section, and not otherwise, the Owners of not less than a majority in aggregate principal amount of the Series 2013 Bonds then Outstanding, shall have the right, from time to time, anything contained in this Series Resolution to the contrary notwithstanding, to consent to and approve the adoption by the Board of such resolutions supplemental hereto as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Series Resolution or in any supplemental resolution; provided, however, that nothing herein contained shall permit, or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any Series 2013 Bond without the consent of the Owner of such Series 2013 Bond, (ii) a reduction in the principal amount of any Series 2013 Bond or the redemption premium or the rate of interest thereon without the consent of the Owner of such Series 2013 Bond, (iii) the creation of a pledge of Net Receipts other than the lien and pledge created by the Order without the consent of the Owners of all Series 2013 Bonds, (iv) a preference or priority of any Series 2013 Bond over any other Series 2013 Bond without the consent of the Owners of all Series 2013 Bonds, or (v) a reduction in the aggregate principal amount of Series 2013 Bonds required for consent to such supplemental resolution without the consent of the Owners of all Series 2013 Bonds. Nothing herein contained, however, shall be construed as making necessary the approval by the Owners of the

execution and delivery of any supplemental resolution as authorized in Section 6(a) of this Series Resolution.

The Trustee shall, at the expense of the District, such expense to be paid from the Revenue Account or from any other available moneys, cause notice of the proposed adoption of such supplemental resolution to be mailed, postage prepaid, to the Local Government Commission and all Owners of the Series 2013 Bonds. Such notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Owners. The Trustee shall not, however, be subject to any liability to any Owner by reason of its failure to mail the notice required by this Section, and any such failure shall not affect the validity of such supplemental resolution when approved and consented to as provided in this Section.

Whenever, at any time within three years after the date of the mailing of such notice, the District shall deliver to the Trustee an instrument or instruments in writing purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Series 2013 Bonds then Outstanding, which instrument or instruments shall refer to the proposed supplemental resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, such supplemental resolution may be adopted by the Board, or, if theretofore adopted by the Board, take effect, in substantially such form, without liability or responsibility to any Owner, whether or not such Owner shall have consented thereto; provided, however, that no supplemental resolution shall take effect pursuant to this Section 6(b) prior to the date that the District shall have delivered to the Trustee an instrument evidencing consent to such supplemental resolution by the Local Government Commission.

If the Owners of not less than a majority in aggregate principal amount of the Series 2013 Bonds Outstanding at the date of the adoption or effective date of such supplemental resolution have consented to and approved the adoption thereof as herein provided, to the extent permitted by law, no Owner shall have any right to object to the adoption of such supplemental resolution, to object to any of the terms and provisions contained therein or the operation thereof, to question the propriety of the adoption or taking effect thereof, or enjoin or restrain the Board from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption or taking effect of any supplemental resolution pursuant to the provisions of this Section 6(b) or Section 6(a), this Series Resolution shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Series Resolution of the District, the Trustee and all Owners shall thereafter be determined, exercised and enforced in all respects pursuant to the provisions of this Series Resolution, as so modified and amended.

(c) Exclusion of Series 2013 Bonds. Series 2013 Bonds owned or held by or for the account of the District shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Series 2013 Bonds provided for in this Section 6, and the District as Owner of such Series 2013 Bonds shall not be entitled to consent or take any other action provided for in this Section 6. At the time of any consent or other action taken under this Article, the District shall furnish the Trustee an Officer's Certificate upon which the Trustee may rely, describing all Series 2013 Bonds so to be excluded.

(d) Rights of the Trustee; Opinion. This Series Resolution may not be amended to alter the rights, duties or obligations of the Trustee or the Bond Registrar without the prior written consent of the Trustee or the Bond Registrar, respectively. No supplement or amendment to this Series Resolution shall be effective prior to the receipt by the Trustee of an opinion of Bond Counsel that such amendment has been duly authorized and is permitted pursuant to the provisions of this Series Resolution.

Section 7. Manner of Giving Notice. All notices, demands and requests to be given to or made hereunder by the District, the Local Government Commission, the Trustee or the Bond Registrar shall be given or made in writing and shall be deemed to be properly given or made if sent by United States registered mail, return receipt requested postage prepaid, addressed as follows:

(a) As to the District--

Metropolitan Sewerage District of Buncombe County  
Administration Building  
2028 Riverside Drive  
Asheville, North Carolina 28804  
Attention: General Manager

(b) As to the Trustee or Bond Registrar-

The Bank of New York Mellon Trust Company, N.A.  
10161 Centurion Parkway  
Jacksonville, FL 32256  
Attention: Corporate Trust Department

(c) As to the Local Government Commission-

North Carolina Local Government Commission  
305 N. Salisbury Street  
Raleigh, North Carolina 27603-1385  
Attention: Secretary

Overnight Courier  
4505 Fair Meadow Lane, Suite 102  
Raleigh, North Carolina 27607  
Attention: Secretary

Any such notice, demand or request may also be transmitted to the appropriate above-mentioned party by telegram or telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change sent by United States registered mail, postage prepaid, to the other parties by the party effecting the change.

The Trustee agrees to accept and act upon instructions or directions sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that the District and such other Person providing notice to the Trustee shall provide to the Trustee an incumbency certificate listing such designated persons, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the District or such other Person providing notice to the Trustee elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding that such instructions conflict or are inconsistent with a subsequent written instruction. The Trustee has offered the District commercially reasonable security procedures with respect to such instructions and the District has chosen not to avail itself of such procedures. Each of the District and such other Person providing notice to the Trustee agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Section 8. Substitute Notice. If, because of the temporary or permanent suspension of postal service, the District, the Local Government Commission, the Trustee or the Bond Registrar shall be unable to mail any notice required to be given by the provisions of this Series Resolution, such party shall give notice in such other manner as in the judgment of such party shall most effectively approximate mailing, and the giving of notice in such manner shall for all purposes of this Series Resolution be deemed to be in compliance with the requirement for the mailing thereof.

Section 9. Continuing Disclosure. The District hereby undertakes, for the benefit of the beneficial owners of the Series 2013 Bonds, to provide:

(a) by not later than seven months from the end of each Fiscal Year of the District, commencing with the Fiscal Year ending June 30, 2013, to the Electronic Municipal Market Access system ("EMMA") (<http://emma.msrb.org>), the audited financial statements of the District for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements are not available by seven months from the end of such Fiscal Year, the unaudited financial statements of the District for such Fiscal Year to be replaced subsequently by the audited financial statements of the District to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each Fiscal Year of the District, commencing with the Fiscal Year ending June 30, 2013, to EMMA, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the headings "INCOME AVAILABLE FOR DEBT SERVICE AND DEBT SERVICE COVERAGE – Historical Income Available for Debt Service and Debt Service Coverage" in the Official Statement of the District, to be dated on or about April 14, 2013, relating to the Series 2013 Bonds (the "Official Statement"), "Rates, Fees and Charges" in Appendix A to the Official Statement and "Commercial Customers" in Appendix A to the Official Statement, to the extent such items are not included in the financial statements referred to in (a) above;

- (c) in a timely manner not in excess of ten business days after the occurrence of the event, to EMMA, notice of any of the following events with respect to the Series 2013 Bonds:
- (1) principal and interest payment delinquencies;
  - (2) non-payment related defaults;
  - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
  - (4) unscheduled draws on any credit enhancements reflecting financial difficulties;
  - (5) substitution of any credit or liquidity providers, or their failure to perform;
  - (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), other material notices or determinations with respect to the tax status of the Series 2013 Bonds;
  - (7) modification to the rights of the beneficial owners of the Series 2013 Bonds;
  - (8) call of any of the Series 2013 Bonds for redemption, if material and tender offers;
  - (9) defeasances;
  - (10) release, substitution or sale of any property securing repayment of the Series 2013 Bonds, if material;
  - (11) rating changes;
  - (12) bankruptcy, insolvency, receivership or similar event of the District, which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets of the business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision over substantially all of the assets or business of the District;
  - (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material; and

(14) appointment of a successor Trustee or additional Trustee or the change of name of a Trustee, if material; and

(d) in a timely manner, notice of a failure of the District to provide required annual financial information described in (a) or (b) above on or before the date specified.

If the District fails to comply with the undertaking described above, the Trustee or any beneficial owner of the Series 2013 Bonds may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking shall not be an Event of Default and shall not result in any acceleration of payment of the Series 2013 Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Series 2013 Bonds.

The District reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the District, provided that:

(e) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the District;

(f) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”) as of the date of the Official Statement with respect to the Series 2013 Bonds, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(g) any such modification does not materially impair the interests of the beneficial owners, as determined either by bond counsel, or by approving vote of the registered owners of a majority in principal amount of the Series 2013 Bonds pursuant to the terms of the Order, as it may be amended from time to time, at the time of the amendment.

The District agrees that the annual financial information containing modified operating data or financial information will explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The provisions of this Section 9 shall terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Series 2013 Bonds.

Section 10. District, Trustee, Bond Registrar and Owners Alone Have Rights under Series Resolution. Except as herein otherwise expressly provided, nothing in this Series Resolution, express or implied, is intended or shall be construed to confer upon any person, firm or corporation, other than the District, the Trustee, the Bond Registrar and the Owners, any right, remedy or claim, legal or equitable, under or by reason of this Series Resolution or any provision being intended to be and being for the sole and exclusive benefit of the District, the Trustee, the Bond Registrar and the Owners.

Section 11. Effect of Partial Invalidity. In case any one or more of the provisions of this Series Resolution or the Series 2013 Bonds shall for any reason be held to be illegal or



invalid, such illegality or invalidity shall not affect any other provisions of this Series Resolution or the Series 2013 Bonds, but this Series Resolution and the Series 2013 Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in this Series Resolution or the Series 2013 Bonds shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the District to the full extent permitted by law.

Section 12. Effect of Covenants; Governing Law. All covenants, stipulations, obligations and agreements of the District contained in this Series Resolution shall be deemed to be covenants, stipulations, obligations and agreements of the District to the full extent permitted by the Constitution and laws of the State. This Series Resolution is adopted with the intent that the laws of the State shall govern this construction.

Section 13. Headings. Any heading preceding the text of the several articles hereof, any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Series Resolution, nor shall they affect its meaning, construction or effect.

Section 14. Payment Due on Holidays. If the date for making any payment or the last day for performance of any act or the exercising of any right as provided in this Series Resolution is not a Business Day, such payment may be made or act performed or right exercised on the next Business Day with the same force and effect as if done on the date provided in this Series Resolution.

Section 15. Approval of Official Statement. The form of preliminary official statement (the "Preliminary Official Statement") relating to the relating to the Series 2013 Bonds on file with the Secretary-Treasurer of the Board of the District is hereby deemed approved. Wells Fargo Bank, National Association is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in purchasing the Series 2013 Bonds. The General Manager of the District and the Director of Finance of the District, acting singly, is hereby authorized to certify on behalf of the District, that the Preliminary Official Statement was deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12). The Official Statement in substantially said form, with such changes as the Chairperson of the Board of the District or the General Manager of the District may approve (including all information previously permitted to have been omitted by Rule 15c2-12), which approval shall be conclusively evidenced by execution by the Chairperson of the Board of the District or the General Manager of the District of the Official Statement and delivery thereof to the underwriters of the Series 2013 Bonds within 7 business days of the sale of the Series 2013 Bonds, is hereby approved.

Section 16. Local Government Commission Requested to Award the Series 2013 Bonds. The District hereby requests that the Local Government Commission award the Series 2013 Bonds at negotiated sale without advertisement to Wells Fargo Bank, National Association, as representative of the underwriters of the Series 2013 Bonds, at an underwriters' discount of not more than one percent (1.00%) of the par amount of the Series 2013 Bonds, subject to the approval thereof by the General Manager of the District.

Section 17. Approval of Bond Purchase Agreement and Escrow Deposit Agreement. The District hereby approves the Bond Purchase Agreement relating to the Series 2013 Bonds (the “Bond Purchase Agreement”), in substantially the form of the draft dated February \_\_, 2013 and the Escrow Deposit Agreement in substantially the form of the draft dated February \_\_, 2013, and hereby authorizes the Chairperson of the Board or the General Manager of the District to execute the Bond Purchase Agreement and the Escrow Deposit Agreement in substantially the forms of said drafts, together with such changes, modifications, insertions and deletions, as he, with the advice of counsel, may deem necessary and appropriate; such execution and delivery shall be conclusive evidence of the approval and authorization thereof by the District. The District also hereby authorizes the Chairperson of the Board or the General Manager of the District to name a verification agent to verify the sufficiency of the escrow account held under the Escrow Deposit Agreement.

Section 18. Authorization to District Officials and Officers and Agents of Trustee and Bond Registrar. The officers, agents and employees of the District and the officers and agents of the Trustee and the Bond Registrar are hereby authorized and directed to do all acts and things required of them by the provisions of the Series 2013 Bonds, the Order, the Bond Purchase Agreement, this Series Resolution, the Series Certificate and any other related documents or agreements for the full, punctual and complete performance of the terms, covenants, provisions and agreements therein.

Section 19. Exclusion From Gross Income Covenant. The District covenants that it will not take any action which will, or fail to take any action which failure will, cause interest on the Series 2013 Bonds to become includable in the gross income of the owners thereof for federal income tax purposes pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

Section 20. Notice to Local Government Commission and Rating Agencies. The Local Government Commission and each Rating Agency then rating the Series 2013 Bonds shall receive notice from the Trustee of the following events: any change in the Trustee or the Bond Registrar; any material change in the Order or this Series Resolution; any acceleration of the Series 2013 Bonds; any redemption (other than any mandatory sinking fund redemption) or defeasance of Series 2013 Bonds, and, to the extent the Trustee has actual knowledge thereof, any issuance of Parity Indebtedness.

Section 21. Effective Date. This Series Resolution shall take effect immediately upon its adoption. The General Manager of the District is hereby authorized and directed to deliver this Series Resolution upon the issuance of the Series 2013 Bonds with such changes, insertions and omissions as may be approved by the General Manager of the District, such delivery being conclusive evidence of such approval; and provided, however, such changes, insertions and omissions shall be necessary to effectuate the intent of this Series Resolution.

**APPENDIX A**

**REQUISITION**

\_\_\_\_\_, 2013

The Bank of New York Mellon Trust Company, N.A.  
10161 Centurion Parkway  
Jacksonville, Florida 32256  
Attention: Corporate Trust Department

RE: Disbursement from Costs of Issuance Account pursuant to the Series Resolution relating to the Metropolitan Sewerage District of Buncombe County Sewerage System Revenue Refunding Bonds, Series 2013, adopted on March 20, 2013 (the "Series Resolution"), by the District Board of the Metropolitan Sewerage District of Buncombe County, North Carolina

**REQUISITION NO.**

You are hereby instructed to pay to the Metropolitan Sewerage District of Buncombe County, North Carolina (the "District"), or to \_\_\_\_\_ at \_\_\_\_\_, the sum of \$\_\_\_\_\_, for \_\_\_\_\_, as a cost of issuance of the Series 2013 Bonds, from the Costs of Issuance Account as provided in the Series Resolution. This cost has been properly incurred, is presently due and payable, is a proper charge against the Costs of Issuance Account that has not been paid and has not been the basis of any previous disbursements from the Costs of Issuance Account.

Attached hereto is a contract payment certificate of the District or an invoice relating to the requested disbursement.

All capitalized terms used herein have the meanings assigned to them in the Series Resolution.

Very truly yours,

**METROPOLITAN SEWERAGE DISTRICT OF  
BUNCOMBE COUNTY, NORTH CAROLINA**

By: \_\_\_\_\_  
Director of Finance

RECEIPT ACKNOWLEDGED:

THE BANK OF NEW YORK TRUST MELLON COMPANY, N.A.,  
Trustee

By: \_\_\_\_\_  
Authorized Signatory

**BOND PURCHASE AGREEMENT**

Relating to

[\$Amount]

Metropolitan Sewerage District of Buncombe County, North Carolina  
Sewerage System Revenue Refunding Bonds, Series 2013

April 5, 2013

Local Government Commission  
Raleigh, North Carolina

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

Ladies and Gentlemen:

The undersigned, Wells Fargo Bank, National Association, on its own behalf and on behalf of BB&T Capital Markets, a division of BB&T Securities, LLC (the “Underwriters”), hereby offers to enter into this Bond Purchase Agreement (the “Agreement”) with the Local Government Commission, a division of the Department of State Treasurer of the State of North Carolina (the “LGC”), and the Metropolitan Sewerage District of Buncombe County, North Carolina (the “District”) which, upon acceptance of this offer by the LGC and approval of this offer and of the LGC’s acceptance thereof by the District, will be binding upon the LGC, the District and the Underwriters. This offer is made subject to acceptance by the LGC and approval by the District on or before 11:00 a.m., Raleigh, North Carolina time, on the date hereof and, if not so accepted and approved, will be subject to withdrawal by the Underwriters upon notice delivered to the LGC and the District at any time prior to such acceptance and approval.

Section 1. Purchase and Sale of the Bonds. Upon the terms and conditions hereof and upon the basis of the representations set forth herein, the LGC and the District hereby agree to sell and the Underwriters hereby agree to purchase the [Amount] aggregate principal amount of Metropolitan Sewerage District of Buncombe County, North Carolina Sewerage System Revenue Refunding Bonds, Series 2013 (the “Series 2013 Bonds”) for an aggregate purchase price equal to \$\_\_\_\_\_ (representing the aggregate principal amount of the Series 2013 Bonds, plus original issue premium of \$\_\_\_\_\_ and less an underwriters’ discount of \$\_\_\_\_\_) (the delivery and payment and other actions contemplated hereby to take place at the time thereof being herein sometimes referred to as the “Closing”).

The proceeds of the Series 2013 Bonds are to be used to provide funds, together with other available funds, to (1) refund all of the District’s outstanding Sewerage System Revenue Refunding Bonds, Series 2003, maturing on July 1, 2014 to July 1, 2022, inclusive (the “Series 2003 Bonds”), (2) refund all of the District’s outstanding Sewerage System Revenue Refunding Bonds, Series 2008B (the “Series 2008B Bonds” and, together with the Series 2003 Bonds, the “Prior Bonds”) and (3) pay certain costs and expenses incurred in connection with the issuance of the Series 2013 Bonds.

The Bonds shall be issued pursuant to the North Carolina Metropolitan Sewerage Districts Act, as amended (the “MSD Act”), and The State and Local Government Revenue Bond Act, as amended (the “Revenue Bond Act” and, together with the MSD Act, the “Enabling Act”), an Amended and Restated Bond Order adopted by the District Board of the District on April 21, 1999 (together with any orders supplemental thereto and amendatory thereof, the “Bond Order”), and a Series Resolution with respect to the Series 2013 Bonds (the “2013 Series Resolution”) adopted by the District Board of the District on March \_\_, 2013. The Bank of New York Mellon Trust Company, N.A. is the Trustee (the “Trustee”) and the Bond Registrar (the “Bond Registrar”) under the Bond Order and the 2013 Series Resolution. The Series 2013 Bonds will be dated the date of their issuance and delivery, and will mature, bear interest and be subject to the right to purchase and of prior redemption as set forth on Schedule I attached hereto.

The primary role of the Underwriters is to purchase the Series 2013 Bonds in an arm’s-length commercial transaction between the Underwriters and the District. The Underwriters have financial and other interests that differ from those of the District.

Section 2. Official Statement. Prior to their acceptance hereof, the LGC and the District shall deliver or cause to be delivered to the Underwriters two copies of the Preliminary Official Statement dated March \_\_, 2013 related to the Bonds (the “Preliminary Official Statement”), marked to include such changes as shall have been accepted by the Underwriters and are necessary or desirable to reflect the terms of this Agreement and to complete the document as an Official Statement in final form, executed on behalf of the LGC and the District (together with any amendments or supplements thereto, the “Official Statement”). The Official Statement will be executed on behalf of the LGC by its Secretary and on behalf of the District by its Chairman and General Manager or any other representative of the District authorized by resolution of the District. The LGC and the District hereby approve the Official Statement and authorize the use of copies of the Official Statement in connection with the public offering and sale of the Bonds. The LGC and the District consent to the use by the Underwriters (prior to the date hereof) of the Preliminary Official Statement in connection with the public offering of the Bonds.

The District hereby deems the Preliminary Official Statement to be final as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”), except for the omission of pricing and other information allowed to be omitted pursuant to such Rule 15c2-12. The District will take all proper steps to prepare the Official Statement in final form, including the completion of all information required pursuant to such Rule 15c2-12. The execution of the Official Statement in final form by the Chairman and General Manager of the District or any other representative of the District authorized by resolution of the District shall be conclusive evidence that the District has deemed it final as of its date.

The Official Statement shall be provided for distribution, at the expense of the District, in such quantities as may be requested by the Underwriters, no later than the earlier of (i) seven business days after the date of this Agreement or (ii) one business day prior to the Closing Date (as defined herein), in order to permit the Underwriters to comply with Rule 15c2-12 and the applicable rules of the Municipal Securities Rulemaking Board (the “MSRB”), with respect to distribution of the Official Statement. The District shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB’s Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official

Statement to the Underwriters no later than one business day prior to the Closing Date to enable the Underwriters to comply with MSRB Rule G-32. The District further agrees to provide the Underwriters with the advance refunding documents (as defined in MSRB Rule G-32) in a word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide such electronic copy of the word-searchable PDF format of the advance refunding documents to the Underwriters no later than four business days after the Closing Date to enable the Underwriters to comply with MSRB Rule G-32.

The District hereby agrees with the Underwriters that it will undertake to provide the financial, statistical and other information described in the Preliminary Official Statement under the heading "CONTINUING DISCLOSURE" at the times, to the persons and in the manner set forth therein, all in accordance with Rule 15c2-12.

Certain capitalized terms used in this Agreement which are not defined herein shall have the meaning given such terms in the Official Statement.

Section 3. Public Offering. The Underwriters agree to make a bona fide public offering of the Series 2013 Bonds at the initial offering prices or yields set forth on the cover page of the Official Statement. The Underwriters, however, reserve the right to change such initial offering prices as the Underwriters shall deem necessary in connection with the marketing of the Series 2013 Bonds and to offer and sell the Series 2013 Bonds to certain dealers (including dealers depositing the Series 2013 Bonds into investment trusts) and others at prices lower than the initial offering prices or yields set forth on the cover page of the Official Statement. The Underwriters shall inform the LGC and the District of any such changes in offering prices or yields and the amount of any such changes. At Closing, the Underwriters shall deliver to the District a certificate, in a form satisfactory to Sidley Austin LLP, New York, New York, bond counsel to the District ("Bond Counsel"), executed by an appropriate representative of the Underwriters, stating the initial offering prices paid by the public for the Series 2013 Bonds, excluding underwriters, bond houses, brokers and other intermediaries.

The Underwriters represent and warrant that the Underwriters will offer the Series 2013 Bonds only pursuant to the Official Statement and only in states where the offer and sale of the Series 2013 Bonds are legal, either as exempt securities, as exempt transactions or as a result of due registration of the Series 2013 Bonds for sale in any such state.

The Underwriters acknowledge that neither the LGC nor the District has authorized or consented to:

(a) the sale of Bonds to any purchaser in connection with the initial public offering of the Series 2013 Bonds unless a copy of the Official Statement is delivered to such purchaser not later than the settlement of such transaction;

(b) making any representations or providing any information to prospective purchasers of the Series 2013 Bonds in connection with the public offering and sale of Bonds other than the information set forth in the Official Statement and any amendment thereto approved in writing by the LGC and the District; or

(c) any actions in connection with the public offering and sale of the Series 2013 Bonds in violation of applicable requirements of federal and state securities laws and any

applicable requirements of the Municipal Securities Rulemaking Board and the National Association of Securities Dealers, Inc.

Section 4. Representations of the Underwriters. Wells Fargo Bank, National Association, represents that it is authorized to execute and deliver this Agreement on behalf of the Underwriters and each of the Underwriters represents that it is authorized to act under the provisions of this Agreement. The payment for, acceptance of and execution and delivery of any receipt for the Series 2013 Bonds and any other instruments in connection with the Closing shall be valid and sufficient for all purposes and binding upon the Underwriters, provided that any such action by the Underwriters shall not impose any obligation or liability upon the Underwriters other than as may arise as expressly set forth in this Agreement.

Section 5. Representations and Warranties of the LGC. The LGC makes the following representations and warranties to the Underwriters, all of which shall survive the delivery of the Series 2013 Bonds:

(a) The LGC is duly organized and validly existing as a division of the Department of the State Treasurer of the State of North Carolina, vested with the rights and powers conferred upon it by Chapter 159 of the General Statutes of North Carolina, as amended.

(b) The LGC has full power and authority to approve the issuance and provide for the sale of the Series 2013 Bonds as provided in this Agreement, and the LGC has taken or will take all action required by the Act or other applicable laws in connection therewith.

(c) The LGC has duly authorized the execution and delivery of this Agreement and has taken or will take all action necessary or appropriate to carry out the sale and delivery of the Series 2013 Bonds to the Underwriters.

(d) The execution and delivery of this Agreement and the performance by the LGC of its obligations hereunder are within the powers of the LGC and, to the best of the LGC's knowledge, will not conflict with or constitute a breach or result in a violation of (i) any federal or North Carolina constitutional or statutory provision, (ii) any agreement or other instrument to which the LGC is a party or by which it is bound, or (iii) any order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the LGC.

(e) The LGC has duly approved and authorized the execution, delivery and distribution of the Official Statement in connection with the public offering and sale of the Series 2013 Bonds.

(f) No consent, approval, authorization or order of any governmental or regulatory authority, other than the approvals of the District as herein required, is required to be obtained by the LGC as a condition precedent to the issuance or sale of the Series 2013 Bonds or the execution and delivery of the Official Statement or this Agreement or the performance by the LGC of its obligations hereunder; provided, however, that no representation or warranty is expressed as to any action required under federal or North Carolina or other state securities or blue sky laws in connection with the offering or sale of the Series 2013 Bonds by the Underwriters.

(g) There is no litigation or any other proceeding before any court or governmental body or agency pending or, to the knowledge of the LGC, threatened against or

involving the LGC to restrain or enjoin the issuance or delivery of the Series 2013 Bonds or the execution or delivery by the LGC of this Agreement and the performance of its obligations hereunder.

Section 6. Representations and Warranties of the District. The District makes the following representations and warranties to the Underwriters, all of which shall survive the delivery of the Series 2013 Bonds:

(a) The District is a public body and body politic and corporate validly existing under the Constitution and laws of the State of North Carolina and is authorized pursuant to the provisions of the Enabling Act to (i) issue the Series 2013 Bonds for the purpose of financing the costs of refunding the Prior Bonds and (ii) secure the Series 2013 Bonds in the manner provided in the Bond Order and 2013 Series Resolution.

(b) The District (i) has full legal right, power and authority to execute and deliver this Agreement, to adopt the Bond Order and the 2013 Series Resolution, to issue and deliver the Series 2013 Bonds to the Underwriters as provided herein and to carry out and consummate all the transactions described in the Official Statement or contemplated by each of the aforesaid documents and (ii) has complied with all provisions of applicable law, including the Enabling Act, in all material matters relating to such transactions.

(c) By official action of the District prior to or concurrently with the date hereof, the District has duly authorized (i) the execution and delivery by the District of this Agreement, (ii) the issuance and delivery of the Series 2013 Bonds, (iii) the execution, delivery and distribution of the Official Statement and (iv) the taking of any and all such action as may be required on the part of the District to carry out, give effect to and consummate the transactions contemplated by such documents.

(d) The Bond Order and the 2013 Series Resolution have been duly adopted by the District and constitute legal, valid and binding obligations of the District enforceable against the District in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles. The Bond Order and the 2013 Series Resolution have not been revoked, rescinded, repealed or amended in any way except as may have been agreed to by the Underwriters.

(e) This Agreement, when duly executed and delivered (and assuming due authorization, execution and delivery of such documents by the other parties thereto), will constitute legal, valid and binding agreements of the District enforceable against the District in accordance with its terms, except as enforcement of the foregoing may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

(f) When delivered to and paid for by the Underwriters at Closing in accordance with the provisions of this Agreement, the Series 2013 Bonds will have been duly authorized, executed and delivered by the District and will constitute legal, valid and binding special obligations of the District enforceable in conformity with the provisions of the Enabling Act and the Constitution and laws of the State of North Carolina, except as enforcement thereof



may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

(g) The Series 2013 Bonds will be in substantially the form set forth in the 2013 Series Resolution.

(h) The execution and delivery of this Agreement, the adoption of the Bond Order and the 2013 Series Resolution, the issuance and delivery of the Series 2013 Bonds, and compliance with the provisions thereof, do not and will not conflict with or constitute on the part of the District a violation of, breach of or default under any law, indenture, mortgage, deed of trust, note, loan agreement or other agreement or instrument to which the District is a party or by which the District or any of its property is bound, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the District or any of its activities or properties, and such action will not result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or other assets of the District under the terms of any such law, agreement, instrument, order, rule or regulation, except as provided or permitted by the Series 2013 Bonds, the Bond Order and the 2013 Series Resolution.

(i) All consents, approvals, authorizations and orders of any governmental or regulatory authority which is required for the issuance and delivery of the Series 2013 Bonds as contemplated by the Official Statement or this Agreement have been or will be obtained at or prior to Closing.

(j) Subject to the provisions of the Bond Order and the 2013 Series Resolution, the District will apply the proceeds derived from the sale of the Series 2013 Bonds to the purposes specified in the 2013 Series Resolution.

(k) The District is not in violation or breach of or default under any applicable law or administrative regulation of the State of North Carolina or the United States or any applicable judgment or decree or administrative ruling, or any agreement, resolution, certificate or other instrument to which the District is a party or is otherwise subject, which violation, breach or default would in any way materially adversely affect the transactions contemplated by this Agreement, the Bond Order or the 2013 Series Resolution, or the issuance of the Series 2013 Bonds, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a violation, breach or default.

(l) At the time of the District's acceptance of this Agreement and (unless an event occurs of the nature described in Section 6(m) below) at all subsequent times up to and including the Closing, the information contained in the Preliminary Official Statement and the Official Statement (except for the information with respect to the offering of the Series 2013 Bonds set forth on the cover page, or under the heading "UNDERWRITING" therein, or in APPENDIX G thereto) and in any amendment or supplement thereto that the District may authorize for use with respect to the Series 2013 Bonds is and will be true and correct and does not contain and will not contain any untrue statement of a material fact and does not omit and will not omit to state a material fact that should be stated therein or is necessary to make the statements in such document, in the light of the circumstances under which they were made, not misleading. If the Official Statement is supplemented or amended pursuant to Section 6(m) below, at the time of each supplement or amendment thereto and (unless subsequently again

supplemented or amended pursuant to such Section 6(m)) at all times subsequent thereto up to and including the Closing, the District shall take all steps necessary to ensure that the Official Statement (except for the information with respect to the offering of the Series 2013 Bonds set forth on the cover page, or under the heading “UNDERWRITING” therein, or in APPENDIX G thereto) as so supplemented or amended does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(m) If between the date of this Agreement and the date that is 25 days after the “end of the underwriting period,” as defined below, any event shall occur that might or would cause the Official Statement, as then supplemented or amended (except for the information with respect to the offering of the Series 2013 Bonds set forth on the cover page, or under the heading “UNDERWRITING” therein, or in APPENDIX G thereto), to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements in such document, in the light of the circumstances under which they were made, not misleading, the District shall promptly notify the Underwriters and the LGC. If, in the opinion of the Underwriters or the LGC, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District shall at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriters and the LGC.

The “end of the underwriting period” is the time that is the later of (i) the Closing or (ii) the time the Underwriters do not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Series 2013 Bonds for sale to the public.

(n) The financial statements of the District contained in the Official Statement present fairly the financial position of the District as of the dates specified therein, and the results of its operations and changes in its financial position for the periods specified therein, in conformity with generally accepted accounting principles applied on a consistent basis. Subsequent to the respective dates of the most recent financial statements included in the Official Statement, there has been no material adverse change in the financial position or results of operations of the District except as set forth or contemplated in the Official Statement.

(o) The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request to qualify the Series 2013 Bonds for offer and sale under the securities laws or regulations of such states and other jurisdictions of the United States as the Underwriters may designate; provided, however, that in no event shall the District be obligated to take any action that would subject it to general service of process in any jurisdiction where it is not now so subject, or qualify it to do business in any such jurisdiction, it being understood that the District is not responsible for compliance with or the consequences of failure to comply with applicable state securities laws and regulations.

(p) No consent, approval, authorization or order of, or filing or registration with, any court or governmental agency or body is required for the issuance, delivery or sale of the Series 2013 Bonds or the consummation of the other transactions contemplated by this Agreement, except as may be required under the blue sky or other securities laws or regulations of any jurisdiction in connection with the offering and sale of the Series 2013 Bonds by the Underwriters, or if any such consent, approval or authorization is required, the District will

obtain it prior to the date of Closing and will provide evidence to the Underwriters that the same has been obtained.

(q) Any certificate signed by an authorized officer of the District and delivered to the Underwriters shall be deemed a representation and warranty of the District to the Underwriters as to the statements made therein.

(r) Except as disclosed in the Official Statement, there is no litigation or any other proceeding before any court or governmental body or agency, pending or, to the knowledge of the District, threatened against or involving the District or any of the members of the District in their respective capacities as such (nor, to the knowledge of the District, is there any basis therefor), restraining or enjoining the sale, execution or delivery of the Series 2013 Bonds, or in any way contesting or affecting the validity of the Series 2013 Bonds or any proceedings of the District taken with respect to the sale thereof, or wherein an unfavorable decision, ruling or finding would, in any way, adversely affect (i) the transactions contemplated by this Agreement or the Official Statement, (ii) the organization, existence, or powers of the District or the title to the office of any of the members of the District, (iii) the business, properties or assets or the condition, financial or otherwise, of the District, (iv) the validity or enforceability of this Agreement, the Bond Order, the 2013 Series Resolution or the Series 2013 Bonds (or any other agreement or instrument of which the District is a party or used or contemplated for use in the consummation of the transactions contemplated hereby) or (v) the exemption of the interest on the Series 2013 Bonds from taxation as described in the Official Statement.

(s) The District will comply with the information reporting requirements adopted by the Securities and Exchange Commission or the Municipal Securities Rulemaking Board with respect to tax-exempt obligations such as the Series 2013 Bonds.

Section 7. Payment and Delivery. At 10:00 a.m., Raleigh, North Carolina time, on May 1, 2013, or at such other time or on such earlier or later date as we mutually agree upon, the LGC and the District shall deliver or cause to be delivered to The Depository Trust Company (“DTC”) in New York, New York, or at such other place specified by the Underwriters, the Series 2013 Bonds in printed form duly executed and authenticated, and at the offices of Roberts & Stevens, P.A., in Asheville, North Carolina, the other documents hereinafter mentioned. It is anticipated that CUSIP identification numbers will be placed on the Series 2013 Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriters to accept delivery of and payment for the Series 2013 Bonds in accordance with the terms of this Agreement. Upon such delivery of the Series 2013 Bonds, the Underwriters shall pay the full purchase price thereof in immediately available funds payable to the order of the State Treasurer.

One fully registered Series 2013 Bond for each maturity, in the aggregate principal amount of each such maturity shall be registered in the name of Cede & Co., as nominee for DTC, as securities depository, and the beneficial interests in the Series 2013 Bonds so registered will be credited to such accounts with DTC as the Underwriters shall designate. The Series 2013 Bonds so registered to and held by DTC or its nominee, and the beneficial interests therein, shall be transferable only in accordance with the book-entry system.

Section 8. Conditions of Closing. The Underwriters have entered into this Agreement in reliance upon the representations and warranties of the LGC and the District

contained herein and to be contained in the documents and instruments to be delivered at Closing, and upon the performance by the LGC and the District of their obligations hereunder, both as of the date hereof and as of the date of Closing. Accordingly, the Underwriters' obligation under this Agreement to purchase and pay for the Series 2013 Bonds shall be subject to the performance by the LGC and the District of their obligations to be performed hereunder at or prior to Closing, and shall also be subject to the following conditions:

(a) At the time of Closing (i) the representations and warranties of the LGC and the District contained herein shall be true, complete and correct with the same effect as if made on the date of Closing, (ii) this Agreement, the Bond Order and the 2013 Series Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to by the Underwriters and (iii) the LGC and the District shall have duly adopted and there shall be in full force and effect such orders or resolutions as in the opinion of Bond Counsel shall be necessary in connection with the transactions contemplated hereby, and such orders or resolutions shall not have been amended, modified or supplemented and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriters.

(b) The Underwriters shall have the right to terminate the obligations of the Underwriters under this Agreement to purchase and pay for the Series 2013 Bonds by notifying the LGC and the District of its election to do so if, after the execution hereof and on or prior to the date of Closing:

(1) legislation shall have been introduced in or enacted by the Congress of the United States or the North Carolina General Assembly, or legislation pending in the Congress of the United States or the North Carolina General Assembly shall have been amended, or a decision shall have been rendered by a court of the United States or the State of North Carolina, including the Tax Court of the United States, or a ruling shall have been made or a regulation shall have been proposed or made or a press release or other form of notice shall have been issued by the Treasury Department of the United States or the Internal Revenue Service or other federal or North Carolina authority, with respect to interest on obligations of the general character of the Series 2013 Bonds, which may have the purpose or effect, directly or indirectly, of affecting the tax status of the District, its property or income, its securities (including the Series 2013 Bonds) or the interest thereon, or any tax exemption granted or authorized by relevant North Carolina statutes or, in the opinion of the Underwriters, affects materially and adversely the market for the Series 2013 Bonds, or the market price generally of obligations of the general character of the Series 2013 Bonds; or

(2) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or other unforeseen national or international calamity shall have occurred or accelerated to such an extent as, in the opinion of the Underwriters, affects materially and adversely the market for the Series 2013 Bonds, or the market price generally of obligations of the general character of the Series 2013 Bonds; or

(3) there shall have occurred and be in force a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by United States, State of North Carolina or New York State authorities; or

(4) there shall have occurred any material adverse change in the affairs of the District that, in the reasonable judgment of the Underwriters, materially or adversely affects the market price or marketability of the Series 2013 Bonds or the ability of the Underwriters to enforce contracts for the sale of the Series 2013 Bonds; or

(5) there shall be established any new restrictions on transactions in securities materially affecting the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or the charge to the net capital requirements of underwriters established by the New York Stock Exchange, the Securities and Exchange Commission, any other federal or state agency or the Congress of the United States or by executive order; or

(6) a decision of any federal or state court or a ruling or regulation (final, temporary or proposed) of the Securities and Exchange Commission or other governmental agency shall have been made or issued that would make the Series 2013 Bonds or any securities of the District or any similar body of the type contemplated herein subject to the registration requirements of the Securities Act of 1933, as amended, or require the qualification of the Bond Order or 2013 Series Resolution under the Trust Indenture Act of 1939, as amended; or

(7) the withdrawal or downgrading of any rating of the District's outstanding indebtedness by a national rating agency; or

(8) an event occurs which in the opinion of the Underwriters requires the preparation and distribution of a supplement or amendment to the Official Statement.

(c) On or prior to the date of the Closing, the Underwriters shall have received the following documents in form and substance satisfactory to the Underwriters and McGuireWoods LLP, Charlotte, North Carolina, counsel to the Underwriters ("Underwriters' Counsel"):

(1) approving opinion of Bond Counsel, dated as of the date of Closing, relating to the Series 2013 Bonds substantially in the form attached as Appendix E to the Official Statement, together with a letter of Bond Counsel, dated as of the date of Closing and addressed to the Underwriters, consenting to the Underwriters' reliance upon such opinion;

(2) supplemental opinion of Bond Counsel, dated as of the date of Closing and addressed to the Underwriters, in substantially the form attached hereto as Exhibit A;

(3) opinion of Roberts & Stevens, P.A., Asheville, North Carolina, counsel to the District, dated as of the date of Closing and addressed to the Underwriters, in substantially the form attached hereto as Exhibit B;

(4) opinion of Underwriters' Counsel, dated as of the date of Closing and addressed to the Underwriters, in substantially the form attached hereto as Exhibit C;

(5) a copy of the Official Statement executed on behalf of the LGC and the District by duly authorized representatives thereof;

(6) a certificate, dated as of the date of Closing, signed by a District official satisfactory to the Underwriters, to the effect that:

(A) the representations and warranties of the District set forth in this Agreement are true, accurate and complete in all material respects as of the date of Closing and the conditions to be complied with and obligations to be performed by the District hereunder on or prior to the date of Closing have been complied with and performed;

(B) except as may be disclosed in the Official Statement, there is no litigation or any other proceeding before any court or governmental body or agency pending or, to the best of such official's knowledge, threatened against or affecting the District or any members of the District (nor, to the best of such official's knowledge, is there any basis therefor), restraining or enjoining the sale, execution or delivery of the Series 2013 Bonds, or in any way contesting or affecting the validity of the Series 2013 Bonds or any proceedings of the District taken with respect to the sale thereof, or wherein an unfavorable decision, ruling or finding would materially and adversely affect (i) the transactions contemplated by this Agreement or the Official Statement, (ii) the organization, existence or powers of the District or the title to the office of any of the members of the District Board of the District, (iii) the business, properties or assets or the condition, financial or otherwise, of the District, (iv) the validity or enforceability of this Agreement, the Bond Order, the 2013 Series Resolution or the Series 2013 Bonds (or any other agreement or instrument of which the District is a party, used or contemplated for use in the consummation of the transactions contemplated hereby) or (v) the exemption of the interest on the Series 2013 Bonds from taxation as described in the Official Statement; and

(C) the Official Statement did not as of its date and does not as of the date of Closing contain any untrue statement of a material fact or omit to state a material fact required to be stated therein for the purpose for which the Official Statement is to be used or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, provided that no representation or warranty regarding the information with respect to the offering of the Series 2013

Bonds set forth on the cover page of, or under the heading “UNDERWRITING” in, or in APPENDIX G to, the Official Statement;

(7) a copy of the necessary resolutions of the LGC, certified by the Secretary or Deputy Secretary thereof, authorizing the LGC to sell the Series 2013 Bonds and to execute and deliver this Agreement and the Official Statement;

(8) a specimen copy of the Series 2013 Bonds;

(9) copies, certified by appropriate officials of the District satisfactory to the Underwriters, of all proceedings of the District relating to approvals or authorizations for the Series 2013 Bonds, the adoption of the Bond Order and the 2013 Series Resolution, the execution and delivery of this Agreement and the Official Statement and authorizing the use of the Official Statement by the Underwriters in connection with the offering of the Series 2013 Bonds;

(10) evidence, satisfactory in form and substance to the Underwriters, of receipt of a “\_\_\_” rating assigned to the Series 2013 Bonds by Moody’s Investors Service, Inc., a “\_\_\_” rating assigned to the Series 2013 Bonds by Standard & Poor’s Ratings Services, and a “\_\_\_” rating assigned to the Series 2013 Bonds by Fitch Ratings, Inc.;

(11) an executed copy of the tax certificate of the District satisfactory to the Underwriters;

(12) evidence that all items required to be delivered to the Trustee as a condition precedent to the issuance of the Series 2013 Bonds under the Bond Order have been so delivered;

(13) a certificate of an authorized officer of the District certifying that the LGC fees have been paid prior to Closing;

(14) the verification report of Bingham Arbitrage Rebate Services, Inc., Richmond, Virginia, dated the date of Closing and in form and substance satisfactory to Bond Counsel and the Underwriters;

(15) a certificate of an authorized officer of the Trustee certifying that it has received proceeds derived from the sale of the Series 2013 Bonds and amounts from the District, which together with other funds and accounts held pursuant to the series resolution relating to the Series 2008B Bonds, are sufficient to pay on the date of Closing the redemption price of all of the outstanding Series 2008B Bonds and the interest accrued thereon; and

(16) such additional certificates (including appropriate no-litigation certificates), opinions, proceedings, instruments or other documents as the Underwriters may reasonably request.

All representations, warranties and agreements of the LGC and the District set forth in this Agreement shall remain operative and in full force and effect regardless of (a) any

investigation made by or on behalf of the Underwriters or any person controlling the Underwriters and (b) acceptance of and payment for the Series 2013 Bonds by the Underwriters.

Section 9. Payment of Expenses. The District shall pay from the proceeds of the Series 2013 Bonds or other available funds all expenses incident to the District's obligations hereunder and in connection with the authorization, execution, delivery and sale of the Series 2013 Bonds to the Underwriters, including, but not limited to, the cost of printing and distributing the Series 2013 Bonds, the Official Statement, rating agency fees, the fees and expenses of Bond Counsel, and the fees and expenses of consultants, the LGC and the Trustee.

The Underwriters shall pay their out-of-pocket expenses, the fees and expenses of Underwriters' Counsel, the cost of the blue sky survey, any advertising expenses in connection with a public offering of the Series 2013 Bonds, fees of the CUSIP Service Bureau and any fees of the Municipal Securities Rulemaking Board or the Public Securities Association.

In order to ensure compliance with applicable state and/or local ethics statutes that may apply to representatives of the District as well as federal securities regulations that may apply to the Underwriters, the District shall be solely responsible for and shall direct the Trustee to pay from the proceeds of the Series 2013 Bonds or shall reimburse the Underwriters from available funds (in either case, if permitted by applicable law) for any expenses incurred by the Underwriters on behalf of the District's employees and representatives in connection with this Agreement including, but not limited to, meals, transportation, lodging, and entertainment of those employees and representatives of the District. Such payment may be in the form of inclusion of such expenses in the expense component of the Underwriters' discount.

Section 10. Parties in Interest. This Agreement is made solely for the benefit of the Underwriters and persons controlling the Underwriters, the LGC and the District, and their respective successors and assigns, and no other person, partnership or corporation shall acquire or have any right under or by virtue of this Agreement. The terms "successors" and "assigns" shall not include any purchaser of Bonds from the Underwriters merely because of such purchase.

Section 11. Absence of Liability. No recourse shall be had by the Underwriters for any claims based on this Agreement or otherwise against any member, officer, employee or agent of the LGC or the District in his or her individual capacity, all claims, if any, being waived and released by the Underwriters.

Section 12. Indemnification. (a) To the fullest extent permitted by applicable law, the District agrees to indemnify and hold harmless the Underwriters and the LGC against any and all losses, damages, expenses (including reasonable legal and other fees and expenses), liabilities or claims (or actions in respect thereof), to which the Underwriters, the LGC or the other persons described in subsection (b) of this Section may become subject under any federal or state securities laws or other statutory law or at common law or otherwise, caused by or arising out of or based upon any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in the Official Statement or caused by any omission or alleged omission from the Official Statement of any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading unless such untrue statement or misleading statement, such alleged untrue statement or alleged misleading statement, or such



omission or alleged omission was made in reliance upon and in conformity with information furnished to the District by the Underwriters expressly for use in the Official Statement, including any amendment thereto.

(b) The indemnity provided under this Section shall extend upon the same terms and conditions to each officer, director, member, employee, agent or attorney of the Underwriters and the LGC, and each person, if any, who controls the Underwriters and the LGC within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (each, an “indemnified party”). Such indemnity shall also extend, without limitation, to any and all expenses whatsoever reasonably incurred by any indemnified party in connection with investigating, preparing for or defending against, or providing evidence, producing documents or taking any other reasonable action in respect of, any loss, damage, expense, liability or claim referred to in subsection (a) of this Section (or action in respect thereof), whether or not resulting in any liability, and shall include the aggregate amount paid in settlement of any litigation, commenced or threatened, or of any claim whatsoever as set forth herein, if such settlement is effected with the written consent of the District.

(c) Within a reasonable time after an indemnified party under subsections (a) and (b) of this Section shall have been served with the summons or other first legal process or has received written notice of the threat of a claim in respect of which an indemnity may be claimed, such indemnified party must, if a claim for indemnity in respect thereof is to be made against the District under this Section, notify the District in writing of the commencement thereof; but the omission to so notify the District shall not relieve it from any liability that it may have to any indemnified party other than pursuant to subsections (a) and (b) of this Section. The District shall be entitled to participate at its own expense in the defense, and if the District so elects within a reasonable time after receipt of such notice, or if all indemnified parties seeking indemnification in such notice so direct, the District shall assume the defense of any suit brought to enforce any such claim, and such defense will be conducted by counsel chosen promptly by the District and reasonably satisfactory to the indemnified party; provided, however, that, if the defendants in any action include an indemnified party and the District, or include more than one indemnified party, and any such indemnified party has been advised by its counsel that there may be legal defenses available to such indemnified party that are different from or additional to those available to the District or another indemnified party, and that in the reasonable opinion of such counsel are sufficient to make it undesirable for the same counsel to represent such indemnified party and the District, or another indemnified party, such indemnified party shall have the right to employ separate counsel in such action (and the District will not be entitled to assume the defense thereof on behalf of such indemnified party), and in such event the reasonable fees and expenses of such counsel shall be borne by the District. Nothing contained in this subsection (c) will preclude any indemnified party, at its own expense, from retaining additional counsel to represent such party in any action with respect to which indemnity may be sought from the District hereunder. Notwithstanding the foregoing, the LGC shall have the right to employ separate counsel in any such action and participate in the investigation and defense thereof, and the reasonable fees and expenses of such counsel shall be paid by the District.

(d) If the indemnification provided for in subsections (a) and (b) of this Section is unavailable to hold harmless and indemnify any indemnified party in respect of any losses, damages, expenses, liabilities, or claims (or actions in respect thereof) referred to therein, or if the indemnified party failed to give the notice required under subsection (c) of this Section,

then the District, on the one hand, and the indemnified party, on the other hand, shall contribute to the amount paid or payable by the indemnified party as a result of such losses, damages, expenses, liabilities or claims (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the District on the one hand and the indemnified party on the other hand from the offering of the Series 2013 Bonds. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then the District on the one hand and the indemnified party on the other hand will contribute to such amount paid or payable by the indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the District on the one hand and the indemnified party on the other in connection with the statements or omissions that resulted in such losses, damages, expenses, liabilities or claims (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the District on the one hand and the indemnified party on the other hand shall be deemed to be in such proportion so that the indemnified party is responsible for that portion represented by the percentage that the underwriting discount payable to the Underwriters hereunder (i.e., the excess of the aggregate public offering price for the Series 2013 Bonds as set forth on the cover page of the Official Statement over the price to be paid by the Underwriters to the District upon delivery of the Series 2013 Bonds as specified in Section 1) bears to the aggregate public offering price as described above, and the District is responsible for the balance. The relative fault will be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the District on the one hand or the indemnified party on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

In the event an indemnified party has knowledge of a claim subject to the contribution provided by this subsection (d), such indemnified party agrees, within a reasonable time of obtaining such knowledge, to convey notice of such claim to the District. It is agreed and understood that if the indemnified party fails, under the circumstances set forth in the preceding sentence, to convey the above-referenced notice to the District, then the District will not be obligated to provide contribution pursuant to this subsection (d).

The District, the LGC and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by any method of allocation that does not take account of the equitable considerations referred to in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, damages, expenses, liabilities or claims (or actions in respect thereof) referred to in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim.

The indemnity and contribution provided by this Section will be in addition to any other liability that the District may otherwise have hereunder, at common law or otherwise, and is provided solely for the benefit of the indemnified party, and its respective successors, assigns and legal representatives, and no other person will acquire or have any right under or by virtue of such provisions of this Agreement.

Section 13. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14. Notices. Any notice or other communication to be given under this Agreement may be given by delivering the same in writing by registered or certified mail to the following addresses:

Local Government Commission  
325 N. Salisbury Street  
Raleigh, North Carolina 27603-1385  
Attention: Secretary

Metropolitan Sewerage District of Buncombe County, North Carolina  
2028 Riverside Drive  
Asheville, North Carolina 28804  
Attention: General Manager

Wells Fargo Bank, National Association  
301 South College Street  
D1053-043  
Charlotte, North Carolina 28202  
Attention: Vice President

Section 15. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of North Carolina.

Section 16. No Advisory or Fiduciary Role. The District acknowledges and agrees that: (i) the transactions contemplated by this Agreement are arm's length, commercial transactions between the District and the Underwriters in which the Underwriters are acting solely as a principal or agent, as applicable and are not acting as a municipal advisor, financial advisor or fiduciary to the District; (ii) the Underwriters have not assumed any advisory or fiduciary responsibility to the District with respect to the transactions contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters or any of their respective affiliates have provided other services or are currently providing other services to the District on other matters); (iii) the only obligations the Underwriters have to the District with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (iv) the District has consulted its own financial and/or municipal, legal, accounting, tax, and other advisors, as applicable, to the extent it has deemed appropriate.

This Agreement shall become effective upon the execution of the acceptance and approval hereof by duly authorized representatives of the LGC and the District and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

WELLS FARGO BANK, NATIONAL  
ASSOCIATION, on behalf of itself and as  
representative of BB&T Capital Markets,  
a division of BB&T Securities, LLC

By: \_\_\_\_\_  
Vice President

(signatures continued)

Bond Purchase Agreement  
Metropolitan Sewerage District of Buncombe County, North Carolina  
Sewerage System Revenue Refunding Bonds, Series 2013

Accepted:

LOCAL GOVERNMENT COMMISSION

By: \_\_\_\_\_  
Secretary

(signatures continued)

Bond Purchase Agreement  
Metropolitan Sewerage District of Buncombe County, North Carolina  
Sewerage System Revenue Refunding Bonds, Series 2013

Approved:

METROPOLITAN SEWERAGE DISTRICT OF  
BUNCOMBE COUNTY, NORTH CAROLINA

By: \_\_\_\_\_  
Chairman of District Board

**Maturity Schedule**

**Series 2013 Bonds**

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
-------------	---------------	-------------	--------------	-------------	---------------	-------------	--------------

**Redemption Provisions**

*Optional Redemption of Series 2013 Bonds.* The Series 2013 Bonds maturing on or after July 1, 20\_\_ are subject to redemption prior to maturity, at the District’s option, on or after July 1, 20\_\_, in whole or in part on any date, from any funds that may be available to the District for such purpose, at a redemption price equal to 100% of the principal amount of such Series 2013 Bonds to be redeemed, plus accrued interest to the redemption date.

*Notice of Redemption.* The Bond Registrar is required to send notice of redemption of any Series 2013 Bonds to be redeemed by first-class mail, postage prepaid, at least 30 days but not more than 45 days before the redemption date to all Owners of Series 2013 Bonds to be redeemed, but notice to DTC will be sent by registered or certified mail. Failure to mail any notice to any Owner or any defect in such notice will not affect the validity of any proceedings for such redemption as to any other Owner to whom such notice is properly given. The Series Resolution also requires the Bond Registrar to send such notice of redemption the Municipal Securities Rulemaking Board (“MSRB”) through the Electronic Municipal Market Access (EMMA) system, or any other entity designated or authorized by the MSRB or the Securities and Exchange Commission in accordance with then current guidelines, but failure to mail such notice or any defect therein shall not affect the validity of any proceedings fro the redemption of any Series 2013 Bonds.

Any notice of redemption may state that the redemption to be effected is conditioned on receipt by the Trustee or the Bond Registrar on or before the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the Series 2013 Bonds to be redeemed. If such notice contains such a condition and moneys sufficient to pay the principal of and premium, if any, and interest on such Series 2013 Bonds are not received by the Trustee or the Bond Registrar on or before the redemption date, the redemption will not be made and the Bond Registrar will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

*Selection of Series 2013 Bonds for Redemption.* If less than all of the Series 2013 Bonds are called for redemption, the District will select the maturity or maturities of the Series 2013 Bonds to be redeemed. If less than all Series 2013 Bonds of any maturity are to be redeemed, the Series 2013 Bonds

of such maturity to be redeemed will be selected (1) by DTC pursuant to its rules and procedures or (2) if a book-entry system is no longer in effect, by the Bond Registrar by lot. If the Series 2013 Bonds are to be redeemed in part, they may be redeemed only in integral multiples of \$5,000 and each \$5,000 portion of the principal will be counted as one Series 2013 Bond for such purpose. If a portion of a Series 2013 Bond is called for redemption, a new Series 2013 Bond in principal amount equal to the unredeemed portion thereof shall be issued to the Owner thereof upon surrender thereof.

***Effect of Call for Redemption.*** On or before the date on which the Series 2013 Bonds or portions thereof are to be redeemed, the District will deposit with the Trustee or the Bond Registrar money or Defeasance Obligations, or a combination of both, that will be sufficient to pay on the redemption date the Redemption Price of and interest accruing on the Series 2013 Bonds to be redeemed on such redemption date.

If notice is properly given, the Series 2013 Bonds or portions thereof so called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date, and if moneys sufficient to pay the redemption price of the Series 2013 Bonds or portions thereof to be redeemed plus accrued interest thereon to the date of redemption are held by the Trustee or the Bond Registrar in trust for the Owners of Series 2013 Bonds to be redeemed, (1) interest on such Series 2013 Bonds or portions thereof shall cease to accrue from and after such date, (2) such Series 2013 Bonds or portions thereof shall cease to be entitled to any benefits or security under the Bond Order or to be deemed Outstanding and (3) Owners of such Series 2013 Bonds or portions thereof shall have no right in respect thereof except to receipt of payment of the Redemption Price thereof, plus accrued interest to the date fixed for redemption.



[SUPPLEMENTAL OPINION OF BOND COUNSEL]

[Closing Date]

Wells Fargo Bank, National Association  
Charlotte, North Carolina

BB&T Capital Markets,  
a division of BB&T Securities, LLC  
Charlotte, North Carolina

Re: [Amount] Metropolitan Sewerage District of Buncombe County, North Carolina  
Sewerage System Revenue Refunding Bonds, Series 2013

We have served as bond counsel to the Metropolitan Sewerage District of Buncombe County, North Carolina (the “District”) in connection with the issuance of the above-referenced bonds (the “Bonds”). The Series 2013 Bonds are being purchased today by Wachovia Bank, National Association, a subsidiary of Wells Fargo and Company and BB&T Capital Markets, a division of BB&T Securities, LLC (the “Underwriters”) pursuant to a Bond Purchase Agreement, dated April 5, 2013 (the “Bond Purchase Agreement”), among the North Carolina Local Government Commission (the “LGC”), the District and the Underwriters. Capitalized terms used herein and not otherwise defined shall have the meaning given such terms in the Bond Purchase Agreement.

Based upon such examination as we have deemed necessary for the purpose of expressing the opinions set forth below, we are of the opinion, as of the date hereof and under existing law, that:

1. The LGC is duly organized and validly existing as a division of the Department of the State Treasurer of the State of North Carolina.

2. The LGC has full power and authority to approve the issuance of the Bonds and to sell the same as provided in the Bond Purchase Agreement, and the LGC has taken all action required in connection therewith.

3. The adoption by the LGC of the resolution authorizing the issuance and sale of the Bonds and the execution and delivery of the Bond Purchase Agreement (the “LGC Resolution”), the approval of the issuance and sale of the Bonds and the execution and delivery of the Bond Purchase Agreement and compliance with the provisions thereof, under the circumstances contemplated thereby, (a) to the best of our knowledge after due inquiry, do not and will not in any material respect conflict with or constitute on the part of the LGC a breach or violation of or default under any agreement or other instrument to which the LGC is a party or by which it is bound in any way which would affect the validity or delivery of the Bonds and (b) do

not and will not conflict with, violate or result in a breach of any federal or North Carolina constitutional or statutory provision.

4. No further consent, authorization or order of any governmental or regulatory authority is required to be obtained as a condition precedent to the sale of the Bonds or the execution and delivery of the Bond Purchase Agreement, except that we express no opinion as to any regulatory requirement applicable to the Underwriters or any action required under state securities or blue sky laws in connection with the offering and sale of the Bonds by the Underwriters.

5. The Bond Purchase Agreement has been duly authorized, executed and delivered by the LGC and the District and, assuming due authorization, execution and delivery thereof by the Underwriters, is a legal, valid and binding agreement of the LGC and the District enforceable against the LGC and the District in accordance with its terms, except that the enforceability thereof may be subject to bankruptcy, insolvency, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights generally from time to time in effect and by general equitable principles. We note, however, that the covenants of the District in the Bond Purchase Agreement relating to indemnification and contribution are given to the extent permitted by law, and we express no opinion with respect to whether such covenants are permitted by law.

6. The LGC and the District have duly authorized, executed and delivered the Official Statement and have consented to the distribution of the Official Statement in connection with the offering and sale of the Bonds.

7. The statements contained in the Official Statement under the headings "THE SERIES 2013 BONDS" and "SECURITY FOR THE BONDS" and in Appendix D to the Official Statement, to the extent that such provisions purport to summarize certain provisions of the Bond Order and the 2013 Series Resolution, fairly and accurately summarize such provisions. The statements in the Official Statement under the heading "TAX TREATMENT" are true and correct.

8. The Bonds conform as to form and tenor with the terms and provisions thereof as described in the Official Statement.

9. All conditions precedent to the delivery of the Bonds contained in the Bond Purchase Agreement, the Bond Order and the 2013 Series Resolution have been fulfilled.

10. The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Bond Order and 2013 Series Resolution are exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

Respectfully submitted,

[OPINION OF COUNSEL TO THE DISTRICT]

[Closing Date]

Wells Fargo Bank, National Association  
Charlotte, North Carolina

BB&T Capital Markets,  
a division of BB&T Securities, LLC  
Charlotte, North Carolina

Re: [Amount] Metropolitan Sewerage District of Buncombe County, North Carolina  
Sewerage System Revenue Refunding Bonds, Series 2013

We are counsel for the Metropolitan Sewerage District of Buncombe County, North Carolina (the “District”) and have served in such capacity in connection with the execution and delivery on the date hereof of the above-referenced bonds (the “Bonds”). The Bonds are being issued under and pursuant to the terms of an Amended and Restated Bond Order adopted by the District on April 21, 1999 (the “Bond Order”) and a series resolution, adopted by the District on February 20, 2013 (the “2013 Series Resolution”). The Bonds are being purchased on the date hereof by Wells Fargo Bank, National Association and BB&T Capital Markets, a division of BB&T Securities, LLC (the “Underwriters”) pursuant to the terms of a Bond Purchase Agreement, dated April 5, 2013 (the “Bond Purchase Agreement”), among the North Carolina Local Government Commission (the “LGC”), the District and the Underwriters. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Bond Purchase Agreement.

Based upon such examination as we have deemed necessary for the purpose of expressing the opinions set forth below, we are of the opinion, as of the date hereof and under existing law, that:

1. The District is a public body and body politic and corporate duly organized and validly existing under the Constitution and laws of the State of North Carolina.
2. The District has duly adopted the Bond Order and the 2013 Series Resolution authorizing the issuance of the Bonds.
3. The District has duly authorized, executed and delivered the Bond Purchase Agreement and, assuming due authorization, execution and delivery by the other parties thereto, it is a legal, valid and binding agreement of the District enforceable against the District in accordance with its terms, except that the enforceability thereof may be subject to bankruptcy, insolvency, fraudulent conveyance, moratorium or other similar laws affecting creditors’ rights generally from time to time in effect and by general equitable principles. We note, however, that

the covenants of the District in the Bond Purchase Agreement relating to indemnification and contribution are given to the extent permitted by law, and we express no opinion with respect to whether such covenants are permitted by law.

4. All authorizations, approvals, consents or orders of any governmental entity or any other person required for the valid issuance of the Bonds, the execution or delivery by the District of the Bond Purchase Agreement, the adoption by the District of the Bond Order and the 2013 Series Resolution and any other transactions effected or contemplated thereby have been obtained, except that we express no opinion as to any action required under federal or state securities or blue sky in connection with the offering and sale of the Bonds by the Underwriters.

5. The District is not in breach of or default under any applicable law or administrative regulation of the State of North Carolina or the United States or any applicable judgment or decree or administrative ruling or any agreement, resolution, certificate or other instrument to which the District is a party or is otherwise subject, which breach or default would in any way have a material adverse effect on the transactions contemplated by the Bond Purchase Agreement, the Bond Order or the 2013 Series Resolution, and no event has occurred and is continuing which with the passage of time or giving of notice, or both, would constitute such a breach of or default thereunder.

6. The issuance of the Bonds, the execution and delivery of the Bond Purchase Agreement, the adoption of the Bond Order and 2013 Series Resolution, and compliance with the provisions thereof, will not conflict with or constitute a violation or breach of or default under any applicable law, rule or regulation of the United States or of the State of North Carolina or of any department, division, agency or instrumentality thereof, or any applicable order, judgment or decree of any court or other governmental agency or body or any bond, note, loan agreement, resolution, certificate, agreement or other instrument to which the District is a party or by which the District or its property is bound.

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity before any court, public board or body pending, or to the best of our knowledge, threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bond Purchase Agreement or which, in any way, would adversely affect the validity of the Bond Purchase Agreement, the Bond Order, the 2013 Series Resolution, the Bonds or the exemption of interest on the Bonds from taxation as described in the Official Statement.

8. The District has duly authorized, executed and delivered the Official Statement and has approved the use of the Official Statement in connection with the offering and sale of the Bonds.

9. Based upon information made available to us in the course of our representation of the District, and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, nothing has come to our attention that would lead us to believe that the information contained in the Official Statement under the headings "INTRODUCTION," "THE PLAN OF FINANCE AND REFUNDING," "ESTIMATED SOURCES AND USES OF FUNDS" and "THE DISTRICT" (excluding in all

cases financial and statistical data included or mentioned therein, as to which we express no opinion) and in Appendices A and B thereto, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Respectfully submitted,

[OPINION OF UNDERWRITERS' COUNSEL]

[Closing Date]

Wells Fargo Bank, National Association  
Charlotte, North Carolina

BB&T Capital Markets,  
a division of BB&T Securities, LLC  
Charlotte, North Carolina

Re: [Amount] Metropolitan Sewerage District of Buncombe County, North Carolina  
Sewerage System Revenue Refunding Bonds, Series 2013

We have acted as counsel to you, the underwriters (the "Underwriters") named in the Bond Purchase Agreement, dated April 5, 2013 (the "Bond Purchase Agreement"), among the Local Government Commission (the "LGC"), the Metropolitan Sewerage District of Buncombe County, North Carolina (the "District") and the Underwriters. Capitalized terms used herein and not otherwise defined shall have the meaning given such terms in the Bond Purchase Agreement.

We have examined such documents and reviewed such questions of law and made such other inquiries as we have considered appropriate for the purpose of this opinion. On the basis of the foregoing, as of the date hereof and under existing law, we are of the opinion that the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Bond Order and 2013 Series Resolution are exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements made in the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. However, to assist you in your investigation concerning the Official Statement, we have reviewed certain documents and have participated in conferences in which the contents of the Official Statement and related matters were discussed. During the course of our work on this matter, no facts have come to our attention that cause us to believe that the Official Statement (except for any financial and statistical data, forecasts, numbers, estimates, assumptions, expressions of opinion, information concerning The Depository Trust Company and the book-entry system for the Bonds contained or incorporated by reference in the Official Statement and its appendices, as to which we express no opinion) contains, as of the date hereof, any untrue statement of a material fact or omits to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

This opinion is furnished by us for your sole benefit in connection with your offering and sale of the Bonds, and no other person or entity may rely upon this opinion without our prior written consent.

Respectfully submitted,

**PRELIMINARY OFFICIAL STATEMENT DATED MARCH \_\_, 2013**

**NEW ISSUE**  
**BOOK-ENTRY ONLY**

**Ratings:** *Fitch:*  
*Moody's:*  
*Standard & Poor's:*  
(See "**RATINGS**" herein)

*In the opinion of Bond Counsel, under current law and assuming continuing compliance by the District with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and certain covenants, as described herein, interest on the Series 2013 Bonds will not be includable in the gross income of the owners of the Series 2013 Bonds for federal income tax purposes, and interest on the Series 2013 Bonds will be exempt from all State of North Carolina income taxes. See "**TAX TREATMENT**" herein for further information regarding certain provisions of the Code that may affect the tax treatment of the Series 2013 Bonds for certain owners of the Series 2013 Bonds.*

\$ \_\_\_\_\_ \*

**[METROPOLITAN SEWERAGE DISTRICT SEAL]**      **METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA Sewerage System Revenue Refunding Bonds, Series 2013**

**Dated:** Date of Issuance

**Due:** July 1, as shown below

The Series 2013 Bonds are being issued by the Metropolitan Sewerage District of Buncombe County, North Carolina (the "*District*"). The principal of and interest on the Series 2013 Bonds are payable solely from, and secured solely by a pledge of, the Net Receipts (defined herein) of the System (defined herein) and from certain other moneys of the District under the terms of the Bond Order (defined herein). **NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO PAYMENT OF THE SERIES 2013 BONDS. THE SERIES 2013 BONDS DO NOT OBLIGATE THE STATE OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY TAXES THEREFOR OR TO MAKE ANY PROVISION FOR THEIR PAYMENT EXCEPT FROM FUNDS MADE AVAILABLE THEREFOR UNDER THE BOND ORDER.**

The Series 2013 Bonds are subject to optional redemption prior to their maturity, as more fully described herein.

The Series 2013 Bonds will be issued as fully registered certificates and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("*DTC*"). Individual purchases of the Series 2013 Bonds will be made in book-entry only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates. Transfers of the Series 2013 Bonds will be effected through a book-entry only system as described herein. Payments of principal of, premium, if any, and interest on the Series 2013 Bonds will be made to Cede & Co., as nominee for DTC as registered owner of the Series 2013 Bonds, by The Bank of New York Mellon Trust Company, N.A., as trustee, to be subsequently disbursed to the beneficial owners of the Series 2013 Bonds. Interest on the Series 2013 Bonds is payable on July 1 and January 1, beginning July 1, 2013 at the rates set forth below. Principal is payable, subject to redemption of the Series 2013 Bonds as hereinafter described, on July 1 in the years and amounts set forth below.

**Maturity Schedule\***

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
	\$	%	%		\$	%	%

The Series 2013 Bonds are offered, subject to prior sale, when, as and if issued by the District and accepted by the Underwriters, subject to the approval of their validity by Sidley Austin LLP, New York, New York, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by its counsel, Roberts & Stevens, P.A., Asheville, North Carolina, and for the Underwriters by their counsel, McGuireWoods LLP, Charlotte, North Carolina. It is expected that the Series 2013 Bonds will be available through the facilities of DTC for delivery in New York, New York, on or about May 1, 2013.

**Wells Fargo Securities**

**BB&T Capital Markets**

Dated: April \_\_, 2013

---

\* Preliminary, subject to change.



IN CONNECTION WITH THIS OFFERING, WELLS FARGO SECURITIES AND BB&T CAPITAL MARKETS, A DIVISION OF BB&T SECURITIES, LLC (COLLECTIVELY, THE “*UNDERWRITERS*”) MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2013 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, AND SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation in connection with this offering other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of the Series 2013 Bonds by any person, in any jurisdiction in which it is not lawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the District and from other sources that are deemed to be reliable.

The information set forth herein has been obtained from sources which are believed to be reliable and is in form deemed final by the District for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for certain information permitted to be omitted under Rule 15c2-12(b)(1)).

NEITHER THE SERIES 2013 BONDS NOR THE BOND ORDER HAS BEEN REGISTERED OR QUALIFIED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 304(a)(4) OF THE TRUST INDENTURE ACT OF 1939, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2013 BONDS AND THE BOND ORDER IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2013 BONDS AND THE BOND ORDER HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF.

---

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2013 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the District since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

INTRODUCTION .....	1
THE SERIES 2013 BONDS .....	3
Authorization .....	3
General Terms.....	3
Redemption Provisions .....	3
SECURITY FOR THE BONDS .....	4
Special Obligations .....	4
Pledge of Net Receipts.....	5
Funds and Accounts.....	6
Application of Gross Receipts .....	7
General Fund.....	9
Parity Indebtedness and Subordinated Indebtedness .....	9
Rate Covenant.....	10
THE PLAN OF REFUNDING .....	10
Refunding of the Series 2003 Bonds and Series 2008B Bonds .....	11
ESTIMATED SOURCES AND USES OF FUNDS .....	11
DEBT SERVICE REQUIREMENTS.....	12
THE DISTRICT .....	13
Historical Income Available for Debt Service and Debt Service Coverage .....	13
LEGAL MATTERS .....	15
Litigation.....	15
Opinions of Counsel .....	15
TAX TREATMENT [TO BE REVIEWED AND REVISED BY BOND COUNSEL].....	15
Opinion of Bond Counsel .....	15
Bond Premium .....	16
Backup Withholding.....	16
Other Tax Consequences .....	16
Future Tax Developments.....	17
LEGALITY FOR INVESTMENT.....	17
CONTINUING DISCLOSURE OBLIGATIONS .....	17
UNDERWRITING .....	19
RATINGS .....	20
FINANCIAL STATEMENTS .....	20
VERIFICATION OF MATHEMATICAL ACCURACY .....	20
MISCELLANEOUS .....	20
APPENDIX A - METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA	
APPENDIX B - INFORMATION ON THE SERVICE AREA OF THE METROPOLITAN SEWERAGE DISTRICT	
APPENDIX C - DISTRICT FINANCIAL STATEMENTS	

APPENDIX D -	DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS
APPENDIX E -	PROPOSED FORM OF OPINION OF BOND COUNSEL
APPENDIX F -	THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION
APPENDIX G -	THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY SYSTEM

**OFFICIAL STATEMENT**  
**Relating to**

\$ \_\_\_\_\_ \*

**METROPOLITAN SEWERAGE DISTRICT  
OF BUNCOMBE COUNTY, NORTH CAROLINA  
Sewerage System Revenue Refunding Bonds, Series 2013**

**INTRODUCTION**

This Official Statement, including the cover page and the appendices hereto, is intended to furnish information in connection with the offering of \$ \_\_\_\_\_ \* Sewerage System Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bonds") of the Metropolitan Sewerage District of Buncombe County, North Carolina (the "District").

This introduction provides certain limited information to serve as a guide to this Official Statement and is expressly qualified by this Official Statement as a whole. Prospective investors should make a full review of the entire Official Statement and of the documents summarized or described herein. For the definition of certain terms used in this Official Statement and a summary of certain provisions of the Bond Order and the Series Resolution (each as hereinafter defined), see APPENDIX D, "DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." Capitalized terms used in this Official Statement, unless otherwise defined herein, have the meanings given such terms in the Bond Order.

***The District and the System.*** See APPENDIX A, "METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA" for particular information regarding the District and the System.

***Authorization.*** The Series 2013 Bonds are being issued pursuant to (1) the North Carolina Metropolitan Sewerage Districts Act, being Article 5 of Chapter 162A of the General Statutes of North Carolina, as amended, and, in accordance with the provisions thereof, The State and Local Government Revenue Bond Act, being Article 5 of Chapter 159 of the General Statutes of North Carolina, as amended (collectively, the "Enabling Act"); (2) an Amended and Restated Bond Order adopted by the District Board of the District on April 21, 1999 (the "Bond Order"); and (3) a series resolution adopted by the District Board of the District on February 20, 2013 (the "Series Resolution"). Under the Bond Order, The Bank of New York Mellon Trust Company, N.A. serves as the trustee (the "Trustee"). The Bank of New York Mellon Trust Company, N.A. also will serve as Bond Registrar for the Series 2013 Bonds.

***Security.*** The Series 2013 Bonds will be special obligations of the District, secured by a pledge of and payable from Net Receipts and certain other moneys. The Series 2013 Bonds will be additionally secured by certain funds, accounts and subaccounts held by the Trustee under the Bond Order and the Series Resolution. The Series 2013 Bonds will be secured under the Bond Order on a parity with the District's (1) \$33,635,000 Sewerage System Revenue Refunding Bonds, Series 2008A, which are currently outstanding in the principal amount of \$32,925,000 (the "Series 2008A Bonds"); (2) \$17,205,000 Sewerage System Revenue Bonds, Series 2009A, which are currently outstanding in the principal amount of \$15,960,000 (the "Series 2009A Bonds"); (3) \$13,360,000 Sewerage System Revenue Refunding Bonds, Series 2009B, which are currently outstanding in the principal amount of \$4,945,000 (the "Series 2009B Bonds"); (4) a \$1,500,000 sanitary sewer bond issued in 1985 by the Enka-Candler Water and Sewer District, which is currently outstanding in the principal amount of

---

\* Preliminary, subject to change.

\$\_\_\_\_\_ (the “Enka Bond”), the payment of which has been assumed by the District, and which constitutes Parity Debt; and (5) any additional bonds hereafter issued by the District pursuant to the Bond Order. The Series 2008A Bonds, the Series 2009A Bonds, the Series 2009B Bonds, the Series 2013 Bonds and any additional bonds hereafter issued by the District pursuant to the Bond Order are referred to herein collectively as the “Bonds”. Subject to the provisions of the Bond Order, the District may incur or issue other obligations secured by a pledge of Net Receipts on a parity with the Bonds and the Enka Bond. In addition, there is currently outstanding \$17,875,000 in principal amount of the District’s Sewerage System Revenue Refunding Bonds, Series 2003 (the “Series 2003 Bonds”) and \$19,145,000 in principal amount of the District’s Sewerage System Revenue Refunding Bonds, Series 2008B (the “Series 2008B Bonds”) that are to be refunded by the Series 2013 Bonds. See “SECURITY FOR THE BONDS” herein.

**NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2013 BONDS. THE SERIES 2013 BONDS DO NOT OBLIGATE THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY TAXES THEREFOR OR TO MAKE ANY PROVISION FOR THEIR PAYMENT EXCEPT FROM THE FUNDS MADE AVAILABLE THEREFOR UNDER THE BOND ORDER. See “SECURITY FOR THE BONDS” herein.**

**Purpose.** The District is issuing the Series 2013 Bonds for the purpose of providing funds, together with other available funds, to (1) refund all of the outstanding Series 2003 Bonds maturing on July 1, 2014 to July 1, 2022, inclusive, (2) refund all of the outstanding Series 2008B Bonds and (3) pay certain costs and expenses incurred in connection with the issuance of the Series 2013 Bonds. See “THE PLAN OF REFUNDING” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

**The Series 2013 Bonds.** The Series 2013 Bonds will be dated as of their date of issuance, and will bear interest from their date payable on July 1, 2013, and semiannually thereafter on each January 1 and July 1, at the rates shown on the cover. Principal of the Series 2013 Bonds will be payable, subject to redemption of the Series 2013 Bonds as described herein, on July 1 in the years and amounts shown on the cover. The Series 2013 Bonds are offered in denominations of \$5,000 and integral multiples thereof. The Series 2013 Bonds will be subject to optional redemption, as described below. See “THE SERIES 2013 BONDS” herein.

**Book-Entry Form.** The Series 2013 Bonds will be issued in book-entry only form, without physical delivery of Series 2013 Bonds to beneficial owners of the Series 2013 Bonds (the “Beneficial Owners”). The Trustee will make principal, redemption premium (if any) and interest payments to The Depository Trust Company (“DTC”), New York, New York, which will in turn remit such payments to its participants for subsequent distribution to Beneficial Owners. See APPENDIX G hereto.

**Tax Treatment.** See the caption “TAX TREATMENT” herein.

**Professionals.** The Underwriters for the Series 2013 Bonds (collectively, the “Underwriters”) are listed on the cover page of this Official Statement. Sidley Austin LLP, New York, New York, serves as Bond Counsel to the District. Roberts & Stevens, P.A., Asheville, North Carolina, is counsel to the District. McGuireWoods LLP, Charlotte, North Carolina, is serving as counsel to the Underwriters. The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, is serving as the Trustee and Bond Registrar. Davenport & Company LLC, Richmond, Virginia, is serving as financial advisor to the District.

**Financial Statements.** The District’s general purpose financial statements have been audited by independent certified public accountants for each fiscal year through the fiscal year ended June 30, 2012.

Copies of these financial statements, including audited financial statements containing the unqualified reports of the independent certified public accountants, are available from the District at 2028 Riverside Drive, Asheville, North Carolina 28804, Attention: Director of Finance. APPENDIX C hereto contains the District's general purpose financial statements and the notes thereto, lifted from the District's audited financial statements for the Fiscal Year ended June 30, 2012, including the notes thereto.

**Copies of Documents.** Brief descriptions and summaries of the Series 2013 Bonds, the Bond Order and the Series Resolution are included in this Official Statement and the appendices hereto. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Bond Order and the Series Resolution are qualified in their entirety by reference to the originals thereof. Upon written request, the District's Director of Finance will provide copies of the Bond Order and the Series Resolution in reasonable quantities. The Director of Finance's address is 2028 Riverside Drive, Asheville, North Carolina 28804.

## **THE SERIES 2013 BONDS**

### **Authorization**

The Series 2013 Bonds will be issued under the Enabling Act, the Bond Order and the Series Resolution. The sale of the Series 2013 Bonds will be made by the Local Government Commission of North Carolina (the "LGC"), subject to the approval of the District. See APPENDIX F hereto for information on the LGC and its borrowers and duties.

### **General Terms**

**Payment Terms.** The Series 2013 Bonds will be dated as of their date of issuance, and will bear interest from their date payable on July 1, 2013, and semiannually thereafter on each January 1 and July 1 (the "Interest Payment Dates"), at the rates shown on the cover (calculated on the basis of a 360-day year consisting of twelve 30-day months). Principal of the Series 2013 Bonds will be payable, subject to redemption of the Series 2013 Bonds as described herein, on July 1 in the years and amounts shown on the cover. Payments will be effected through DTC. See APPENDIX G hereto.

**Denominations.** The Series 2013 Bonds are issuable only as fully registered bonds in denominations of \$5,000 and integral multiples thereof.

**Transfer, Registration and Exchange.** So long as DTC or its nominee is the registered owner of the Series 2013 Bonds, registration of transfers and exchanges of beneficial ownership interests in the Series 2013 Bonds will be available only through DTC participants, as hereinafter described. See APPENDIX G hereto.

### **Redemption Provisions**

**Optional Redemption of Series 2013 Bonds.** The Series 2013 Bonds maturing on or after July 1, 20\_\_ are subject to redemption prior to maturity, at the District's option, on or after July 1, 20\_\_, in whole or in part on any date, from any funds that may be available to the District for such purpose, at a redemption price equal to 100% of the principal amount of such Series 2013 Bonds to be redeemed, plus accrued interest to the redemption date.

**Notice of Redemption.** The Bond Registrar is required to send notice of redemption of any Series 2013 Bonds to be redeemed by first-class mail, postage prepaid, at least 30 days but not more than 45 days before the redemption date to all Owners of Series 2013 Bonds to be redeemed, but notice to DTC will be sent by registered or certified mail. Failure to mail any notice to any Owner or any defect in such

notice will not affect the validity of any proceedings for such redemption as to any other Owner to whom such notice is properly given. The Series Resolution also requires the Bond Registrar to send such notice of redemption the Municipal Securities Rulemaking Board (“MSRB”) through the Electronic Municipal Market Access (EMMA) system, or any other entity designated or authorized by the MSRB or the Securities and Exchange Commission in accordance with then current guidelines, but failure to mail such notice or any defect therein shall not affect the validity of any proceedings from the redemption of any Series 2013 Bonds.

Any notice of redemption may state that the redemption to be effected is conditioned on receipt by the Trustee or the Bond Registrar on or before the redemption date of moneys sufficient to pay the principal of and premium, if any, and interest on the Series 2013 Bonds to be redeemed. If such notice contains such a condition and moneys sufficient to pay the principal of and premium, if any, and interest on such Series 2013 Bonds are not received by the Trustee or the Bond Registrar on or before the redemption date, the redemption will not be made and the Bond Registrar will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

***Selection of Series 2013 Bonds for Redemption.*** If less than all of the Series 2013 Bonds are called for redemption, the District will select the maturity or maturities of the Series 2013 Bonds to be redeemed. If less than all Series 2013 Bonds of any maturity are to be redeemed, the Series 2013 Bonds of such maturity to be redeemed will be selected (1) by DTC pursuant to its rules and procedures or (2) if a book-entry system is no longer in effect, by the Bond Registrar by lot. If the Series 2013 Bonds are to be redeemed in part, they may be redeemed only in integral multiples of \$5,000 and each \$5,000 portion of the principal will be counted as one Series 2013 Bond for such purpose. If a portion of a Series 2013 Bond is called for redemption, a new Series 2013 Bond in principal amount equal to the unredeemed portion thereof shall be issued to the Owner thereof upon surrender thereof.

***Effect of Call for Redemption.*** On or before the date on which the Series 2013 Bonds or portions thereof are to be redeemed, the District will deposit with the Trustee or the Bond Registrar money or Defeasance Obligations, or a combination of both, that will be sufficient to pay on the redemption date the Redemption Price of and interest accruing on the Series 2013 Bonds to be redeemed on such redemption date.

If notice is properly given, the Series 2013 Bonds or portions thereof so called for redemption shall be due and payable at the redemption price provided therefor, plus accrued interest to such date, and if moneys sufficient to pay the redemption price of the Series 2013 Bonds or portions thereof to be redeemed plus accrued interest thereon to the date of redemption are held by the Trustee or the Bond Registrar in trust for the Owners of Series 2013 Bonds to be redeemed, (1) interest on such Series 2013 Bonds or portions thereof shall cease to accrue from and after such date, (2) such Series 2013 Bonds or portions thereof shall cease to be entitled to any benefits or security under the Bond Order or to be deemed Outstanding and (3) Owners of such Series 2013 Bonds or portions thereof shall have no right in respect thereof except to receipt of payment of the Redemption Price thereof, plus accrued interest to the date fixed for redemption.

## **SECURITY FOR THE BONDS**

### **Special Obligations**

The Series 2013 Bonds are special obligations of the District, secured by a pledge of and payable from Net Receipts and certain other moneys of the District hereinafter described. The Bonds and the Enka Bond are, and any additional Bonds issued by the District under the Bond Order will be, equally and ratably secured by Net Receipts and such other moneys, and the District is not obligated to pay the

principal of or the interest on the Bonds, the Enka Bond or any such additional Bonds except from Net Receipts and such other moneys. The City of Asheville, North Carolina has agreed to make payments to the District for application to the payment of a portion of the debt service on the Enka Bond under an arrangement which is based on the percentage of land area in the Enka-Candler Water and Sewer District that has been annexed by the City of Asheville. **NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF NORTH CAROLINA OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2013 BONDS. THE SERIES 2013 BONDS DO NOT OBLIGATE THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY ANY TAXES THEREFOR OR TO MAKE ANY PROVISION FOR THEIR PAYMENT EXCEPT FROM FUNDS MADE AVAILABLE THEREFOR UNDER THE BOND ORDER.**

The District will not sell or dispose of the System or any part thereof except upon compliance with the provisions of the Bond Order. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER—Covenants Against Sale and Exceptions Thereto” in APPENDIX D hereto.

### **Pledge of Net Receipts**

The Net Receipts of the System are pledged to the payment of, and as security for, the Bonds, the Enka Bond and any other Parity Indebtedness or Subordinated Indebtedness. See “—Parity Indebtedness and Subordinated Indebtedness” herein.

Net Receipts for any period means the excess, if any, of Gross Receipts after the payment of Current Expenses for such period. Gross Receipts generally include all receipts, revenues, income, proceeds and money received in any period by or for the District in respect of the System. Current Expenses generally include the District’s current expenses for the operation, maintenance and repair of the System as determined in accordance with generally accepted accounting principles, except that Current Expenses do not include reserves for extraordinary replacements and repairs, allowances for depreciation or amortization of financing expense, deposits to any fund, account or subaccount created by the Bond Order or any Series Resolution or debt service payments or deposits in respect of Parity Debt, Subordinated Indebtedness or System G.O. Indebtedness. See APPENDIX D hereto for complete definitions of “Gross Receipts” and “Current Expenses.”

Subject to compliance with applicable provisions of North Carolina law, the District may issue general obligation bonds, secured by the ad valorem taxing power of the District, to finance the costs of improvements to the System. The District currently has no System G.O. Indebtedness. Under the Bond Order, System G.O. Indebtedness is not secured by a pledge of and lien on the Net Receipts, but may be paid from Net Receipts following the payment of the Bonds and Parity Debt, Subordinated Indebtedness and any required transfers to reserve funds. See “—Application of Gross Receipts” herein. In addition, although the Bond Order does not create a pledge of and lien on the Net Receipts on behalf of the holders of System G.O. Indebtedness, North Carolina law requires that revenues, if any, of a utility or public service enterprise must be applied, first, to pay the operating, maintenance and capital outlay costs of the utility or enterprise, and, second, to pay the bonds incurred to finance the utility or enterprise before such funds may be used for any other purpose. Therefore, although the District is not required by law to collect rates, fees and charges sufficient to pay debt service on System G.O. Indebtedness, to the extent such rates, fees and charges are collected, they must be applied to pay debt service on System G.O. Indebtedness to the extent amounts are available for such purpose following payment of Current Expenses, capital outlay, debt service on Parity Debt and Subordinated Indebtedness and required reserve fund transfers.



## **Funds and Accounts**

**Revenue Account.** The Revenue Account will be administered by the District and will not be a Trustee-held fund. The District will deposit all Gross Receipts as received in the Revenue Account. In addition, all proceeds of any Derivative Agreement will be deposited in the Revenue Account. However, on the occurrence of any Event of Default under the Bond Order, the Trustee may, and on the written request of the Owners and Holders of not less than a majority in aggregate principal amount of Parity Indebtedness then Outstanding will, (a) require the District to endorse all checks and other negotiable instruments representing Gross Receipts to the order of the Trustee immediately on receipt thereof and deliver such endorsed instruments daily to the Trustee, (b) notify any or all account debtors of the District to pay any amounts representing Gross Receipts, when due and owing, directly to the Trustee and (c) require the District to deliver to the Trustee all money and Investment Obligations held by the District in the Revenue Account. The disposition of Gross Receipts held by the Trustee under (a), (b) and (c) above is subject to the provisions of the Bond Order governing the disposition of Gross Receipts to the same extent as if the District had deposited such Gross Receipts in the Revenue Account.

**Bond Fund.** The Bond Fund is held by the Trustee and consists of six separate accounts known as the Capitalized Interest Account, the Interest Account, the Principal Account, the Sinking Fund Account, the Redemption Account and the Parity Reserve Account. Each series resolution authorizing a Series of Bonds will provide for the creation, to the extent applicable, of separate subaccounts within the Capitalized Interest Account, the Interest Account, the Principal Account, the Sinking Fund Account and the Redemption Account relating to the Series of Bonds authorized by such series resolution. Moneys held in such subaccounts are pledged to the payment of the principal of (whether at maturity or pursuant to mandatory sinking fund redemption) and interest on the Series of Bonds for which such subaccounts are established.

**Parity Reserve Account.** Each Parity Resolution providing for the issuance or incurrence of Parity Indebtedness may provide that the Parity Indebtedness authorized thereby will be secured by the Parity Reserve Account. If any Parity Indebtedness is secured by the Parity Reserve Account, the District must fund the Parity Reserve Account in an amount equal to the Parity Reserve Account Requirement at the time of delivery and payment for such Parity Indebtedness. If the Parity Resolution authorizing Parity Indebtedness does not provide that such Parity Indebtedness will be secured by the Parity Reserve Account, such Parity Indebtedness will have no claim on the Parity Reserve Account. Moneys on deposit in the Parity Reserve Account (or provided under a Reserve Alternative Instrument) will be used as necessary to pay the principal of and interest on all Parity Indebtedness secured by the Parity Reserve Account to the extent that moneys on deposit for such payment are insufficient therefor. The Series 2013 Bonds will not be secured by the Parity Reserve Account.

**Special Reserve Account.** A Parity Resolution authorizing Parity Indebtedness may also provide for the creation of a Special Reserve Account to be maintained by the Trustee or a Depositary that will secure only the Parity Indebtedness authorized by such Parity Resolution. The Series 2013 Bonds will not be secured by a Special Reserve Account.

**Insurance and Condemnation Award Fund.** The Insurance and Condemnation Award Account will be held by the Trustee. Under certain circumstances described in the Bond Order, Net Insurance Proceeds and Net Eminent Domain Proceeds are required to be deposited by the District in the Insurance and Condemnation Award Account. Moneys held in the Insurance and Condemnation Award Fund will be (a) disbursed to replace, repair, rebuild or restore the System or to redeem Bonds or Parity Debt in the manner set forth in the Bond Order or (b) transferred to the District's General Fund or any other fund or account designated by the District if the System has been restored with other funds of the District which were not subject to the lien in favor of the Owners and Holders. See "SUMMARY OF CERTAIN

PROVISIONS OF THE BOND ORDER—Insurance and Condemnation Award Account” in APPENDIX D hereto.

**Capital Reserve Fund.** The Capital Reserve Fund will be administered by the District and will not be a Trustee-held fund. Moneys held in the Capital Reserve Fund will be used (a) in the District’s sole discretion, to make deposits to the appropriate subaccounts in the Interest Account, the Principal Account and the Sinking Fund Account to remedy any deficiency therein or to pay the interest on or the principal of or amortization requirements in respect of any Parity Debt when due, whenever moneys are insufficient for such purposes and (b) to pay all or a portion of the cost of unusual or extraordinary maintenance, repairs, renewals or replacements or capital improvements related to the System. The Capital Reserve Fund is currently funded at the Capital Reserve Fund Requirement. DEPOSITS TO THE CAPITAL RESERVE FUND BY THE DISTRICT TO PAY PRINCIPAL OF OR INTEREST ON THE BONDS IS WHOLLY DISCRETIONARY, AND NO MONEYS ARE CURRENTLY BEING DEPOSITED THEREIN FOR SUCH PURPOSE. THE OWNERS OF THE SERIES 2013 BONDS SHOULD NOT ANTICIPATE THAT MONEYS WILL BE AVAILABLE IN THE CAPITAL RESERVE FUND TO PAY PRINCIPAL OF OR INTEREST ON THE SERIES 2013 BONDS.

**Series 2013 Costs of Issuance Account.** On the delivery date of the Series 2013 Bonds, the District will cause to be deposited with the Trustee, from the proceeds of the Series 2013 Bonds, to the credit of the Series 2013 Costs of Issuance Account established in the Series Resolution such amount as is required by the Series Resolution. The Series 2013 Costs of Issuance Account will be governed by the provisions of the Bond Order and the moneys will be applied to pay the costs of issuance of the Series 2013 Bonds.

#### **Application of Gross Receipts**

The District will pay Current Expenses from Gross Receipts deposited in the Revenue Account, and Current Expenses will be a first charge against the Revenue Account; provided, however, that the District may pay Current Expenses from any other legally available sources. Current Expenses will be paid as they become due and payable in conformity with the District’s applicable budgetary and payment procedures. At such time or times as are specifically provided for in the Bond Order or in any Parity Debt Resolution or Derivative Agreement, the District will use amounts on deposit in the Revenue Account to make the required deposits under such documents.

The Series Resolution provides that, with respect to the Series 2013 Bonds, the District will deposit with the Trustee from moneys held in the Revenue Account the following amounts, for application in the following order:

- (a) into the Series 2013 Subaccount of the Interest Account, two Business Days prior to the next ensuing Interest Payment Date, an amount equal to the interest payable on the Series 2013 Bonds on such Interest Payment Date; and
- (b) into the Series 2013 Subaccount of the Principal Account, two Business Days prior to July 1 of each year, an amount equal to the principal of all Series 2013 Bonds due on such July 1.

The deposits required by the Series Resolution mentioned above are subject to the provisions of the Bond Order which provides that the District will deposit from moneys held in the Revenue Account the following amounts, for application in the following manner and order:

(a) (i) at such time or times as provided in the Parity Resolutions, the District will deliver to the Trustee (1) the amounts required in any series resolution for deposit to the appropriate subaccounts of the Interest Account and (2) the amounts required by any Parity Debt Resolution for the payment of interest on such Parity Debt for deposit with or payment to the appropriate Persons designated in such Parity Debt Resolution and (ii) if a Derivative Agreement provides for any payments thereunder by the District relating to interest on Parity Indebtedness constituting Derivative Indebtedness, then at such time or times as provided in the Derivative Agreement the District will deliver to the Trustee for deposit with or payment to the Person designated in the Derivative Agreement the amount of such interest required by such Derivative Agreement to be paid thereunder by the District, provided that if there are not sufficient Net Receipts to satisfy all such deposits and payments, such deposits and payments will be made to each such subaccount and appropriate Person designated in such Parity Debt Resolution or Derivative Agreement ratably according to the amount so required to be deposited or paid;

(b) at such time or times as provided in the Parity Resolutions, the District will deliver to the Trustee (1) the amounts required in any series resolution for deposit to the appropriate subaccounts of the Principal Account and the Sinking Fund Account and (2) the amounts required by any Parity Debt Resolution for the payment of principal on Parity Debt, whether at maturity or pursuant to an amortization requirement, for deposit with or payment to the appropriate Persons designated in such Parity Debt Resolution, provided that if there are not sufficient Net Receipts to satisfy all such deposits and payments, such deposits and payments will be made to each such subaccount and appropriate Person designated in such Parity Debt Resolution ratably according to the amount so required to be deposited or paid;

(c) at such time or times as provided in the Parity Resolutions, if the amount in the Parity Reserve Account is less than the Parity Reserve Account Requirement or the amount in any Special Reserve Account is less than the applicable Special Reserve Account Requirement, the District will deliver to the Trustee the amounts required by the Bond Order to replenish any deficiency in the Parity Reserve Account and the amounts required by any series resolution or Parity Debt Resolution to make up any deficiencies in any Special Reserve Accounts for deposit in such Special Reserve Accounts or payment to the appropriate parties designated in such series resolution or Parity Debt Resolutions, provided that if there is not sufficient Net Receipts to satisfy all such deposits and payments, such deposits and payments will be made among the Parity Reserve Account and each Special Reserve Account ratably according to the amounts so required to be deposited or paid;

(d) so long as System G.O. Indebtedness is outstanding, the District, in its sole discretion, may pay interest on and principal of System G.O. Indebtedness as the same become due and payable;

(e) as long as installment purchase, lease purchase, conditional sale contract or other similar types of indebtedness incurred to finance all or any part of the System are outstanding, the District, in its sole discretion, may pay interest on and principal of such indebtedness, or corresponding installment, lease or other similar type payments, as the same become due and payable; and

(f) beginning on July 25 of each Fiscal Year, and thereafter on the 25<sup>th</sup> day of each month, the District will deposit to the credit of the Capital Reserve Fund 1/12<sup>th</sup> of the difference between the amount on deposit therein at the close of business on the immediately preceding July 24<sup>th</sup> and the Capital Reserve Fund Requirement.

The District may provide in a Subordinated Indebtedness Resolution for the disposition of Net Receipts for the principal of or interest on Subordinated Indebtedness or in a Derivative Agreement for the making of payments or repayments thereunder on a subordinated basis prior to the deposits required by clauses (d), (e) and (f) above, but only after making the required deposits or payments required by clauses (a), (b) and (c) above.

Except during the continuation of an Event of Default, the District, in its discretion, after making the deposits required by clauses (a), (b), (c), (d), (e) and (f) above, may transfer any balance remaining in the Revenue Account in each month, in whole or in part, to the General Fund or any fund or account designated by the District, provided that (1) an Authorized Officer first certifies to the Trustee that, in his or her opinion, the transfer of such amount will not have a materially adverse effect on the District's ability over the next 12 calendar months to pay Current Expenses, to make the deposits required under the Bond Order and to meet all other financial obligations imposed by the Bond Order or any Parity Resolution and (2) the amount transferred in any month does not exceed 1/12<sup>th</sup> of the total amount budgeted to be transferred from the Revenue Account in such Fiscal Year as shown in the Annual Budget multiplied by the number of full months elapsed in such Fiscal Year less amounts previously transferred from the Revenue Account in such Fiscal Year. ANY MONEYS SO TRANSFERRED, OTHER THAN TRANSFERS MADE TO ANY ACCOUNT OR SUBACCOUNT OF THE BOND FUND, WILL NO LONGER BE SUBJECT TO THE PLEDGE, CHARGE AND LIEN UPON THE NET RECEIPTS CREATED BY THE BOND ORDER.

Notwithstanding anything in the Series Resolution to the contrary, the District's obligation to make any and all termination payments or other fees, expenses, indemnification or other obligations under any Derivative Agreement entered into with respect to the Series 2013 Bonds, other than required payments thereunder by the District relating to interest on Parity Indebtedness constituting Derivative Indebtedness, will be subordinate and junior in right of payment to the prior payment in full of Parity Indebtedness and Subordinated Indebtedness, and will be payable by the District after the payments required by clauses (a), (b), (c), (d), (e) and (f) above. The obligation of the District described in the preceding sentence will not constitute Indebtedness for purposes of the Bond Order and the Series Resolutions.

### **General Fund**

The Bond Order creates a General Fund established with a Depository of the District to the credit of which the District may make deposits monthly. The Bond Order also provides for the deposit to the credit of the General Fund of any moneys representing acreage, tap, connection, developer, plant capacity, sampling and monitoring fees, impact fees, special assessment and similar fees and charges and grants.

Under the Bond Order, moneys in the General Fund which represent Gross Receipts and such acreage, tap, connection, developer, plant capacity, sampling and monitoring fees, impact fees, special assessment and similar fees and charges and grants (less the allocable costs of providing the capital improvements in connection with which such fees and charges and grants are collected and any amounts of such fees and charges which are otherwise obligated) may be used for any lawful purpose of the District.

### **Parity Indebtedness and Subordinated Indebtedness**

Under the conditions and limitations set forth in the Bond Order and without the approval or consent of the Owners or Holders of Indebtedness, the District may issue or incur additional Parity Indebtedness secured by a pledge, charge and lien upon the Net Receipts on a parity with the Series 2013

Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER—Limitation on Parity Indebtedness” in APPENDIX D hereto.

Under the conditions and limitations set forth in the Bond Order and without the approval or consent of the Owners or Holders of Indebtedness, the District may issue or incur Subordinated Indebtedness which shall be subordinate and junior in right of payment to the prior payment in full of Parity Indebtedness to the extent and in the manner set forth in the Bond Order and that may be made payable from Net Receipts but only after the District has made the cash deposits required under the Bond Order to pay, among other things, principal of and interest on the Series 2013 Bonds and any other Parity Indebtedness, and the amounts required by the related documentation to make up any deficiencies in the Parity Reserve Account or any Special Reserve Account. See “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDER—Limitation on Subordinated Indebtedness” in APPENDIX D hereto.

### **Rate Covenant**

Under the Bond Order, the District has covenanted as follows:

(a) to fix, charge and collect rates, fees, rentals and charges for the use of and for the services furnished or to be furnished by the System, and from time to time and as often as it shall appear necessary, to revise such rates, fees, rentals and charges as may be necessary or appropriate, in order that the Income Available for Debt Service for each Fiscal Year will not be less than the greater of (1) 120% of the Long-Term Debt Service Requirement for Parity Indebtedness only for such Fiscal Year or (2) 100% of the Long-Term Debt Service Requirement for Parity Indebtedness and Subordinated Indebtedness for such Fiscal Year; and

(b) to fix, charge and collect rates, fees, rentals and charges for the use of and for the services furnished or to be furnished by the System, and from time to time and as often as it shall appear necessary to revise such rates, fees, rentals and charges as may be necessary or appropriate, in order that the Gross Receipts will be sufficient in each Fiscal Year (1) to pay the Current Expenses, (2) to make the cash deposits in each Fiscal Year required under the Bond Order to pay, among other things, principal of and interest on the Bonds and any other Parity Indebtedness, and the amounts required by the related documentation to make up any deficiencies in the Parity Reserve Account or any Special Reserve Account and (3) to make the cash deposits in each Fiscal Year required by any Subordinated Indebtedness Resolutions with respect to the payment of interest on or principal of Subordinated Indebtedness.

In addition, the District has covenanted that all users will pay for services at the established rates, fees and charges established by the District from time to time in accordance with the District’s customary billing practices and policies.

### **THE PLAN OF REFUNDING**

The District is issuing the Series 2013 Bonds for the purpose of providing funds, together with other available funds, to (1) refund the outstanding Series 2003 Bonds maturing on July 1, 2014 to July 1, 2022, inclusive; (2) refund the outstanding Series 2008B Bonds; and (3) pay certain costs and expenses incurred in connection with the issuance of the Series 2013 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

## Refunding of the Series 2003 Bonds and Series 2008B Bonds

To accomplish the refunding of the Series 2003 Bonds, the District has made arrangements for The Bank of New York Mellon Trust Company, N.A., as Escrow Agent (the “Escrow Agent”), to purchase, from a portion of the proceeds of the Series 2013 Bonds, non-callable U.S. Government Obligations, the principal of and interest on which, when due, together with other moneys to be deposited with the Escrow Agent, will provide sufficient moneys to enable the Escrow Agent to deposit with itself, as bond registrar, sufficient moneys to pay, on July 1, 2013, the redemption price of the Series 2003 Bonds maturing on July 1, 2014 to July 1, 2022, inclusive, and the interest accruing on such Series 2003 Bonds to such date. The District will also deposit its own funds with the Escrow Agent for the purpose of paying on July 1, 2013 the principal of and accrued interest on the Series 2003 Bonds maturing on July 1, 2013. See “VERIFICATION OF MATHEMATICAL ACCURACY” herein.

To accomplish the refunding of the Series 2008B Bonds, the District has called such Series 2008B Bonds for redemption on May 1, 2013, the date of issuance of the Series 2013 Bonds. The District intends to apply proceeds of the Series 2013 Bonds, together with other funds to be deposited with the Trustee, to pay the principal of and accrued interest on the Series 2008B Bonds on their redemption date.

### ESTIMATED SOURCES AND USES OF FUNDS

The estimated funds available from the proceeds of the Series 2013 Bonds together with other available funds, and the estimated uses of such funds are as follows:

#### Sources of Funds:

Principal Amount of Series 2013 Bonds  
Original Issue Premium  
District Contribution  
Trustee-held Funds

---

Total Sources of Funds

#### Uses of Funds:

Redemption of Series 2003 Bonds and Series 2008B Bonds  
Costs of Issuance<sup>1</sup>

---

Total Uses of Funds

<sup>1</sup> Includes underwriters’ discount, fees and expenses of Bond Counsel and counsel to the District, fees and expenses of the Trustee and miscellaneous expenses.

## DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for all outstanding Parity Indebtedness:

Fiscal Year Ending June 30	Outstanding Bonds	Series 2013 Bonds	Total Debt Service Requirements
----------------------------------	----------------------	-------------------	--

[To come]

## **THE DISTRICT**

The District is a public body and body politic and corporate of the State of North Carolina, exercising public and essential governmental functions and organized under the provisions of the North Carolina Metropolitan Sewerage Districts Act, being Article 5, Chapter 162A of the General Statutes of North Carolina, as amended. Certain information with respect to the District and the System is set forth in APPENDIX A hereto. APPENDIX C hereto contains the District's general purpose financial statements and the notes thereto, lifted from the District's audited financial statements for the Fiscal Year ended June 30, 2012, including the notes thereto.

### **Historical Income Available for Debt Service and Debt Service Coverage**

The table below presents the Income Available for Debt Service of the District for the five Fiscal Years ended June 30, 2008 to 2012 and the ratio of Income Available for Debt Service to the Long-Term Debt Service Requirement on the Bonds at the time Outstanding under the Bond Order and the Enka Bond. The table was prepared using the District's audited financial statements for the five Fiscal Years ended June 30, 2008 to 2012 and the provisions of the Bond Order applicable to the determination of Income Available for Debt Service. These calculations of Income Available for Debt Service, defined in the Bond Order as being the excess of Revenues over Current Expenses, differ in several important aspects from the District's calculations of net income prepared in conformity with generally accepted accounting principles in that they do not include certain revenues and expenses as specified in the Bond Order. See "DEFINITIONS OF CERTAIN TERMS" in APPENDIX D hereto for the definitions of "Current Expenses" and "Revenues."



	FISCAL YEAR ENDED JUNE 30				
	2008	2009	2010	2011	2012
Revenues					
Operating	\$28,603,655	\$27,759,073	\$27,794,217	\$29,745,786	\$31,078,637
Nonoperating	1,692,182	1,069,737	645,401	1,198,472	397,972
Less:					
(Gain) loss on sale of capital assets	\$ 49,926	\$ (22,150)	\$ (67,099)	\$ (42,232)	\$ (86,165)
Gifts, grants, donations	-	-	(336,490)	(663,238)	(110,439)
Pump Station Acceptance and Other Fees	(210,972)	(16,919)	-	(82,105)	(312,045)
Investment income—restricted accounts	(1,024,861)	(456,469)	(113,944)	(263,744)	(135,913)
Tap and facility fees	(3,005,184)	(2,959,115)	(1,654,010)	(2,238,171)	(2,321,474)
Total Revenues	<u>\$26,104,746</u>	<u>\$25,374,157</u>	<u>\$26,268,075</u>	<u>\$27,654,768</u>	<u>\$28,510,573</u>
Current Expenses					
Operating	\$19,135,947	\$21,370,311	\$21,311,092	\$21,043,212	\$21,663,609
Nonoperating	3,827,691	3,277,292	3,080,807	2,775,151	2,679,597
Less:					
Depreciation	\$(7,065,752)	\$(8,561,962)	\$(8,556,365)	\$(7,520,744)	\$(7,681,340)
Amortization	(91,286)	(73,887)	(145,827)	(156,120)	(144,651)
Interest	(3,736,405)	(3,203,405)	(2,934,980)	(2,619,031)	(2,534,946)
Total Current Expenses	<u>\$12,070,195</u>	<u>\$12,808,349</u>	<u>\$12,754,727</u>	<u>\$13,522,468</u>	<u>\$13,982,269</u>
Income Available for Debt Service	<u>\$14,034,551</u>	<u>\$12,565,808</u>	<u>\$13,513,348</u>	<u>\$14,132,300</u>	<u>\$14,528,304</u>
Long-Term Debt Service Requirement	\$8,074,031	\$7,600,385	\$7,855,989	\$8,565,201	\$7,274,680
Ratio of Income Available for Debt Service to Long-Term Debt Service Requirement	1.74x	1.65x	1.72x	1.65x	2.00x

## **LEGAL MATTERS**

### **Litigation**

No litigation is now pending or, to the best of the District's knowledge, threatened against or affecting the District which seeks to restrain or enjoin the authorization, execution or delivery of the Series 2013 Bonds, the Bond Order or the Series Resolution, or which contests the validity or the authority or proceedings for the authorization, execution or delivery of the Series 2013 Bonds, or the District's creation, organization or corporate existence, or the title of any of the present officers thereof to their respective offices or the authority or proceedings for the District's authorization, execution and delivery of the Bond Order, the Series Resolution or the Series 2013 Bonds, or the District's authority to carry out its obligations thereunder, or which would have a material adverse effect on the District's condition, financial or otherwise.

### **Opinions of Counsel**

The authorization and issuance of the Series 2013 Bonds are subject to the approval of legality by Sidley Austin LLP, New York, New York, Bond Counsel. The proposed form of opinion of Bond Counsel is set forth in APPENDIX E hereto. Certain legal matters will be passed upon for the Underwriters by McGuireWoods LLP, Charlotte, North Carolina, counsel to the Underwriters, and for the District by Roberts & Stevens, P.A., Asheville, North Carolina, counsel to the District.

## **TAX TREATMENT**

### **[TO BE REVIEWED AND REVISED BY BOND COUNSEL]**

### **Opinion of Bond Counsel**

The District has covenanted to comply with applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion from gross income of the interest on the Series 2013 Bonds for purposes of federal income taxation. In the opinion of Sidley Austin LLP, Bond Counsel, assuming compliance by the District with such provisions of the Code, interest on the Series 2013 Bonds will not be included in the gross income of the owners thereof for purposes of federal income taxation under current law. Failure by the District to comply with such applicable requirements may cause interest on the Series 2013 Bonds to be includable in the gross income of the owners thereof retroactive to the date of issue of the Series 2013 Bonds. The opinion of Sidley Austin LLP states that such opinion may not be relied upon to the extent that the exclusion from gross income of the interest on the Series 2013 Bonds for federal income tax purposes is adversely affected as a result of the taking of any action, or the failure to take any action, in reliance upon the opinion of counsel other than such firm.

In the opinion of Sidley Austin LLP, Bond Counsel, interest on the Series 2013 Bonds will not be a specific preference item for purposes of the federal individual or corporate alternative minimum tax. Interest on the Series 2013 Bonds is included as an adjustment in calculating federal corporate alternative minimum taxable income for such purposes. The Code contains other provisions that could result in tax consequences, upon which Sidley Austin LLP, Bond Counsel, renders no opinion, as a result of ownership of the Series 2013 Bonds or the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

In the opinion of Sidley Austin LLP, Bond Counsel, under existing law, interest on the Series 2013 Bonds is exempt from all State of North Carolina income taxes.

## **Bond Premium**

The excess, if any, of the tax basis of Series 2013 Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Series 2013 Bonds as inventory, stock in trade, or for sale to customers in the ordinary course of business) over the amount payable at maturity is “bond premium.” Bond premium is amortized over the term of such Series 2013 Bonds for federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of such Series 2013 Bonds are required to decrease their adjusted basis in such Series 2013 Bonds by the amount of amortizable bond premium attributable to each taxable year such Series 2013 Bonds are held. The amortizable bond premium on such Series 2013 Bonds attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium on such Series 2013 Bonds is treated as an offset to qualified stated interest received on such Series 2013 Bonds. Owners of such Series 2013 Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon sale or other disposition of such Series 2013 Bonds and with respect to the state and local tax consequences of owning and disposing of such Series 2013 Bonds.

## **Backup Withholding**

Interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of interest on the Series 2013 Bonds from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Series 2013 Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the Internal Revenue Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the Internal Revenue Service.

## **Other Tax Consequences**

The Code contains other provisions (some of which are noted below) that could result in tax consequences, upon which Sidley Austin LLP, Bond Counsel, expresses no opinion, as a result of ownership of the Series 2013 Bonds or the inclusion in certain computations of interest on the Series 2013 Bonds that it excluded from gross income for purposes of federal income taxation.

**PROSPECTIVE PURCHASERS OF THE SERIES 2013 BONDS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE APPLICABILITY AND IMPACT OF ANY SUCH COLLATERAL TAX CONSEQUENCES.**

Ownership of tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Prospective purchasers of Series 2013 Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

## **Future Tax Developments**

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Series 2013 Bonds to be subject, directly or indirectly, to federal income taxation, or interest on the Series 2013 Bonds to be subject to state or local income taxation or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Further, legislation or regulatory actions and proposals may affect the economic value of the federal or state tax exemption or the market value of the Series 2013 Bonds. Prospective purchasers of the Series 2013 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations, rulings or litigation as to which Sidley Austin LLP, Bond Counsel, expresses no opinion.

## **LEGALITY FOR INVESTMENT**

Section 159-140 of the General Statutes of North Carolina provides that the Series 2013 Bonds are securities in which all public officers and public bodies of the State of North Carolina and its political subdivisions and agencies and insurance companies, trust companies, investment companies, banks, savings banks, building and loan associations, savings and loan associations, credit unions, pension or retirement funds, other financial institutions engaged in business in the State of North Carolina, executors, administrators, trustees and other fiduciaries may properly and legally invest funds, including capital in their control or belonging to them, and the Series 2013 Bonds are securities that may properly and legally be deposited with and received by any State of North Carolina or municipal officer or any agency or political subdivision of the State for any purpose for which the deposit of bonds, notes or obligations of the State is now or may hereafter be authorized by law.

## **CONTINUING DISCLOSURE OBLIGATIONS**

In the Series Resolution, the District will undertake, for the benefit of the beneficial owners of the Series 2013 Bonds, to provide:

(a) by not later than seven months from the end of each Fiscal Year of the District, commencing with the Fiscal Year ending June 30, 2013, to the Electronic Municipal Market Access system (“EMMA”) (<http://emma.msrb.org>), the audited financial statements of the District for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements are not available by seven months from the end of such Fiscal Year, the unaudited financial statements of the District for such Fiscal Year to be replaced subsequently by the audited financial statements of the District to be delivered within 15 days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each Fiscal Year of the District, commencing with the Fiscal Year ending June 30, 2013, to EMMA, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the headings “THE DISTRICT—Historical Income Available for Debt Service and Debt Service Coverage” herein and “Rates, Fees and Charges” and “Commercial Customers” in APPENDIX A hereto, to the extent such items are not included in the financial statements referred to in (a) above;

(c) in a timely manner not in excess of ten business days after the occurrence of the event, to EMMA, notice of any of the following events with respect to the Series 2013 Bonds:

- (1) principal and interest payment delinquencies;

- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (5) substitution of any credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), other material notices or determinations with respect to the tax status of the Series 2013 Bonds;
- (7) modification to the rights of the beneficial owners of the Series 2013 Bonds;
- (8) call of any of the Series 2013 Bonds for redemption, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of any property securing repayment of the Series 2013 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the District, which event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets of the business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision over substantially all of the assets or business of the District;
- (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such action, other than pursuant to its terms, if material; and
- (14) appointment of a successor Trustee or additional Trustee or the change of name of a Trustee, if material; and

(d) in a timely manner, to EMMA, notice of a failure of the District to provide required annual financial information described in (a) or (b) above on or before the date specified.

At present, Section 159-34 of the General Statutes of North Carolina requires that the District's financial statements be prepared in accordance with generally accepted accounting principles and that they be audited in accordance with generally accepted auditing standards.

The Series Resolution will provide that the undertaking described above is enforceable by any beneficial owner of the Series 2013 Bonds including an action for specific performance, but the District's failure to comply with the undertaking will not constitute an Event of Default and will not result in any acceleration of payment of the Series 2013 Bonds. All actions must be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Series 2013 Bonds.

Pursuant to the Series Resolution, the District will reserve the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the District, provided that:

(a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the District;

(b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”) as of the date of this Official Statement with respect to the Series 2013 Bonds, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the beneficial owners, as determined by bond counsel, or by approving vote of the owners of a majority in principal amount of the Series 2013 Bonds pursuant to the terms of the Bond Order, as it may be amended from time to time, at the time of the amendment.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The undertaking described above will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Series 2013 Bonds.

The District has not failed to comply with any prior continuing disclosure undertakings under Rule 15c2-12.

## **UNDERWRITING**

The Underwriters have entered into a Bond Purchase Agreement to purchase all of the Series 2013 Bonds, if any of the Series 2013 Bonds are to be purchased, at a purchase price equal to 100% of the principal amount thereof, less an underwriters’ discount of \$\_\_\_\_\_ and plus an original issue premium of \$\_\_\_\_\_. The obligation of the Underwriters to pay for the Series 2013 Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement.

The Underwriters may offer and sell the Series 2013 Bonds to certain dealers (including dealers depositing the Series 2013 Bonds into investment trusts) and others at prices lower than the initial public offering prices stated on the cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the District, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make a hold or broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association (“WFBNA”). WFBNA, one of the underwriters of the Series 2013 Bonds, has entered into an agreement (the “*Distribution Agreement*”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2013 Bonds.

Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2013 Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC (“WFSLLC”) and Wells Fargo Institutional Securities, LLC (“WFIS”), for the distribution of municipal securities offerings, including the Series 2013 Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

## **RATINGS**

The 2013 Bonds have been assigned ratings of “\_\_” by Fitch Ratings, Inc. (“Fitch”), “\_\_” by Moody’s Investors Service, Inc. (“Moody’s”) and “\_\_” by Standard & Poor’s Ratings Services (“S&P”). Further explanation of the significance of such ratings may be obtained from Fitch at One State Street Plaza, New York, New York 10004 (800-753-4824); from Moody’s at 250 Greenwich Street, New York, New York 10007 (212-553-0300); and from S&P at 55 Water Street, New York, New York 10041 (212-438-2124). The ratings are not a recommendation to buy, sell or hold the 2013 Bonds and should be evaluated independently. No assurance can be given that such ratings will not be withdrawn or revised downward by Fitch, Moody’s or S&P. Any such action may have an adverse effect on the market price of the 2013 Bonds. Neither the District nor the Underwriters have undertaken any responsibility after the execution and delivery of the 2013 Bonds to assure maintenance of the ratings or to oppose any such revision or withdrawal.

## **FINANCIAL STATEMENTS**

The financial statements of the District as of June 30, 2012 and for the year then ended have been audited by the District’s independent certified public accountants. APPENDIX C hereto contains the District’s general purpose financial statements and the notes thereto, lifted from the District’s audited financial statements for the Fiscal Year ended June 30, 2012, including the notes thereto.

## **VERIFICATION OF MATHEMATICAL ACCURACY**

Bingham Arbitrage Rebate Services, Inc., Richmond, Virginia, will deliver to the District and the Underwriters on or before the date of delivery of the Series 2013 Bonds its attestation report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, certain information and assumptions provided by the Underwriters on behalf of the District. Included in the scope of its examination will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the U.S. Government Obligations held in escrow by the Escrow Agent to pay, on July 1, 2013, the redemption price of the Series 2003 Bonds and the interest accruing on such Series 2003 Bonds through such date.

Bingham Arbitrage Rebate Services, Inc. has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events.

## **MISCELLANEOUS**

The references herein to the Bond Order and the Series Resolution are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to the actual documents, copies of which are available for inspection in the offices of the District, for the full and complete provisions thereof.

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the Owners of the Series 2013.

Members of the LGC staff have participated in the preparation of this Official Statement and other documents related to the issuance of the Series 2013 Bonds, but the LGC and its staff assume no responsibility for the accuracy or completeness of any representation or statement in this Official Statement other than those made in APPENDIX F hereto. The District and the LGC have authorized the execution and delivery of this Official Statement.

LOCAL GOVERNMENT COMMISSION OF  
NORTH CAROLINA

By: \_\_\_\_\_  
Secretary of the Commission

METROPOLITAN SEWERAGE DISTRICT OF  
BUNCOMBE COUNTY

By: \_\_\_\_\_  
Chairman of District Board

By: \_\_\_\_\_  
General Manager



**METROPOLITAN SEWERAGE  
DISTRICT OF BUNCOMBE COUNTY, NORTH CAROLINA**

**METROPOLITAN SEWERAGE DISTRICT  
OF BUNCOMBE COUNTY, NORTH CAROLINA**

**History of the Metropolitan Sewerage District**

The Metropolitan Sewerage District of Buncombe County, North Carolina (the “District”) was formed in 1962 to construct and operate facilities for sewage treatment for municipalities and sanitary districts within Buncombe County. In 1967, the District completed the construction of a 25 million gallon per day (“MGD”) wastewater treatment plant adjacent to the French Broad River. Subsequently, the District expanded the wastewater treatment plant to its current capacity of 40 MGD, constructed a hydroelectric dam and power house to mitigate energy costs and built a thermal converter for sludge disposal.

In July 1990, the political subdivisions comprising the District transferred their respective sewerage systems to the District. These systems had been previously owned, operated, and maintained separately by each political subdivision. The purpose of this sewer consolidation (“Sewer Consolidation”) was to create a consolidated sewerage system in the urbanized portion of Buncombe County with ownership of all components of the System and responsibility for their operation, maintenance, and capital improvement centralized with the District. Before Sewer Consolidation, the District had little control over the condition, operation, and maintenance of individual collector systems, which significantly affect the operational efficiency of the District’s wastewater treatment plant.

The District is comprised of the following political subdivisions located within Buncombe County:

City of Asheville	Caney Valley Sanitary Sewer District
Town of Biltmore Forest	Crescent Hill Sanitary Sewer District
Town of Black Mountain	East Biltmore Sanitary Sewer District
Town of Montreat	Enka-Candler Water and Sewer District
Town of Weaverville	Fairview Sanitary Sewer District
Woodfin Sanitary Water and Sewer District	Skyland Sanitary Sewer District
Beaverdam Water and Sewer District	Venable Sanitary District
Busbee Sanitary Sewer District	Swannanoa Water and Sewer District
	Town of Woodfin

Under the North Carolina Metropolitan Sewerage Districts Act, the District is authorized, among other things, to: (a) acquire, lease, construct, reconstruct, improve, extend, enlarge, equip, repair, maintain and operate any sewerage system or part thereof (including facilities for the generation and transmission of electric power and energy) within or without the District; (b) issue general obligation bonds and revenue bonds to pay the costs of any of the foregoing; and (c) fix and revise from time to time and collect rents, rates, fees and other charges for the use of or the services and facilities furnished by any sewerage system.

The District is governed by a twelve-member District Board whose members are appointed by the governing bodies of the municipalities and other political subdivisions comprising the District. The District is managed and supervised under the direction of the District Board by a registered Professional Engineer, who serves as the General Manager.

## **The System**

The District serves the City of Asheville and surrounding communities, including Biltmore Forest, Weaverville, Black Mountain, Montreat, Woodfin, and Woodfin Sanitary Water & Sewer District and certain unincorporated areas of Buncombe County. Through separate contractual arrangements, the District also serves customers in the Cane Creek Water and Sewer District in northern Henderson County and in the Avery Creek Sanitary Sewer District in southern Buncombe County. The collection system has been extended over the years as a result of expansion and development, and now collects wastewater through approximately 986 miles of sewer line and serves over 52,000 residential and commercial customers. The wastewater treated by the District is gathered in the collector sewer systems located primarily within the boundaries of the municipalities and other political subdivisions comprising the District and conveyed to the District's wastewater treatment plant through large sewer lines called interceptors that generally run parallel to the French Broad River, the Swannanoa River or one of their primary and secondary tributaries. Included in the System are 30 remote pumping stations that pump wastewater through force mains where gravity flow is not feasible.

As a part of Sewer Consolidation, the District agreed to operate, maintain, and repair or replace, as necessary, the various collector sewer systems. Many of the collector sewer systems were undersized, deteriorated, and inadequately maintained. Since taking over the sewer systems, the District has developed and implemented, with input from its member political subdivisions, an ongoing Capital Improvement Program (the "CIP"). Approximately 921,000 feet of existing sewer line have been replaced since Sewer Consolidation, representing over 22.6% of the original system. In addition, the District expects to replace another 250,000 feet of existing sewer lines over the next five years. (See "—Capital Improvements Program" herein.) The District also has an aggressive program in effect for systematic preventative maintenance of collector sewers. The lines are first cleaned using water under high pressure and then videotaped. The cleaning reduces line blockages and overflows, and the videotapes enable the District to locate and repair problems in the lines. The District cleans, and inspects by videotaping, between 15% and 20% of its system each year.

## **The Wastewater Treatment Plant**

The District operates a 40 MGD wastewater treatment plant on the French Broad River (the "Wastewater Treatment Plant"). The wastewater treatment process includes grit and grease removal, primary microscreen removal of solids, organics removal by rotating biological contactors, secondary microscreen removal of solids, and chlorine disinfection prior to discharge. For 2012 the average daily flow through the plant was 18.1 MGD, the maximum flow in any 24-hour period was 50.2 MGD and the maximum peak flow was 65 MGD. Sludge from the treatment process is either burned in a thermal converter or processed in an alkaline stabilization process to produce Nutri-Lime, an agricultural supplement.

The District owns and operates a hydroelectric generating facility on the French Broad River adjacent to the Wastewater Treatment Plant. This facility is capable of generating 2,550 kilowatt hours of electricity, enough power to supply most of the needs of the Wastewater Treatment Plant. During the Fiscal Year ended June 30, 2012, the net value to the District of the power generated by such facility was \$359,000 (after deducting the expenses of the District related to the operation and maintenance of such facility).

## **Environmental Regulation**

**NPDES Permit.** The Federal Clean Water Act, 33 U.S.C. 1251, et seq., regulates, by permit, any discharge to the waters of the United States. Pursuant to agreement with the United States Environmental

Protection Agency (the “EPA”), the North Carolina Department of Environment and Natural Resources (“NCDENR”), through its Division of Water Quality (“DWQ”), issues National Pollutant Discharge Elimination System (“NPDES”) permits for discharges to waters within the State of North Carolina (the “State”). The District is authorized to discharge up to 40 MGD to the French Broad River pursuant to its NPDES Permit (the “NPDES Permit”). As a condition of the NPDES Permit, the District operates an industrial pretreatment program whereby certain industrial users, depending on the character and the quantity of their discharge, are required to pretreat their wastewater prior to discharging it to the System. The District carries out an extensive system of industrial monitoring and enforcement to ensure compliance with its pretreatment program. The District’s discharge has consistently been in compliance with the limitations in the NPDES Permit.

***Air Permit.*** The District has been issued a permit by the Western North Carolina Regional Air Quality Agency, which is charged with enforcement of Federal, State and local laws regulating air quality. The permit governs emissions from the thermal converter used to incinerate sludge. The District is in compliance with the terms of its permit.

***North Carolina Collection System Permit.*** The State’s Clean Water Act of 1999 authorized the North Carolina Environmental Management Commission, through DWQ, to issue permits to owners and operators of collector sewer systems. DWQ originally issued a Collection System Permit (the “Collection System Permit”) to the District effective September 17, 2002 and DWQ reissued a new five year permit effective October 25, 2007. In March 2009, legislation was enacted by the North Carolina General Assembly that temporarily extended the current permit cycle to September 30, 2015. The Collection System Permit prohibits overflows unless caused by factors beyond reasonable control or severe natural causes. The Collection System Permit also requires: (1) adequate measures to contain sanitary sewer system overflows (“SSO’s”); (2) a capital improvement program and funding; (3) regular inspection and cleaning of 10% of the sewer system each year; and (4) a record of SSO’s and complaints. The State’s Clean Water Act of 1999 also requires the operator of a sewer system treating municipal waste to give public notice of any discharge of untreated wastewater in excess of 1,000 gallons or in any amount if the discharge reaches surface waters, and to prepare an annual report on the System, including the number of overflows. The District has submitted the required annual reports, issues public notice of overflows as required, inspects and cleans at least ten percent (10%) of its System annually, has in place a capital improvement program and maintains a record of SSO’s and complaints. Due to aggressive rehabilitation efforts and preventative maintenance, the District has significantly reduced the number and severity of SSO’s from 289 SSO’s in the Fiscal Year ended June 30, 2000 to 25 SSO’s in the Fiscal Year ended June 30, 2012.

### **Master Planning by the District**

The District completed an overall Wastewater System Master Plan in 2001 (the “2001 Master Plan”). The 2001 Master Plan included recommendations for System improvements for a 20-year period ending in 2021. The 2001 Master Plan, prepared by the District’s engineering consultant, Camp, Dresser and McKee (“CDM”), focused on compliance with new regulatory requirements and efficient management and operation of the sewerage system. The 2001 Master Plan also recommended a more detailed look at the Wastewater Treatment Plant and local land use planning and its impact on System expansion.

As part of its continuing planning process, the District completed a Facilities Plan for the Wastewater Treatment Plant in 2007 (the “2007 Facilities Plan”). The 2007 Facilities Plan, also prepared by CDM, took a detailed look at the plant facilities and provided specific recommendations for future replacement, rehabilitation and maintenance for a 20-year period ending in 2027. The Wastewater

Treatment Plant has substantial excess capacity for the future as the design and permit capacity are 40 MGD, while current average daily flows are less than 20 MGD.

In 2008, McGill Associates completed a Collection System Master Plan (the “2008 Collection System Plan”). The 2008 Collection System Plan focuses on the District’s comprehensive growth issues by incorporating all of the recent planning and zoning changes from the District’s member agencies. This plan also describes where and how areas will be served and provides for orderly growth of the sewer system to meet the needs of the region as a whole for the future. The 2001 Master Plan, the 2007 Facilities Plan and the 2008 Collection System Plan are sometimes collectively referred to herein as the “Master Plans”.

**Capital Improvements Program**

The District updates its ten-year Capital Improvement Program (the “CIP”) annually. The CIP incorporates various considerations including recommendations from the Master Plans, state and federal environmental requirements and results of ongoing infrastructure assessments. As outlined in the Master Plans, objectives for these projects include structural rehabilitation and replacement of failing sewers, handling wet-weather conditions, ensuring continued performance at the Wastewater Treatment Plant, and preparing the sewerage system to handle expected future wastewater flows over the next decade. The District is required by the Collection System Permit to rehabilitate a minimum of 250,000 linear feet of the collection system every five years.

Projects planned over the next ten years focus primarily on rehabilitation of sewer mains, including interceptors, collection lines, and private sewers. Some equipment upgrades are scheduled for the Wastewater Treatment Plant, but no major expansions are expected because the average daily flows through the Wastewater Treatment Plant are approximately one half of its available treatment capacity. The CIP includes the 2009 Project to be financed, in part, with the proceeds of the Series 2009A Bonds. The 2009 Project is described in more detail in the front part of this Official Statement under “THE PLAN OF FINANCE AND REFUNDING—The 2009 Project.”

The District has an aggressive preventive maintenance program that cleans, and inspects by videotaping, between 15% and 20% of the System each year. This reduces back-ups and overflows in the System, and also provides valuable information in development of the CIP. The District has developed an award winning program called “Pipe Rating” whereby the information from the videotaped inspections is incorporated into the District’s Geographical Information System. Each pipe is scored and rated based upon criteria such as number of structural defects and their severity, back-ups and overflows, and work order history. The District uses this program to prioritize the rehabilitation and replacement of sewers throughout the sewerage system.

Approval of expenditures for capital improvements to the sewerage system and the financing of such expenditures are made by the District Board in consultation with representatives of the municipalities and other political subdivisions comprising the District and reviewed periodically by McGill Associates, the District’s consulting engineers (the “District’s Engineers of Record”). Set forth below are the expenditures on capital improvements during the past six Fiscal Years.

<b>Fiscal Year Ended June 30,</b>					
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>TOTAL</b>
\$12,555,566	\$12,513,005	\$9,245,794	\$16,101,946	\$17,813,110	\$68,229,421

The District’s projected capital improvement expenditures for the five Fiscal Years ending June 30, 2013 to 2017 aggregate approximately \$78.6 million. The District anticipates paying the cost of the CIP during such period with approximately \$24 million of bonds currently expected to be issued in the Fiscal Year ending June 30, 2015, and approximately \$54.6 million of internally generated funds. Estimated capital costs include construction contingency allowances and inflationary increases during the five-year period.

**Organizational Awards**

2012	NCAWWA-WEA Collection System of the Year Award (Large System)
2009	National Association of Clean Water Agencies Excellence in Management Award (2008-2011)
2007	AMSA Platinum (7) Peak Performance Award for Excellence in Wastewater Management
2003	Association of Metropolitan Sewerage Agencies (“AMSA”) Excellence in Management
2003	AMSA National Achievement Award for the District’s Pipe Rating Program
2002	ISO 14001 Certification in Environmental Management
1998 to present	Government Finance Officers Association (“GFOA”) Distinguished Budget Presentation Award
1995 to present	GFOA Certificate of Achievement for Excellence in Financial Reporting

**Organization and Employees**

The District is governed by a twelve-member District Board (the “District Board”). The District’s Engineers of Record render technical advice and assistance to the Board. Members of the firm of Roberts & Stevens, P.A., Asheville, North Carolina, render legal advice and assistance to the District Board.

The District has a total of 148 employees.

**District Board**

Three members of the District Board are appointed by the Board of Commissioners for Buncombe County, three members are appointed by the City Council of the City of Asheville, and one member is appointed by each of the governing bodies of the towns of Black Mountain, Biltmore Forest, Montreat, Weaverville, and Woodfin and by the Woodfin Sanitary Water and Sewer District. The officers of the District Board are elected annually by the members of the District Board. Each member of the District Board is appointed for a term of three years. Appointments are staggered so that there is continuity in the membership from year to year. The following persons are presently serving as members of the District Board holding the following offices and terms:

<u>Member</u>	<u>Years of Service</u>	<u>Term Expires</u>	<u>Appointing Unit</u>
Steven T. Aceto	20	1/2016	Town of Montreat
Jackie W. Bryson	27	1/2015	Woodfin Sanitary Water & Sewer
Jon E. Creighton	6	1/2015	County of Buncombe
Maxwell L. Haner	6	1/2016	County of Buncombe
E. Glenn Kelly	19	1/2016	Town of Biltmore Forest
Esther Manheimer	1.8 mo.	1/2014	City of Asheville
Chris Pelly	1	1/2016	City of Asheville
Al P. Root	3	1/2016	Town of Weaverville
William A. Russell	5	1/2015	City of Asheville
Bill Stanley	4	1/2015	County of Buncombe
M. Jerry VeHaun	8.5 mo.	1/2014	Town of Woodfin
Robert C. Watts	3	1/2016	Town of Black Mountain

The members of the District Board, their educational backgrounds, their occupations and their professional affiliations are set forth below:

**Steven T. Aceto, Chairman.** Mr. Aceto is an attorney practicing in Asheville. He received his Doctor of Jurisprudence from Wake Forest University in 1982. Mr. Aceto was re-appointed to the District Board in January 1998, having previously served on the District Board from 1986 to 1992. He has served as Chairman of the Board since 2005.

**Bill Stanley, Vice-Chairman.** Mr. Stanley is a retired high school coach and principal. He served six terms as a Commissioner for the County of Buncombe. In addition to his local involvement in civic affairs, he is a former President of the North Carolina Association of County Commissioners and is currently serving as a member of the Metropolitan and Rural Planning Organization and Land of Sky Regional Council. Mr. Stanley was recently appointed to the North Carolina Advisory Commission on Military Affairs by Senate President Pro Tem Marc Basnight. Mr. Stanley was appointed to the District Board in January 2009. He serves as a member of the Planning and Personnel Committees.

**Jackie W. Bryson, Secretary/Treasurer.** Mrs. Bryson is a graduate of Blanton's Business College where she received a secretarial degree. Mrs. Bryson retired in 1993 from a position as a teaching assistant at Woodfin Elementary School. She was appointed to the Board of Aldermen of the Town of Woodfin. Mrs. Bryson was appointed to the District Board in 1985, is Secretary/Treasurer of the Board, and is a member of the Personnel, Finance, and Right-of-Way Committees.

**Jon E. Creighton.** Mr. Creighton is a native of Buncombe County. He received a Bachelor of Science Degree in Political Science from Appalachian State University in 1974 and received his M.A. in Public Administration from Appalachian State University in 1976. He began his employment with Buncombe County in March 1982 as a Planner and was promoted to Planning Director in December 1984. During his 29-year tenure, he has been intricately involved in the County's budget process, promoting economic development projects throughout the County, planning for parks and recreational facilities and addressing environmental issues. In July 1997, Mr. Creighton accepted the position of Assistant County Manager for Buncombe County where he provides oversight management for nine departments. Mr. Creighton was appointed to the District Board in January 2006. He serves as a member of the Planning, Finance, and Right-of-Way Committees.

**Maxwell L. Haner.** Mr. Haner received a B.S. in Chemistry from Western Carolina University in June 1968. He retired after over 33 years with the North Carolina Department of Environment and Natural Resources, Division of Water Quality. Mr. Haner is a past member of the Asheville Buncombe

Drug Commission, Buncombe County Quality Growth Commission, Asheville Planning & Zoning Commission (two years as Chairman), and the Board of Directors of Asheville Day Nursery (child development center). He currently serves as Board Member of the Community Action Opportunities for Madison and Buncombe Counties and as Chairman of the State Employees Credit Union Advisory Board (Biltmore Branch). Mr. Haner was appointed to the District Board in January 2007. He serves as Chairman of the CIP Committee as well as a member of the Planning and Finance Committees.

**E. Glenn Kelly.** Mr. Kelly is a partner with the law firm of Kelly & Rowe, P.A. in Asheville, North Carolina. He served as Mayor of the Town of Biltmore Forest from 1987 to 1999 and as a member of the Biltmore Forest Board of Commissioners from 1981 to 1989 and from 2003 to date. He received his law degree from the University of North Carolina at Chapel Hill in 1963. He is a member of the North Carolina Bar Association and Buncombe County Bar Association. Mr. Kelly was appointed to the District Board in 1993 and is Chairman of the Finance and Right-of-Way Committee.

**William A. Russell.** Mr. Russell resides in Asheville and is the owner of a State Farm Insurance Agency since 1999. He went to work for State Farm Insurance in 1994, beginning in auto claims and spent five years in Human Resources prior to opening his independent agency. Mr. Russell is a graduate of Marshall University in Huntington, West Virginia, with a degree in Business Administration. He worked six years in the commercial sales and wholesale distribution aspect of the commercial pipe and valve industry. Mr. Russell was appointed to the District Board in 2008 and serves as a member of the Personnel and Finance Committees.

**M. Jerry VeHaun.** Mr. VeHaun is a native of Woodfin and a graduate of Guyton College in Nashville, Tennessee. He has been employed by Buncombe County as Director of Emergency Services for the past 40 years. Mr. VeHaun has served on numerous boards and commissions in his area of professional expertise on the national, state, and local levels. He is the current Mayor of Woodfin. Mr. VeHaun was appointed to the Board in 2004 and serves as Chairman of the Personnel Committee and a member of the Planning, CIP, and Right-of-Way Committees.

**Esther Manheimer.** Ms. Manheimer is a partner with the Van Winkle Law Firm in Asheville. Ms. Manheimer received her Doctor of Jurisprudence and Masters in Public Administration from the University of North Carolina at Chapel Hill and currently serves as a member of the Asheville City Council and Vice-Mayor of the City of Asheville. Ms. Manheimer was appointed to the Board in 2011 and serves as a member of the Planning, Finance and Right-of-Way Committees.

**Chris Pelly.** Mr. Pelly has been a member of the Asheville City Council since 2011 and has been a licensed real estate broker since 1997. He served 12 years as president of the Haw Creek Community Association and is the former president of the Coalition of Asheville Neighborhoods. A veteran of the U.S. Army, he and his family have lived in Asheville for 23 years. Mr. Pelly was appointed to the Board in 2012 and serves as a member of the Planning, CIP and Right-of-Way Committees.

**Al P. Root.** Mr. Root is a resident of Buncombe County since 1984. Mr. Root served 10 years on the Weaverville Town Council, and as Mayor of Weaverville from 2009 to 2013. Mr. Root graduated from Dartmouth College in 1977 and received his law degree from the University of Virginia in 1980. A former Assistant District Attorney in Brooklyn, New York, Mr. Root has for many years practiced law with his wife in Weaverville. Mr. Root was appointed to the Board in 2010 and serves as Chairman of the Planning Committee as well as a member of the Personnel Committee.

**Robert C. Watts.** Mr. Watts, PLS grew up in Henderson County and has lived in Black Mountain since 1972. He received a BS from Western Carolina University and a MA from Appalachian State University. Following graduation from Appalachian State University, Mr. Watts spent time in the



furniture industry, teaching high school, and 25 years in the surveying/engineering business. The last ten years he was with the Town of Black Mountain as the Public Works Director and retired in 2010. Mr. Watts was appointed to the Board in 2010 and serves as a member of the Planning, Personnel, CIP and Right of Way Committees.

## **Management**

***Thomas Hartye, P.E., General Manager.*** Mr. Hartye received a B.S. in Civil Engineering from Worcester Polytechnic Institute in 1980. He is a registered Professional Engineer in North Carolina, Georgia, and Florida. Mr. Hartye began his employment with the District in October 1998 as a Deputy General Manager of Operations and was promoted to his current position in January 2001. Prior to his employment at the District, he served as the Utilities Director for Hillsborough, North Carolina, as the Engineering Director of the Florida Keys Aqueduct Authority, as a Project Manager for Chattahoochee Geotechnical Consultants of Atlanta, Georgia, and as an engineer for Jamaica Water Supply Company, New York. Mr. Hartye is a member of the American Water Works Association and Water Environment Federation.

***W. Scott Powell, CLGFO, Director of Finance.*** Mr. Powell received a B.S. Degree in Business Administration with high honors from the University of Tennessee, Knoxville, Tennessee in 1991. Mr. Powell is a member of the National and North Carolina Government Finance Officers Associations as well as the North Carolina Local Government Investment Association. Before being promoted to the Director of Finance position at the District in 2008, Mr. Powell was employed in public accounting for six years specializing in governmental auditing, served six years as Accounting Manager of Great Smoky Mountains Association, and five years as Accounting Manager/Deputy Finance Director of the District. He is a Certified Local Governmental Financial Officer of North Carolina.

***Peter Weed, Director of Wastewater Treatment.*** Mr. Weed graduated from the Midland Park High School, Midland Park, NJ. He has served in the water and wastewater industry since 1990 both in the private and public sectors. In 1993 he was in charge of Operations for the North Carolina and South Carolina Region for HydroLogic, Inc. Focus of duties involved the managing of personnel covering over 250 drinking water and “package plant” wastewater treatment facilities. Since 1996, he has served MSD in numerous roles from Operations, Industrial Pretreatment, Administration of Environment, Health and Safety, Motor Fleet, and IT and Database Management Systems. He is a member of the Water Environment Federation and North Carolina Water Environment Association, where he serves on various committees and was chairman for Water for People. Mr. Weed holds a Grade IV Wastewater Collection System Operator and B-Well Drinking Water Certification from the State of North Carolina.

***C. Kenneth Stines, Director of System Services Maintenance.*** Mr. Stines received an A.A.S. degree in Civil Engineering and A.A.S. Degree in Land Surveying Technologies from Asheville-Buncombe Technical Community College. Mr. Stines joined the District in 1996 as C.I.P. Inspector and has worked his way through the ranks to his current position. Prior to joining the District he worked four years with North Carolina Department of Transportation as Construction Project Manager. Mr. Stines serves as the District’s Collection System’s Operator in Responsible Charge and is a member of American Water Works Association, Water Environment Federation, and maintains an appointment to the North Carolina Waste Water Board of Education. Mr. Stines holds a Grade IV Wastewater Collection System Operator Certification from the State of North Carolina.

***Michael W. Stamey, P.E., Director of System Services Construction.*** Mr. Stamey received a B.S. in Civil Engineering Technology Degree from the University of North Carolina at Charlotte in 1994. He is a registered Professional Engineer in the State of North Carolina and also holds a Grade IV Wastewater Collection System Operator Certification in North Carolina. Mr. Stamey began his

employment with the District in November 1994 as the Wastewater Allocation Coordinator. In 1995, he was promoted to the position of Private Development Project Manager and in 2004 he was promoted to a Project Manager in the District's CIP program. In the spring of 2011, Mr. Stamey was promoted to his current position as Director of System Services Construction. Mr. Stamey is a member of the Water Environment Federation, volunteers as a teacher for NC AWWA-WEA Wastewater Collection Schools and is currently the chairperson for the Buncombe County Utilities Coordinating Committee.

***Stanley C. Boyd, P.E., Director of Engineering Services.*** Mr. Boyd received a B.S. degree in Civil Engineering from North Carolina State University in 1971. He is a registered Professional Engineer in North Carolina. Prior to joining the District in 1990 as Director of Engineering Services, he worked as a consulting engineer for approximately 13 years and, prior to that, was employed by the North Carolina Department of Transportation. Mr. Boyd is a member of the Water Pollution Control Federation, American Water Works Association, and the American Society of Civil Engineers.

***Ed Bradford, P.E., Director of Capital Improvement Program.*** Mr. Bradford received his B. S. Degree in Civil Engineering from North Carolina State University in 1989. He is a registered Professional Engineer in the State of North Carolina. Mr. Bradford began his employment with the District in September 1997 as a Project Engineer, and was promoted to his current position in January 2001. Prior to his employment by the District, Mr. Bradford worked for eight years with the North Carolina Department of Transportation, spending six years in the Structure Design Unit and two years in the Location Surveys Unit. Mr. Bradford is a member of the Water Environment Federation, the North Carolina Water Environment Association, the North American Society for Trenchless Technology, and the Utilities Coordinating Committee of the Greater Asheville Area.

## **Rates, Fees and Charges**

The District Board has adopted a rate resolution establishing the schedule of rates, fees, and charges for wastewater disposal services. See "SECURITY FOR THE BONDS—Rate Covenant" in the front part of this Official Statement for information regarding certain covenants on the part of the District under the Bond Order. On an annual basis, the District Board reviews and sets user charges and fees for its industrial and domestic users based on a ten-year projection of revenues, operational budgets, the long-term CIP, and future debt issues. To achieve parity between domestic and industrial users, the District has adopted a 20-year plan to move toward a more conventional rate structure determined by strength of waste produced by the user. The District Board intends, subject to the rate covenants set forth in the Bond Order, to continue reviewing and adjusting rates, fees, and charges annually.

The District is authorized by statute to set and revise from time to time rates, fees and other charges for services provided by the sewerage system. The District's power to set, revise, and collect such fees, rates and charges is not subject to review, oversight or regulation by the North Carolina Utilities Commission or any other public or private rate regulatory agency. The agreements relating to Sewer Consolidation and other agreements in effect between the District and the political subdivisions comprising the District provide that the political subdivisions shall have no control over the rates, fees, and charges imposed by the District.

***Sewer Charges.*** Sewer rates consist of three components: a maintenance charge, a billing charge, and a treatment (volume) charge.

The maintenance charge is calculated to recover service, inspection, and maintenance-related operational and capital costs. Applicable to sewer accounts, regardless of whether or not there is a treatment charge, the monthly maintenance charge is based on water meter size as follows:

<u>Size</u>	<u>Monthly Maintenance Charge</u>
5/8" .....	\$ 6.13
3/4" .....	\$ 8.93
1" .....	\$ 15.82
1 1/2" .....	\$ 36.24
2" .....	\$ 64.11
3" .....	\$ 142.18
4" .....	\$ 253.70
6" .....	\$ 571.50
8" .....	\$ 1,014.78
10" .....	\$ 1,589.07

Prior to the Fiscal Year ended June 30, 2001, industrial users were charged tiered rates based on total volume so that actual rates charged were considerably below those paid by residential consumers. In the Fiscal Year ended June 30, 2001, the District Board approved a plan to achieve rate parity between industrial and residential customers over the next 20 years. The annual increases from this parity plan are incorporated in adopted rates.

Industrial customers located within the District boundaries are currently charged \$2.975 per cubic hundred feet ("CCF") and those located outside the District are currently charged \$2.985 per CCF.

Industrial users may also be subject to additional high strength waste surcharges. The purpose of this charge is to recover operation and maintenance costs from customers whose wastewater discharge into the sewerage system is in excess of certain parameters for normal strength wastewater as determined by the District. High strength waste surcharges apply at the following rates to all wastes exceeding the following concentrations:

- Biochemical Oxygen Demand ("BOD"): \$0.345 per pound for all BOD in excess of 200 mg/l
- Total Suspended Solids ("TSS"): \$0.269 per pound for all TSS in excess of 200 mg/l

The treatment charge for domestic users of \$3.98 per CCF of water purchased within the District or \$3.99 per CCF outside the District boundaries is calculated to recover all direct and indirect costs of wastewater treatment and collection, maintenance, inspection, administration, and capital costs not recovered by the maintenance charge. This charge is applicable to all accounts receiving sewer service based on the water meter reading, sewer meter reading, if applicable, or estimated volume of discharge as determined by the District.

For existing sewer only accounts where there is no water meter, the District uses the following method for calculating the fixed monthly charge: (1) the monthly maintenance charge will be determined by the water meter size which would be required to supply water service to the property, and (2) the billable quantity will be estimated using the System average of five CCF per month.

The billing charge of \$2.21 per invoice is to cover the cost of billing and collection procedures. The District remits this fee to the municipalities performing billing and collection services for the District.

**Allocation Fee.** A flat fee of \$170 is assessed for extensions serving more than one lot or parcel and is designed to recover a portion of the costs associated with processing applications, locating and

evaluating the capacity and condition of sewers to which the applicant will connect, and reserving capacity for the applicant’s project for a period of one year.

**Facility Fee.** The purpose of the facility fee is to recover a portion of the cost associated with providing treatment facility capacity. This charge must be paid for each connection to a public or private sewer system ultimately discharging to the District’s collection system. Facility fees are based on the demand on the System represented by the relative size of residential units or, in the case of commercial and industrial customers, on the water meter size as follows:

Residential

Each unit .....	\$2,500
Mobile Homes.....	\$1,740
Affordable Housing .....	\$670

Non-residential

5/8” Meter.....	\$2,500
¾” Meter .....	\$2,830
1” Meter .....	\$5,560
1 ½” Meter .....	\$11,350
2” Meter .....	\$20,000
3” Meter .....	\$45,000
4” Meter .....	\$87,500
6” Meter .....	\$225,400
8” Meter .....	\$237,500
Additions up to 1,400 Gallons Per Day (“GPD”).....	\$870
Additions over 1,400 GPD.....	based on flow rate/meter size

In an effort to encourage economic development from new and expanding industrial users, facility fees may be waived when potential jobs created or revenue generated meet certain criteria.

**Tap Fees.** This charge is for making a tap of the applicant’s private sewer lateral into the District’s main sewer line or sewer manhole. If a developer installs the tap, there is a \$140 inspection fee. Otherwise, the District fee is \$650 plus an additional \$2,200 if pavement disturbance or boring is required.

**Miscellaneous Fees and Charges.** The District also assesses miscellaneous fees and charges such as non-discharge permits, manhole installation, or replacement, returned check fees, costs for map copies, and civil penalties for violations of ordinances.

**Historical Rate Increases.** The District has implemented a number of actions to reduce expenses and stabilize sewer rates. See “Management’s Discussion and Analysis of Recent Financial Performance” herein. The District Board has attempted over the past nine years to keep rate increases to a minimum while maintaining an average debt service coverage ratio of 1.73 and investing approximately \$124.4 million in its CIP.

Recent historical and current domestic sewer rates are shown below:

	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
Rate Increase %	2.0%	3.0%	4.5%	4.0%	3.0%	3.75%	3.5%	3.0%	2.5%
Meter, Maintenance & Billing	\$5.58	\$5.75	\$6.01	\$6.23	\$6.43	\$6.64	\$6.87	\$7.05	\$8.34
Flow Rate	\$3.05	\$3.14	\$3.28	\$3.41	\$3.51	\$3.64	\$3.77	\$3.88	\$3.98
Avg. Monthly Bill (5ccf)	\$20.83	\$21.45	\$22.41	\$23.28	\$23.99	\$24.84	\$25.72	\$26.45	\$27.14

The District’s average monthly bill of \$25.72 in 2011 compared favorably with the Southeast and the nation, based on a nationwide survey of sewer bills conducted by the National Association of Clean Water Agencies (“NACWA”) in 2011. The 2011 NACWA survey is the most current such survey available. For EPA Region IV (Southeast) the average residential bill was \$34.89 per month with usage of eight (8) CCF, while the average bill throughout the nation was \$28.34 per month.

**Future Rate Increases.** The District has developed a 20-year financial plan to fund its operations, debt service requirements, and CIP. Consistent with the historical pattern of setting rates, the financial plan contemplates [small] rate increases in such amounts as will be sufficient to fund the long-term obligations of the District and to maintain a balance between bond proceeds and user fees as sources of funds for the CIP. However, such rate increases have not been formally adopted by the District Board and are subject to change in the sole discretion of the District Board.

**Commercial Customers**

In the Fiscal Year ended June 30, 2012, no single customer of the District accounted for more than 1.95% of the District’s total operating revenues. Information regarding the District’s ten largest commercial customers is shown below.

Name of Customer	Total User Charge for Fiscal Year Ended June 30, 2008	% of Total Sewer User Charges
Milkco, Inc.	\$529,303	1.95%
Mission-St. Joseph's Health System	264,630	0.97
Ridgecrest Baptist Conference Center	176,541	0.65
Givens Estates	142,559	0.52
Jacob Holms Industries	120,883	0.44
Colbond, Inc.	98,603	0.36
VA Medical Center	98,181	0.36
Cooperative Laundry Service	85,556	0.31
Flint Group	74,878	0.28
Continental Automotive Systems	74,346	0.27
<b>Total</b>	<b>\$1,665,479</b>	<b>6.13%</b>

The following chart shows total residential and industrial customers of the District for the past five Fiscal Years.

**Fiscal Year Ended June 30,**

<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
48,204	48,900	49,454	50,564	52,490

Source: The District's Annual Financial Reports and the District's Annual User Charge Analysis.

**Billing and Collections**

The District contracts with the municipalities and other member agencies which furnish water on a retail basis to residential customers for billing and collecting the District's user charges and fees from such users. The fee that the District pays for billing and collections is included as a separate item on such bills. If any payments received are less than the total amount of the charges for both water service and wastewater disposal services, the amount received is pro-rated as to each such item. In the event of customer non-payment, the municipality or other political subdivision that furnishes water to the District's customer will terminate water service, and not reinstate it until the charges are paid in full. The City of Asheville currently serves and bills approximately 78% of the users of the District's facilities. The other municipalities and political subdivisions rendering such billing and collection services to the District are the Woodfin Sanitary Water and Sewer District and the towns of Biltmore Forest, Weaverville, Black Mountain, and Montreat. Henderson County, North Carolina also renders billing and collection services to the District for customers located in the Cane Creek Water and Sewer District, which is located in adjacent Henderson County.

The District bills approximately 420 customers directly. These customers are primarily residential users on private water supply wells. There are also some large commercial customers in this category. For domestic customers, District staff prepares and mails flat rate charges based on a Board-approved amount of five CCF per month. Business customers call in meter readings, which the District uses to prepare bills, and the District prepares invoices for significant industries reflecting appropriate charges for the content of the monitored wastewater.

During the Fiscal Year ended June 30, 2012, approximately 0.30% of customer receivables from customers billed by the District through the City of Asheville, representing approximately 78% of all District billings, were written off, which compares favorably with the NACWA average of 0.86%. Approximately 0.4% of customer receivables from customers billed directly by the District were written off in such Fiscal Year.

### **Preparation of Operating Budget**

The Local Government Budget and Fiscal Control Act of North Carolina requires that before April 30 of each fiscal year (or an earlier date fixed by the budget officer), each department head shall transmit to the budget officer the budget requests and revenue estimates for his department for the budget year. At the same time, the finance officer or department heads must transmit to the budget officer a complete statement of, among other matters, the amount expended for each category of expenditure in the budget ordinance of the immediately preceding fiscal year, a complete statement of the amount estimated to be expended for each category of expenditure in the current year's budget ordinance by the end of the current fiscal year, the amount realized from each source of revenue during the immediately preceding fiscal year, and the amount estimated to be realized from each source of revenue by the end of the current fiscal year.

The development of the Annual Budget by the District is accelerated as the Bond Order requires the District to prepare a preliminary budget for the next Fiscal Year by May 15 of each year. The preliminary budget must include the District's estimates of Current Expenses, disbursements from the General Fund, Revenues of the District and the amount of moneys held for the credit of the General Fund to be transferred to the Revenue Fund. Copies of the preliminary budget must be filed with the Trustee and the Local Government Commission of North Carolina and mailed to each Owner or Holder who has requested the same in writing.

The District further covenants in the Bond Order that on or before the 15th day before the end of each Fiscal Year it will adopt the Annual Budget for the next ensuing Fiscal Year, copies of which must be promptly filed with the Trustee and the Local Government Commission of North Carolina and mailed by the District to each Owner or Holder who has requested the same in writing.

### **Financial Statements**

The financial statements of the District as of June 30, 2012 and for the year then ended have been audited by the District's independent certified public accountants. Appendix C hereto contains the District's general purpose financial statements and the notes thereto, lifted from the District's audited financial statements for the Fiscal Year ended June 30, 2012, including the notes thereto.

### **Management's Discussion and Analysis of Recent Financial Performance**

The District has historically experienced favorable operating results. The strong financial position of the District has resulted from effective management of operating expenses, long-term planning for capital improvements, and periodic rate increases to meet the funding requirements for capital improvements. Cash and investments have exceeded \$28 million each year since Sewer Consolidation in 1990.

The annual growth in the Operation and Maintenance Fund for the past five years has averaged 2.8%, a rate of increase that is comparable to cost-of-living increases in the national economy during the same period. The District's cost containment measures result from the following innovations and adoption of "best practices":

- Consolidation of five dispersed locations into one building complex adjacent to the Wastewater Treatment Plant in 2001 has improved operational efficiencies, intradistrict communications, and overall utilization of resources.
- Technological and organizational efficiencies through reengineering have reduced full time staff from 167 in 2000 to 148 in 2013 with no decrease in service levels.
- Annual budgeted additions to replacement funds for fleet, Wastewater Treatment Plant and pump station equipment have eliminated infrequent, large, unplanned expenditures resulting from equipment breakdowns and acquisitions. As of June 30, 2012, the replacement fund balance was in excess of \$1.1 million.
- The District has a capital reserve fund, which represents 6% of its annual operations. This reserve is to be used only for unusual and unforeseen expenditures. As of June 30, 2012, the capital reserve fund balance was in excess of \$0.9 million.
- The District has several insurance funds to address medical, post-employment, worker's compensation and general liability needs. These reserve funds are used as part of the District's sewer rate stabilization strategy. As of June 30, 2012, the insurance fund balance was in excess of \$2.5 million.
- The entire District operation is ISO 14001 Certified. ISO 14001 is an international certification requiring an organization to achieve and maintain environmental, safety and performance goals throughout the organization. The District is the largest utility in the State of North Carolina to be so certified.
- The District has included GASB 45 obligation funding in its financial plan starting in Fiscal Year 2009 and beyond.
- The District has incorporated the EPA Capacity, Management, Operation and Maintenance program components into the daily operations of the collection system.
- Utility expense has been reduced by implementation of several energy audit recommendations at the Wastewater Treatment Plant.
- Wastewater Treatment Plant operational costs have been improved through more efficient use of the thermal converter to manage solids handling.
- In-house design and construction management have proved to be more cost-effective than outside contractors for managing some capital projects.
- Organizational structure and budgeting are adapted to changing circumstances to provide maximum managerial control over, and accountability for, operational expenditures.

### **Recent Operating Results**

As of December 31, 2012 the District had collected approximately \$14.5 million or 51.0% of its budgeted sewer revenues for fiscal year 2012-2013. During the first six months of the fiscal year, the District has seen a 1.8% consumption increase in its residential and light commercial customer base. Accordingly, sewer revenues for the first six months were up 5.4% as compared to the same time period last year. Based on current sewer revenue trends, the District should meet its budgeted sewer revenue expectations of \$28.5 million.

The District has historically been conservative in budgeting for tap and facility fee revenue. As of December 31, 2012 the District has collected approximately \$736,105 or 54.3% of budgeted tap and



facility fees. Based on current tap and facility fee revenue trends, the District should meet its budgeted tap and facility fee revenue projections of \$1.4 million.

Over the last six years, the District had achieved an approximately 96% budget-to-actual ratio for operation and maintenance expenditures. As of December 31, 2012 the District has realized a 48% budget-to-actual ratio for the first six months of the fiscal year. The lower than normal ratio is primarily attributable to vacancy in full time positions as well as decreased utilities costs. Based on current expenditure trends, the District should not exceed its FY 2012 budgeted expenditures of \$14.5 million.

Finally, the District had incurred \$6.5 million or 35.1% of its capital projects budget as of December 31, 2012. Amounts budgeted for capital projects are rarely expended proportionately throughout the fiscal year and are expected to be fully spent by June 30, 2013.

\45118763.3

**INFORMATION ON THE SERVICE AREA  
OF THE METROPOLITAN SEWERAGE DISTRICT**

## **INFORMATION ON THE SERVICE AREA OF THE METROPOLITAN SEWERAGE DISTRICT**

The District provides wastewater transport and treatment for most of the urbanized portion of Buncombe County, North Carolina. Most of the District's customers are located inside the geographical boundaries of the District. The District also provides service, pursuant to contract, to the Avery Creek Sanitary District, to the Cane Creek Water and Sewer District in the northern part of Henderson County and to a number of individuals and businesses in Buncombe County lying just outside the geographical boundaries of the District.

Most of the development within the service area of the District to date has consisted of dispersed industrial development and mixed residential development, including single-family residences, townhouses and condominiums, apartments and related commercial development, such as shopping facilities, restaurants and motels.

### **Relative Location and Features of the Service Area**

Buncombe County is located in western North Carolina in the southern Appalachian Mountains. The topography ranges from fertile valleys to rugged mountains, with Buncombe County's urbanized core generally coinciding with the District's boundaries, consisting of a long flat plain, which has allowed Buncombe County to develop differently from the more mountainous counties of western North Carolina. The plain, with an elevation of approximately 2,000 feet, averages about 45 miles in width. It is bisected from south to north by the French Broad River and from east to west by the Swannanoa River and Hominy Creek, two major tributaries of the French Broad River. The mean elevation of the City of Asheville is about 2,300 feet, the summers are cool and the winters are moderate with small amounts of snow. The higher elevations in Buncombe County may receive larger amounts of snow and the summers are cooler. The average January temperature is about 37 degrees for the City of Asheville and the average temperature in July is about 74 degrees. The City of Asheville receives an average of approximately 47 inches of rainfall per year. However, because the City of Asheville is located within a "rain shadow" caused by the shielding effect of the nearby mountain barriers, other areas of Buncombe County, especially to the south and southwest, receive significantly higher amounts of rainfall.

### **Transportation**

Buncombe County and the City of Asheville are served by an integrated network of highway, rail, and air services. Interstate Highway 40, Interstate Highway 26 and U.S. Highways 19-23, 70 and 74A link Buncombe County to the Piedmont area of North Carolina (including the cities of Charlotte, Greensboro, Raleigh and Winston-Salem) to the east, the Piedmont area of South Carolina (including the cities of Greenville and Spartanburg) to the south, Knoxville, Tennessee to the west, and the Tennessee-Ohio Valley area to the north. The Southern Railway System provides freight service to Buncombe County and 40 motor freight carriers have terminals in Buncombe County.

Major air passenger and cargo services are available through the Asheville Regional Airport, which is operated by the Asheville Regional Airport Authority and served by Allegiant Air, Continental Airlines, Delta Air Lines, and United Airlines. These carriers provided service for over 350,000 passengers in 2011. The U.S. Postal Service-Express provides express package service through flights at the Airport.

**Population and Growth Statistics**

Population growth in Buncombe County has occurred largely in a linear fashion along major transportation routes, which is reflected in the configuration of the District’s service area. The District is approximately 180 square miles in total area, and comprises approximately 25% of the total land area of Buncombe County. The District’s service area corresponds generally with the urbanized core of Buncombe County. A small portion of northern Henderson County is also served by the District.

Both Buncombe and Henderson Counties have experienced significant population growth since 1990:

<u>Year</u>	<u>Buncombe County</u>	<u>Henderson County</u>
1990	174,436	69,285
2000	206,330	89,173
2010	238,870	106,966
2011	243,855	108,448
2012	247,536	110,179
2020 (projected)	276,994	124,138

Source: Asheville Area Chamber of Commerce and North Carolina State Demographics webpages.

Located in the approximate geographic center of Buncombe County, the City of Asheville is the major population center in the District. The City’s population represents about one-third (approximately 85,339) of Buncombe County’s residents. Five other incorporated towns in Buncombe County - Black Mountain, Biltmore Forest, Weaverville, Woodfin, and Montreat - are included in the District’s service area. Weaverville and Woodfin are north of Asheville, Black Mountain and Montreat are located in eastern Buncombe County, and Biltmore Forest is contiguous to the City of Asheville on its southern boundary. The Woodfin Sanitary Water and Sewer District is also part of the District.

The City of Asheville and Buncombe County have historically attracted large numbers of new residents, primarily retirees and entrepreneurs. This in-migration stimulates the economy by adding to the supply of investment dollars and human capital, while increasing demand for residential and commercial facilities, consumer services, and health care. National recognition of this significant trend is reflected in the following rankings:

Ranked #17 “Best Places For Business and Careers,”  
*Forbes.Com, June 2012*

Named #1 on 2012 List of “Best Places to Retire,”  
*TopRetirements.com, February 2012*

Ranked #13 of 91 “Medium-Sized Cities” and #75 out of 398 “All Cities” in 2012 Best Cities for Job Growth,  
*Forbes.Com, May 2012*

Ranked as One of “10 Great Sunny Places to Retire,”  
*AARP, January 2012*

Voted as one of the 10 best locations in the “Best Active Destinations” category of 10 Best Readers’ Choice Travel Awards,  
*10Best.Com, February 2012*

Listed among “15 Destinations on the Rise,”  
*TripAdvisor.com, January 2012*

The impact of this in-migration trend is reflected in the number and value of residential and non-residential building permits for new construction issued in Buncombe County:

<u>Calendar Year</u>	<u>Residential<sup>1</sup></u>		<u>Non-residential<sup>2</sup></u>		<u>Total Value</u>
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>	
2008	1,684	\$304,556,170	1,838	\$435,919,019	\$740,475,189
2009	1,617	184,251,011	1,674	176,684,210	306,935,221
2010	1,693	199,823,820	1,622	176,474,855	376,298,675
2011	1,651	145,687,855	2,009	174,107,985	319,795,840
2012	635	134,413,024	2,394	182,714,066	317,127,090
2013 <sup>3</sup>	43	4,638,719	226	26,527,528	31,166,247

Source: North Carolina Department of Labor and Buncombe County Planning Department.

<sup>1</sup> Residential permits (a) include all single and multi-family units but no additions and alterations and (b) exclude mobile homes.

<sup>2</sup> Nonresidential permits include all new construction, additions and alterations.

<sup>3</sup> Through January 31, 2013.

## Income

Median household income has increased by 19.6% in Buncombe County from 2000 to 2011.

### Median Household Income

	<u>2000</u>	<u>2011</u>	<u>% Change</u>
City of Asheville	\$33,109	\$39,774	20.1%
Buncombe County	\$36,795	\$44,099	19.6
North Carolina	\$39,257	\$46,410	18.2
United States	\$42,257	\$51,517	21.9

Source: U.S. Census of Population, 2000, 2010 and Asheville Area Chamber of Commerce.

## Employment and Major Industries

Buncombe County is the most populous county in the western part of the State and serves as a regional economic center for western North Carolina. Buncombe County has a diverse commercial and industrial base which includes healthcare, technology, manufacturing, and tourism. In addition, the Buncombe County Tourism Development Authority works to foster the continued growth of tourism and convention business. Downtown redevelopment efforts by the City of Asheville have also provided additional office space, retail shop space, and parking space. The makeup of the labor force for Asheville MSA as of December 2011 was as follows:

### Asheville Metropolitan Statistical Area

#### New Jobs - 2000/2011 Employment Comparison

<u>Industry</u>	<u>2000</u>	<u>2011</u>	<u>% of Total Employment</u>	<u>% Change</u>
Private Educational and Health Services	21,600	31,200	18.5%	44.4%
Government	24,100	27,200	16.1	12.9
Retail	21,900	22,400	13.3	2.3
Leisure and Hospitality	18,500	22,000	13.0	18.9
Manufacturing	27,700	18,300	10.9	-33.9
Professional and Business Services	12,200	15,700	9.3	28.7
Construction	10,700	7,500	4.4	-29.9
Financial Activities	5,200	5,800	3.4	11.5
Wholesale Trade	4,900	4,600	2.7	-6.1
Transportation/Utilities	5,600	4,500	2.7	-19.6
Information	2,200	2,000	1.2	-9.1
Total	160,600	168,600	--	5.0

---

Source: Asheville Area Chamber of Commerce

[Can you help us find more current data than December 2011?]

The following table lists the 10 largest non-manufacturing employers in Buncombe County including governmental entities at June 30, 2012:

<b>Company or Institution</b>	<b>Description</b>	<b>Approximate Number of Employees</b>
Mission Health System	Hospitals	6,994
Buncombe County Public Schools	Educational Services	4,000
The Biltmore Company	Museums, Historical Sites & Similar Institutions	1,770
VA Medical Center-Asheville	Hospitals	1,593
Buncombe County Government	Government	1,380
Ingles Markets, Inc.	Food & Beverage Stores	1,137
The Grove Park Inn Resort & Spa	Accommodation	1,100
Asheville-Buncombe Technical Community College	Education	1,019
City of Asheville	Government	1,000
CarePartners	Nursing & Residential Care Facilities	950

Source: Buncombe County Comprehensive Annual Financial Report for the Fiscal Year ending June 30, 2012.

### ***Unemployment.***

Unemployment in Buncombe County has been consistently below the average for North Carolina and the United States. Buncombe County's average annual unemployment rates for the past four years, unadjusted for seasonal fluctuations, are as follows:

	<b><u>County</u></b>	<b><u>State</u></b>	<b><u>United States</u></b>
November 2009	8.2%	10.7%	9.4%
November 2010	8.5	10.7	9.3
November 2011	7.7	10.1	8.2
November 2012	6.8	9.0	7.4

Source: Bureau of Labor Statistics.

### ***Healthcare.***

The healthcare and social assistance industry is another significant portion of Buncombe County's economy. The strength of this portion of Buncombe County's economy is anticipated to continue because of the aging population in the area, a high concentration of healthcare facilities and a healthcare spending rate higher than the national average.

Mission Health System, based in Asheville, is the state's sixth largest health system and the primary referral center for western North Carolina and the adjoining region. The main hospital in the system, Mission Hospital ("Mission"), is the largest employer in Buncombe County with nearly 6,000 full-time equivalent employees including over 1,800 registered nurses. Mission is licensed for 735 beds on its two adjoining campuses in the City of Asheville. The medical staff has more than 800 physicians

representing most specialties and subspecialties. Mission is one of the busiest surgical hospitals in North Carolina and includes the following medical centers: heart, stroke care and neurosciences, pediatrics and the region's dedicated Level II Trauma Center.

Community CarePartners Inc. ("CarePartners") is a private, nonprofit healthcare organization located in the City of Asheville that offers a full continuum of post-acute care. CarePartners includes CarePartners Rehabilitation Hospital, an 80-bed regional referral center with intensive inpatient rehabilitation programs. CarePartners also offers (1) outpatient rehabilitation services at five separate locations throughout Buncombe County, (2) home health nursing and therapy, and private duty services in Buncombe County and in surrounding counties, (3) hospice and palliative care (comfort care) services in the home, in long-term care facilities and in the John F. Keever, Jr. Solace Center, a 27-bed, home-like facility in the City of Asheville for end of life care, (4) adult day services, (5) private duty nursing, homemaker and personal care services and (6) orthotics and prosthetics services, providing bracing and artificial limbs at clinics in the cities of Asheville and Hendersonville, with care also available in the home and in medical facilities in Buncombe County and surrounding counties.

Charles George Veterans Administration Medical Center (the "VA"), located in the City of Asheville, serves the health care needs of more than 100,000 veterans living in a 19-county area of western North Carolina. The VA is a tertiary care, 199-bed acute care facility. The VA also operates a separate 120-bed community living center where services include extended care rehabilitation, psychogeriatric care and general nursing home care. The VA provides primary care, extended care and rehabilitation, hospice and palliative care, mental health, pharmacy and specialty care services on an inpatient and outpatient basis at the facility in the City of Asheville and two rural clinics. The VA has more than 1,000 employees and over 130 physicians.

The Mountain Area Health Education Center ("MAHEC") was formed as part of a statewide network of health education programs to provide health care training and continuing education for practicing health care personnel in western North Carolina. MAHEC is a non-profit foundation formed by representatives from the Buncombe County Medical Society and Mission Hospitals in 1974. Activities of the MAHEC program include a family practice residency, continuing medical education for practicing physicians and other health care professionals, a family nurse practitioner program, pharmacy education, and public health education. In addition, there are programs for continuing education in all health fields. MAHEC is funded by State and federal revenues, local support and generated fees. Buncombe County does not contribute directly to the financial support of MAHEC.

Buncombe County's healthcare industry includes various healthcare support industries including (1) Emdeon, which provides pharmacy support services from its Asheville location and (2) G3 Medical, a medical device manufacturer and provider of packaging and sterilization services. In addition, the federal government maintains the Asheville Veterans Administration Medical Center, the Department of Veterans Affairs located its Mid-Atlantic Consolidated Patient Account Center in the City of Asheville and UNC Asheville opened a campus of the UNC Eshelman School of Pharmacy.

### ***Technology and Science.***

Buncombe County and the City of Asheville have begun to draw technology entrepreneurs from around the nation. Buncombe County is the home of "Meet the Geeks," an organization intended to foster creativity, innovation, professional development and intra-company collaboration among Buncombe County's diverse technology companies. Several companies in the science and technology sector are based in Buncombe County, including (1) Builderadius, a leading provider of software and data services to organizations involved with building safety and building code enforcement, (2) AvL Technologies, a company that produces mobile satellite communication antenna systems and positioners,



(3) Genesys Systems, a designer and producer of high-intensity discharge lighting and (4) Arvato Digital Services, a division of Arvato AG, a global media and communication firm, which announced plans in December 2010 to invest \$1.8 million in capital improvements at its facility located in Buncombe County and the creation of over 400 net new jobs. Buncombe County is also the site of several manufacturing facilities that fabricate innovative and technologically advanced products, including BorgWarner Inc., Eaton Corporation, Avarto Digital Services, Kearfott Corporation and Thermo Fisher Scientific. In addition to these commercial ventures, Buncombe County is home to the National Climactic Data Center, which is the world's largest archive of weather data and has approximately 400 full-time federal employees engaged in climate studies and the newest application of climate change data.

### ***Manufacturing.***

Manufacturing is a strong segment of Buncombe County's economy. The diverse products manufactured include food, textiles, apparel, wood products, printing and publishing, rubber and plastics products, fabricated metal products, industrial machinery and equipment, electrical equipment, and transportation equipment.

Wholesalers account for a significant portion of the wholesale sales volume in the 16-county western North Carolina area. Sales include those to retail markets of groceries, motor vehicles, and a wide variety of non-durable goods, including machinery, lumber, electrical goods, and construction materials to manufacturers and construction companies.

In December 2010, retail grocer Ingles Markets, Incorporated announced (1) the expansion of its distribution center in Buncombe County with the construction of an 830,000 square-foot cold storage distribution center at the Ingles corporate office and (2) the creation of approximately 160 full-time additional positions by December 2013.

New Belgium Brewing Company announced that the City of Asheville would be the location for its first expansion brewery and announced plans to invest approximately \$175 million in the County over the next seven years. The brewery currently anticipates creating approximately 150 jobs by 2020 and expects to launch production in the first quarter of 2015.

Sierra Nevada Brewing Company has announced its plan to locate their east coast brewing, bottling and distribution operations in Henderson County. The company plans to create 95 full time jobs, 80 part-time positions and invest \$107.5 million during the next five years in Henderson County.

The following table lists the 10 largest manufacturing employers in Buncombe County at June 30, 2012:

<b>Company</b>	<b>Description</b>	<b>Approximate Number of Employees</b>
Eaton Corporation - Electrical Division	Electrical Equip., Appliance & Component Mfg.	750
Arvato Digital Services	Computer & Electronic Product Mfg.	650
BorgWarner Turbo & Emissions Systems	Transportation Equip. Mfg.	600
Thermo Fisher Scientific, Inc.	Machinery Mfg.	550
Kearfott Guidance & Navigation Corp.	Computer & Electronic Product Mfg.	420
Flint Group (Day International, Inc.)	Printing Equipment Mfg.	325
Unison Engine Components	Transportation Equipment Mfg.	325
Nypro Asheville	Plastic Mfg.	310
Milkco, Inc.	Dairy Products Mfg.	300
Biltmore Estate Winery	Winery	235

Source: Buncombe County Comprehensive Annual Financial Report for the Fiscal Year ending June 30, 2012.

***Tourism.***

Activities and businesses supporting tourism constitute one of the largest sectors of Buncombe County's economy. The impact of tourism is multi-dimensional and includes conventioners, commercial visitors, and tourists taking advantage of the mountain scenery, moderate climate and craft skills of the citizens of the area. The changes of hotel/motel room availability in Buncombe County for the past five years were accompanied by corresponding changes in restaurants and related tourism activities. [Hotel/motel sales experienced a \_\_\_% increase from 2011 to 2012.] The table below shows the activity in lodging sales in the travel and tourism industry in Buncombe County: **[To be updated by McGuireWoods]**

	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2010</b>	<b>Fiscal Year 2011</b>	<b>Fiscal Year 2012</b>
Lodging Sales	\$154,459,070	\$154,443,096	\$168,029,503	\$185,091,932
Rooms Available	6,679	7,061	7,031	7,060

Source: Asheville Area Chamber of Commerce.

The Blue Ridge Parkway, a National Parks System scenic parkway which attracted 14.5 million people in 2010, is headquartered in Buncombe County. It has been named an “All American Roadway” and includes overlooks, hiking trails and the headquarters of the Southern Highland Craft Guild help account for the parkway’s attraction. The Parkway spans 469 miles and connects the Shenandoah Mountains in Virginia to the Great Smoky Mountains National Park, which attracted almost 9.5 million visitors in 2010.

A portion of the half million acre Pisgah National Forest is located in Buncombe County. Pisgah National Forest provides access to hiking, important wildflower habitats and national park visitor centers.

The Biltmore House and Estate is a private attraction located in Buncombe County, which drew over 1.1 million visitors in 2011. The 250-room Biltmore House, the largest private residence in the country, was built in the late 1800’s and has the most visitors of all historic buildings in the State. In addition to the Biltmore House, the estate contains a winery, several fine dining options and a number of outdoor activities.

The Grove Park Inn (the “Grove Park”), a historic inn originally built in 1913 and located near downtown Asheville, is listed on the National Register of Historic Places. In 2008, the Grove Park underwent a significant expansion and renovation to add a 43,000 square foot spa and has been designated a Top Five Spa Resorts by *Travel+Leisure Magazine* for the country. KSL Resorts purchased the Grove Park in 2012 and plans to spend approximately \$25 million on renovations. The Grove Park hosts banquets, conventions and other meetings in 42 meeting rooms and suites, including the 18,000 square foot Grand Ballroom and 8,800 square foot Heritage Ballroom.

Other tourist attractions in or near Buncombe County include the Blue Ridge Parkway Folk Art Center, Chimney Rock Park, Grandfather Mountain, Navitat Canopy Adventures zip line canopy tour, Vance Birthplace pioneer farmstead, Flat Rock Payhouse, Carl Sandburg Home National Historic Site, Oconaluftee Indian Village and “Unto These Hills” outdoor drama of the Cherokee story.

### **Retail Trade in Buncombe County**

Total taxable retail sales in Buncombe County are shown in the following table:

<b>Fiscal Year Ended June 30</b>	<b>Total Retail Sales</b>	<b>Increase (Decrease) Over Previous Year</b>
2008	\$3,283,358,807	(1.6)%
2009	2,995,665,910	(8.8)
2010	2,954,277,382	(1.4)
2011	3,125,296,879	5.8
2012	3,308,421,583	5.9
2013 <sup>1</sup>	1,583,616,042	N/A

Source: North Carolina Department of Revenue, Sales and Use Tax Division.

<sup>1</sup>Through November 2012. Comparable taxable retail sales through November 2011 were \$1,421,928,862.

### **Governmental Services**

As the most populous county in the western part of North Carolina, Buncombe County serves as a center for governmental services provided in the western region. Over 1,300 people, approximately 1% of

the total labor force in Buncombe County, was involved in governmental work (including federal, state and local) in 2012.

## **Education**

Buncombe County has two public school systems: (1) the Asheville City Administrative Unit which serves approximately 14% of the students in Buncombe County and (2) the Buncombe County Administrative Unit which serves the remaining students in Buncombe County. Asheville-Buncombe Technical Community College (“A-B Tech”), a post-secondary institution located in Buncombe County, was established in 1961 and is jointly administered by the North Carolina Board of Community Colleges and a local Board of Trustees. A-B Tech enrolls more than 27,000 students a year in a variety of business, technical, and health care curricula frequently adjusted to reflect the economic development needs of Buncombe County. Warren Wilson College, located in the eastern part of Buncombe County, is a four-year, private, coeducational college accredited by the Southern Association of Colleges and Schools. Its enrollment for the 2011-2012 school year was approximately 1,000 students, including day students and low residency graduate program. Montreat College, located in the eastern part of Buncombe County, is a four-year, private, liberal arts college with approximately 785 students from 28 states and 14 foreign countries in the 2011-2012 school year. The University of North Carolina at Asheville (“UNCA”) is an undergraduate, state-supported liberal arts college with an enrollment of approximately 3,000 students. UNCA also provides graduate education programs in collaboration with other universities in the North Carolina system.

**DISTRICT FINANCIAL STATEMENTS**

The financial statements of the District as of June 30, 2012 and for the year then ended have been audited by the District's independent certified public accountants. This Appendix contains the District's general purpose financial statements and the notes thereto, lifted from the District's audited financial statements for the Fiscal Year ended June 30, 2012, including the notes thereto.

**DEFINITIONS OF CERTAIN TERMS  
AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

**PROPOSED FORM OF  
OPINION OF BOND COUNSEL**

**THE NORTH CAROLINA  
LOCAL GOVERNMENT COMMISSION**



## **THE NORTH CAROLINA LOCAL GOVERNMENT COMMISSION**

The Local Government Commission of North Carolina (the “LGC”), a division of the Department of State Treasurer, is a state agency that supervises the issuance of the bonded indebtedness of all North Carolina units of local government and most public authorities, including the District, and provides assistance in the area of fiscal management.

The LGC has a number of functions with respect to fiscal management of units of local government and public authorities. The LGC monitors compliance with certain fiscal and accounting standards prescribed by the North Carolina Local Government Budget and Fiscal Control Act and attempts to ensure that units of local government and public authorities follow generally accepted accounting principles, systems and practices. Such Act requires each unit of local government and each public authority to operate under a balanced budget and to have its accounts audited annually by a certified public accountant or by an accountant certified by the LGC as qualified to audit local government accounts. As of this date, no audit contract to be performed by an accountant other than an independent certified public accountant has been approved by the LGC. The LGC has the statutory authority to impound the books and records of any unit of local government and of public authorities subject to its jurisdiction, including the District, and assume full control of all its financial affairs if the unit of local government or public authority defaults on any debt service payment or, in the opinion of the LGC, will default on a future debt service payment if its financial policies and practices are not improved. If the LGC elects to exercise this authority, it is vested with all of the powers of the governing board of such unit of local government or public authority as to the levy of taxes, if applicable, expenditure of money, adoption of budgets and all other financial powers conferred upon the governing board by law. Moreover, if a unit of local government or public authority defaults on a required payment of principal of or interest on its outstanding debt and remains in default for 90 days, the LGC may take such action as it deems advisable to investigate the fiscal affairs of the unit of local government or public authority and negotiate with its creditors in order to assist in working out a plan for refinancing or adjusting such debt. The LGC is authorized to enter an order finding a plan to be equitable and within the ability of the unit of local government or public authority to meet and to advise such entity to take the necessary steps to implement such plan. If the unit of local government or public authority declines to do so within 90 days, the LGC may enter an order directing it to implement such plan and may apply for a court order to enforce such order. When a refinancing plan has been put into effect, the unit of local government or public authority must make such financial reports to the LGC as required by the LGC and must obtain the approval of the Secretary of the LGC of its annual budget ordinance until the LGC is satisfied that the unit of local government or public authority has performed or will perform the duties required of it in the refinancing plan and until agreements made with its creditors have been performed in accordance with such plan.

**THE DEPOSITORY TRUST COMPANY AND  
THE BOOK-ENTRY SYSTEM**

## **THE DEPOSITORY TRUST COMPANY AND THE BOOK-ENTRY SYSTEM**

DTC will act as securities depository for the Series 2013 Bonds (the “Securities Depository”). The Series 2013 Bonds will be delivered as fully registered certificates registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC.

One fully registered certificate will be issued for each maturity of the Series 2013 Bonds in the aggregate principal amount of the Series 2013 Bonds of such maturity and interest rate, and will be deposited with DTC. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2013 BONDS, AS DTC’S PARTNERSHIP NOMINEE, REFERENCES HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE SERIES 2013 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2013 BONDS.

The following description of DTC, of procedures and record keeping of beneficial ownership interests in the Series 2013 Bonds, payment of interest and other payments on the Series 2013 Bonds to DTC Participants or to Beneficial Owners (as such terms are defined herein), confirmation and transfer of beneficial ownership interests in the Series 2013 Bonds and of other transactions by and between DTC, DTC Participants and Beneficial Owners is based on information furnished by DTC.

*Direct Participants and Indirect Participants.* DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s direct participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants” and, together with the Direct Participants, the “Participants”). DTC has Standard & Poor’s highest rating: “AAA”. The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission (the “SEC”). More information about DTC can be found at [www.dtc.org](http://www.dtc.org) and [www.dtcc.com](http://www.dtcc.com).

*Beneficial Owners.* Purchases of the Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013 Bonds on DTC’s records. The ownership interest of each actual purchaser of the Series 2013 Bonds (“Beneficial Owners”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Series 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2013 Bonds, except in the event that use of the book-entry system for the Series 2013 Bonds is discontinued.

*Transfers and Exchanges.* To facilitate subsequent transfers, all Series 2013 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2013 Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

*Notices; Redemption.* Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2013 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2013 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series Resolutions and other basic documents.

Redemption notices will be sent to DTC. If less than all the Series 2013 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

*Consents and Voting.* Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

*Payment of Principal of, Redemption Premium (if any) and Interest on the Series 2013 Bonds.* Principal, redemption premium (if any) and interest payments with respect to the Series 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Trustee on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the District or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium (if any) and interest to DTC (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its service as securities depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to the District and the Trustee and discharging its

responsibilities with respect thereto under applicable law. Under such circumstances, or in the event the District desires to use a similar book-entry system with another securities depository, there may be a successor securities depository (all references to DTC include any such successor). The District may also decide to discontinue participation in the system of book-entry transfer through DTC (or a successor securities depository) at any time by giving reasonable notice to DTC. If the book-entry system is discontinued and there is no successor securities depository, bond certificates are required to be printed and delivered to the Beneficial Owners as described in the Trust Agreement. The Beneficial Owners of the Series 2013 Bonds, upon registration of certificates held in the Beneficial Owners' names, will become the registered owners of the Series 2013 Bonds.

The District and the Trustee cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the Series 2013 Bonds (a) payments of principal of or interest on the Series 2013 Bonds, (b) confirmations of their ownership interests in the Series 2013 Bonds or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the Series 2013 Bonds, or that they will do so on a timely basis or that DTC, the Direct Participants or the Indirect Participants will serve and act in the manner described in this Official Statement. The information in this section preceding this paragraph concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

NEITHER THE DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR REDEMPTION PRICE OR INTEREST ON THE SERIES 2013 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE TRUST AGREEMENT; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2013 BONDS OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.

\45118610.3

# Metropolitan Sewerage District of Buncombe County

## BOARD INFORMATIONAL ITEM

**Meeting Date:** March 20, 2013

**Submitted By:** Thomas E. Hartye, PE., General Manager

**Prepared By:** W. Scott Powell, CLGFO, Director of Finance  
Cheryl Rice, Accounting Manager

**Subject:** Cash Commitment/Investment Report-Month Ended January 31, 2013

### **Background**

Each month, staff presents to the Board an investment report for all monies in bank accounts and specific investment instruments. The total investments as of January 31, 2013 were \$30,783,139. The detailed listing of accounts is available upon request. The average rate of return for all investments is 1.872%. These investments comply with North Carolina General Statutes, Board written investment policies, and the District's Bond Order.

The attached investment report represents cash and cash equivalents as of January 31, 2013 do not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of January 31, 2013 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is \$392,796.

<b>Total Cash &amp; Investments as of 01/31/2013</b>		30,783,139
<b>Less:</b>		
Budgeted Commitments (Required to pay remaining FY13 budgeted expenditures from unrestricted cash)		
Construction Funds	(10,233,096)	
Operations & Maintenance Fund	(6,879,078)	
		(17,112,174)
Bond Restricted Funds		
Bond Service (Funds held by trustee):		
Funds in Principal & Interest Accounts	(10,365)	
Debt Service Reserve	(2,690,819)	
Remaining Principal & Interest Due	(5,951,682)	
		(8,652,866)
District Reserve Funds		
Fleet Replacement	(500,310)	
WWTP Replacement	(558,152)	
Maintenance Reserve	(912,982)	
		(1,971,444)
District Insurance Funds		
General Liability	(276,199)	
Worker's Compensation	(280,795)	
Post-Retirement Benefit	(974,055)	
Self-Funded Employee Medical	(1,122,810)	
		(2,653,859)
<b>Designated for Capital Outlay</b>		<b>392,796</b>

### **Staff Recommendation**

None. Information Only.

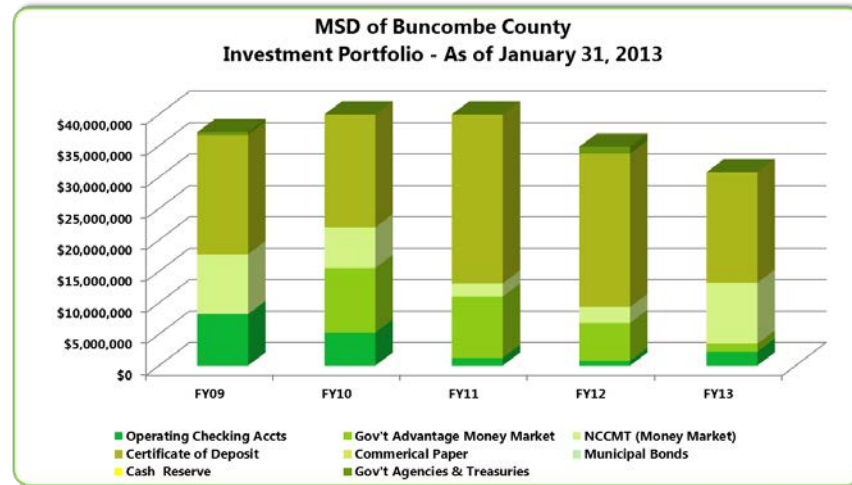
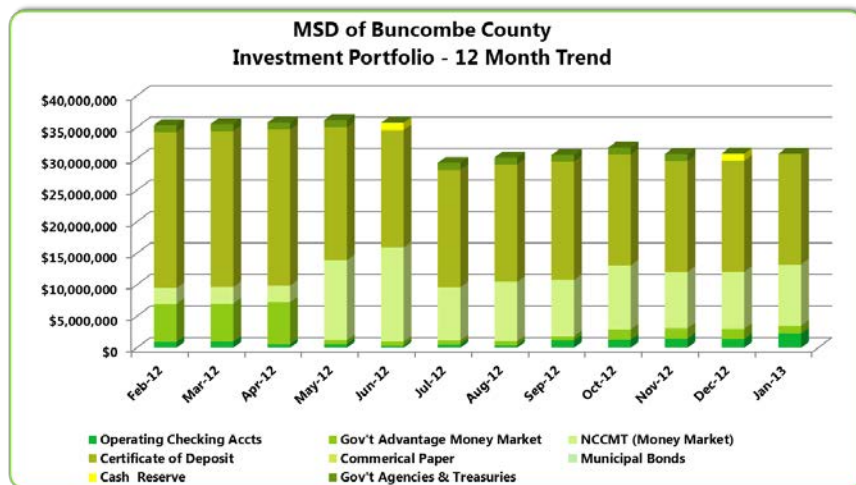
#### **Action Taken**

Motion by: \_\_\_\_\_ to Approve Disapprove  
 Second by: \_\_\_\_\_ Table Send to Committee  
 Other: \_\_\_\_\_  
 Follow-up required: \_\_\_\_\_  
 Person responsible: \_\_\_\_\_ Deadline: \_\_\_\_\_

## Metropolitan Sewerage District of Buncombe County Investment Portfolio

	Operating Checking Accounts	Gov't Advantage Money Market	NCCMT (Money Market)	Certificate of Deposit	Commercial Paper	Municipal Bonds	Cash Reserve	Gov't Agencies & Treasuries	Total
<b>Held with Bond Trustee</b>	\$ -	\$ -	\$ 10,365	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,365
<b>Held by MSD</b>	2,242,141	1,229,313	9,710,464	17,590,856	-	-	-	-	30,772,774
	<u>\$ 2,242,141</u>	<u>\$ 1,229,313</u>	<u>\$ 9,720,829</u>	<u>\$ 17,590,856</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,783,139</u>

<u>Investment Policy Asset Allocation</u>	<u>Maximum Percent</u>	<u>Actual Percent</u>	
U.S. Government Treasuries, Agencies and Instrumentalities	100%	0.00%	No significant changes in the investment portfolio as to makeup or total amount.
Bankers' Acceptances	20%	0.00%	
Certificates of Deposit	100%	57.14%	The District 's YTM of .85% is exceeding the YTM benchmarks of the 6 month T-Bill and NCCMT Cash Portfolio.
Commercial Paper	20%	0.00%	
North Carolina Capital Management Trust	100%	31.58%	
Checking Accounts:	100%		All funds invested in CD's, operating checking accounts, Gov't Advantage money market are fully collateralized with the State Treasurer.
Operating Checking Accounts		7.28%	
Gov't Advantage Money Market		3.99%	



**Board Meeting:** March 20, 2013

**Subject:** Cash Commitment/Investment Report-Month Ended January 31, 2013

Page -3-

**METROPOLITAN SEWERAGE DISTRICT  
INVESTMENT MANAGERS' REPORT  
AT January 31, 2013**

**Summary of Asset Transactions**

	<b>Original Cost</b>	<b>Market</b>	<b>Interest Receivable</b>
Beginning Balance	\$ 24,749,437	\$ 24,749,437	\$ 355,704
Capital Contributed (Withdrawn)	24,787	24,787	
Realized Income	967	967	
Unrealized/Accrued Income		-	18,064
Ending Balance	<u>\$ 24,775,191</u>	<u>\$ 24,775,191</u>	<u>\$ 373,768</u>

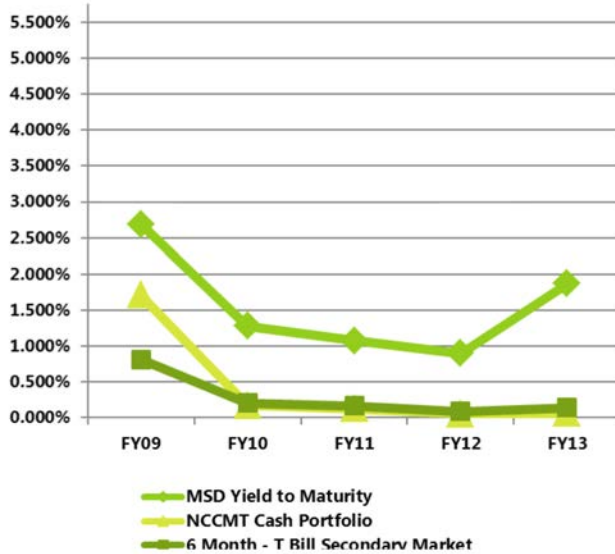
**Value and Income by Maturity**

	<b>Original Cost</b>	<b>Income</b>
Cash Equivalents <91 Days	\$ 7,184,335	\$ 5,519
Securities/CD's 91 to 365 Days	17,590,856	\$ 13,512
Securities/CD's > 1 Year	-	-
	<u>\$ 24,775,191</u>	<u>\$ 19,031</u>

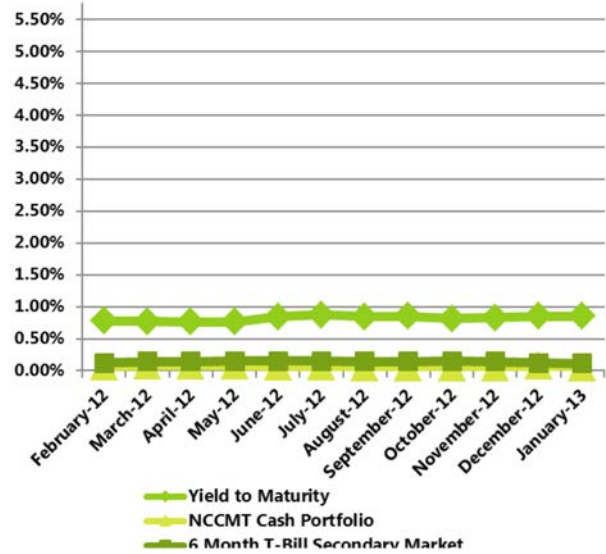
**Month End Portfolio Information**

Weighted Average Maturity	375
Yield to Maturity	0.85%
6 Month T-Bill Secondary Market	0.11%
NCCMT Cash Portfolio	0.05%

**Metropolitan Sewerage District  
Annual Yield Comparison**



**Metropolitan Sewerage District  
Yield Comparison - January 31, 2013**



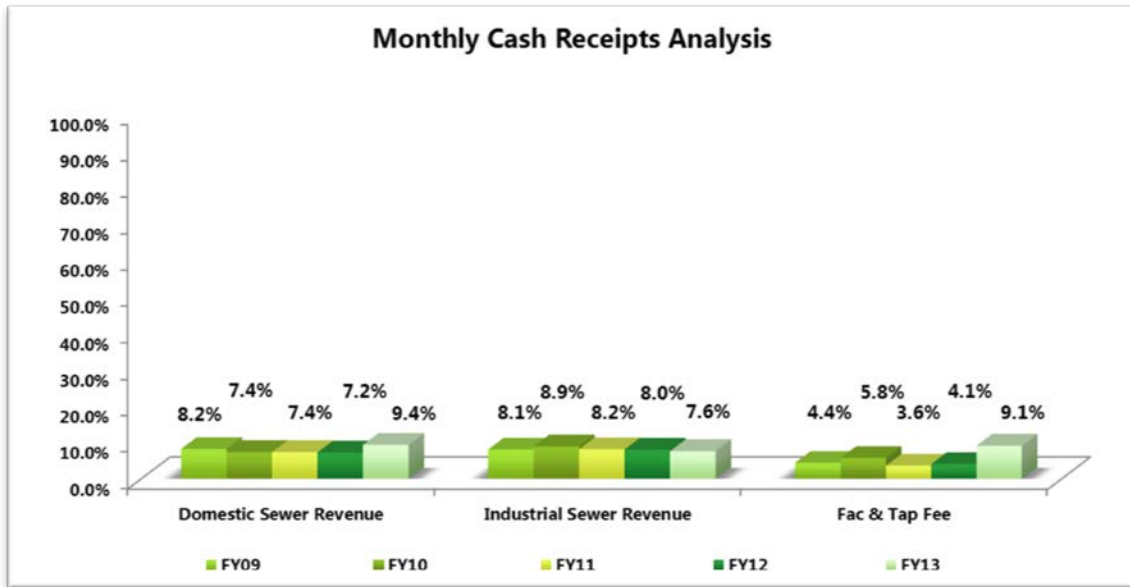


**Board Meeting:** March 20, 2013

**Subject:** Cash Commitment/Investment Report-Month Ended January 31, 2013

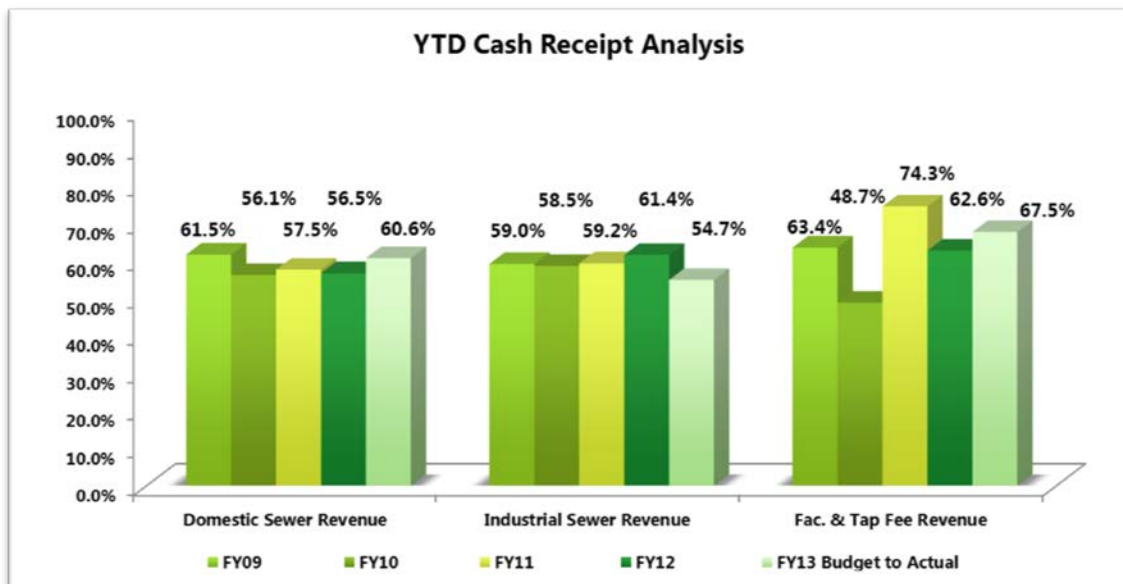
Page -4-

**METROPOLITAN SEWERAGE DISTRICT  
ANALYSIS OF CASH RECEIPTS  
AS OF January 31, 2013**



**Monthly Cash Receipts Analysis:**

- Monthly domestic sewer revenue is considered reasonable based on timing of cash receipts in their respective fiscal periods.
- Monthly industrial sewer revenue is considered reasonable based on historical trends.
- Due to the unpredictable nature of facility and tap fee revenue, staff considers facility and tap fee revenue reasonable.



**YTD Actual Revenue Analysis:**

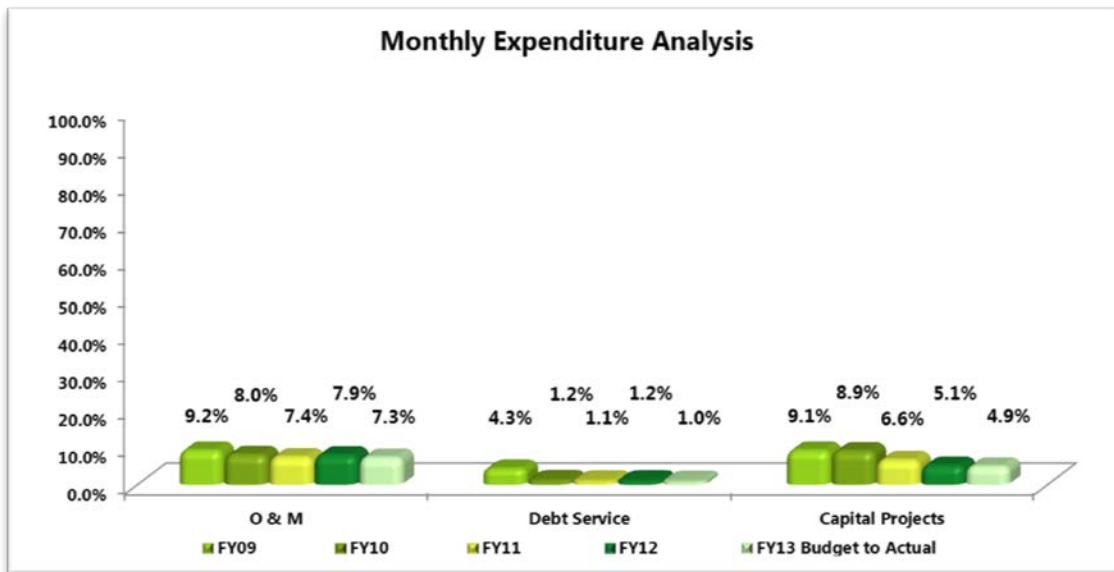
- YTD domestic sewer revenue is considered reasonable based on historical trends.
- YTD industrial sewer revenue is considered reasonable based on historical trends.
- Due to the unpredictable nature of facility and tap fee revenue, staff considers facility and tap fee revenue reasonable.

**Board Meeting:** March 20, 2013

**Subject:** Cash Commitment/Investment Report-Month Ended January 31, 2013

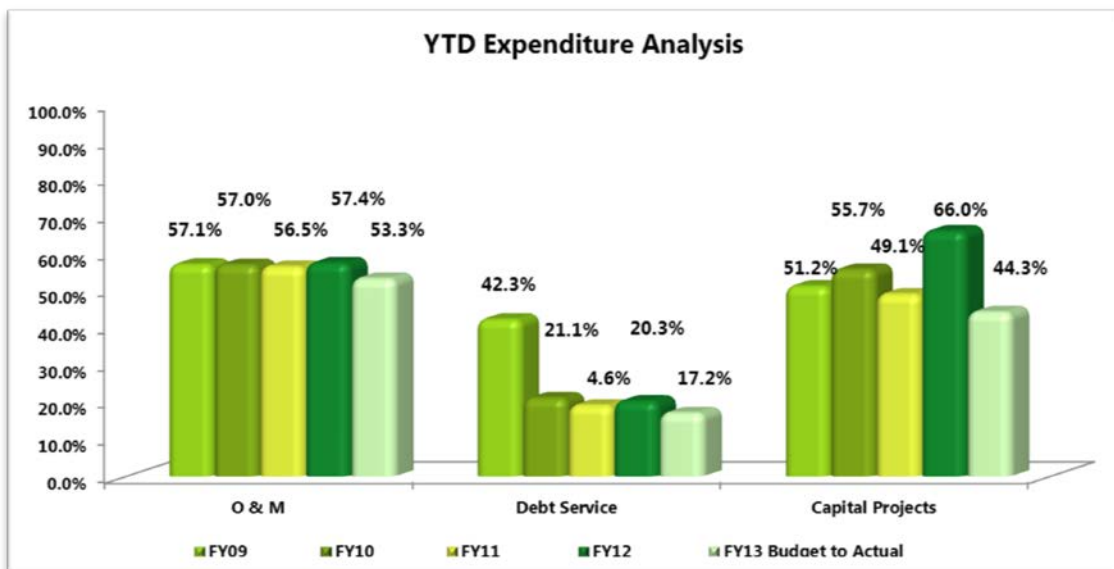
Page -5-

**METROPOLITAN SEWERAGE DISTRICT  
ANALYSIS OF EXPENDITURES  
AS OF JANUARY 31, 2013**



**Monthly Expenditure Analysis:**

- Monthly O&M expenditures are considered reasonable based on historical trends and timing of expenditures in the current year.
- Due to the nature of the variable rate bond market, monthly expenditures can vary year to year. Based on current variable interest rates, monthly debt service expenditures are considered reasonable.
- Due to nature and timing of capital projects, monthly expenditures can vary from year to year. Based on the current outstanding capital projects, monthly capital project expenditures are considered reasonable.



**YTD Expenditure Analysis:**

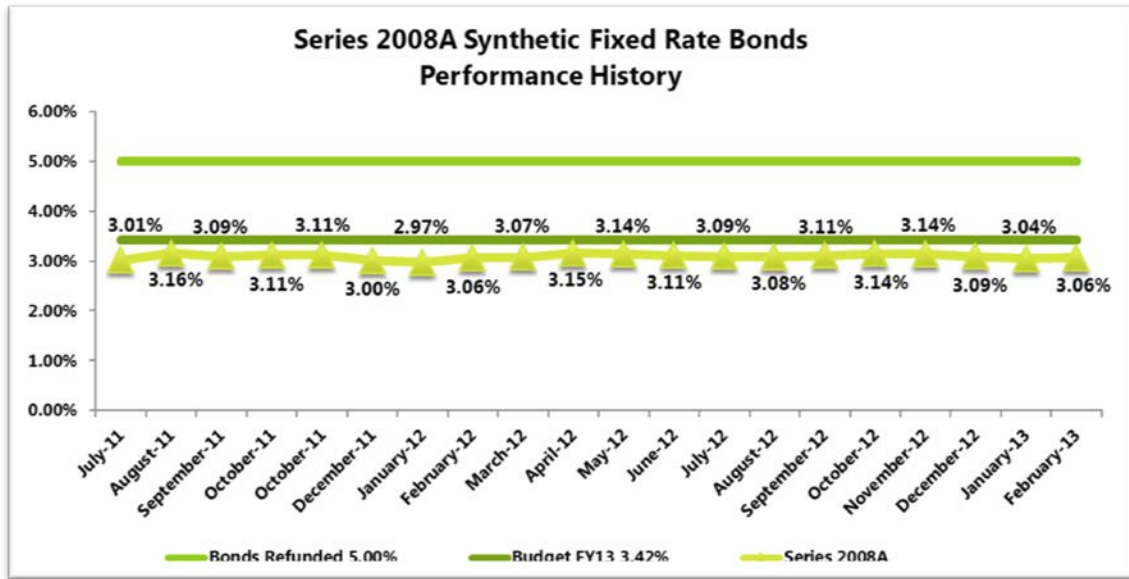
- YTD O&M expenditures are considered reasonable based on historical trends.
- Due to the nature of the variable rate bond market, YTD expenditures can vary year to year. Based on current variable interest rates, YTD debt service expenditures are considered reasonable.
- Due to nature and timing of capital projects, YTD expenditures can vary from year to year. Based on the current outstanding capital projects, YTD capital project expenditures are considered reasonable.

**Board Meeting:** March 20, 2013

**Subject:** Cash Commitment/Investment Report-Month Ended January 31, 2013

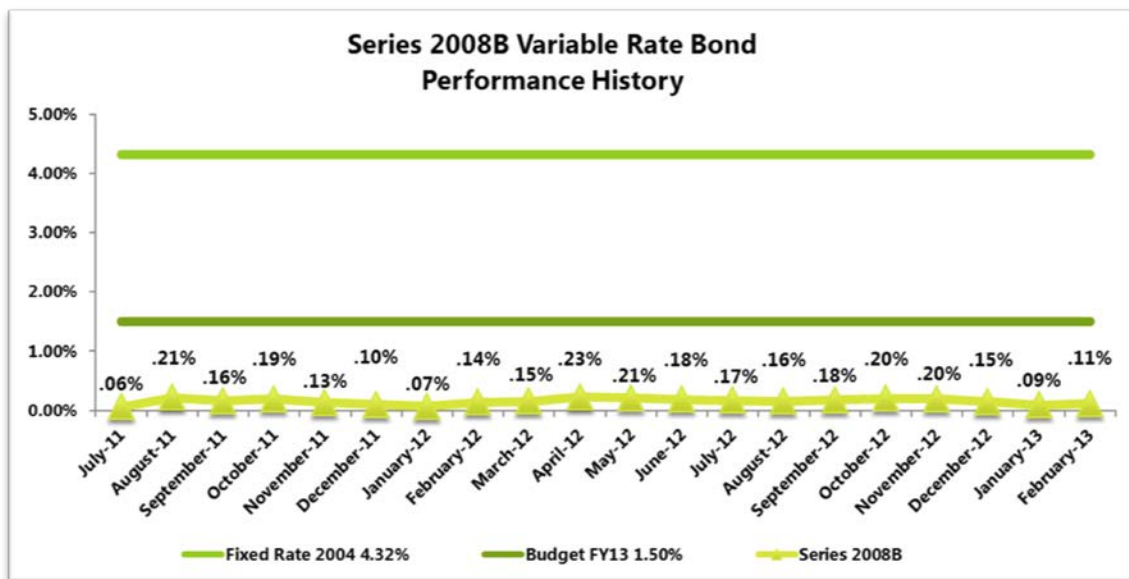
Page -6-

**METROPOLITAN SEWERAGE DISTRICT  
Variable Debt Service Report  
As of February 28, 2013**



**Series 2008A:**

- Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is \$2,638,785 as compared to 4/1 fixed rate of 4.85%.
- Assuming that the rate on the Series 2008A Bonds continues at the current all-in rate of 4.0475%, MSD will achieve cash savings of \$4,730,000 over the life of the bonds.
- MSD would pay \$6,012,000 to terminate the existing Bank of America Swap Agreement.



**Series 2008B:**

- Savings to date on the 2008B Variable Rate Bonds is \$3,758,237 as compared to 5/1 fixed rate of 4.32%.
- Since May 1, 2008, the Series 2008B Bonds average variable rate has been 0.50%.
- MSD will achieve \$9,090,000 in cash savings over the life of the bonds at the current average variable rate.

# Metropolitan Sewerage District of Buncombe County

## BOARD INFORMATION ITEM

**Meeting Date:** March 20, 2013

**Submitted By:** Thomas E. Hartye – General Manager

**Subject:** Final Report of Impact to MSD of Water/Sewer Consolidation

### **Background:**

The Metropolitan Sewerage / Water Committee issued a Final Report to the Legislative Research Commission of the North Carolina General Assembly containing recommendations to merge the City of Asheville Water system with the Metropolitan Sewerage District of Buncombe County (MSD). An additional recommendation was to consider how other water systems in Buncombe and Henderson Counties may be merged with MSD as well.

The MSD Board of Directors voted to conduct a detailed impact study of the proposed merger and seeks the services of reputable national firm experienced in utility operations, management, budgeting and finance, and utility mergers. Potential legal, governance, valuation and compensation issues associated with a potential merger/consolidation of the City of Asheville Water system and other systems with MSD are beyond the scope of this study.

The Consultant Selection Committee used a rating matrix to rate all consultants on several functional areas of the study to be conducted. The Committee unanimously recommended Malcolm Pirnie/Arcadis based upon the proposal, the presentation, the experience, and the qualifications and integrity of the project team and the organization as a whole.

Malcolm Pirnie/Arcadis developed Draft Reports and presentations that were brought before the MSD Planning Committee and the Board for both Phase I and Phase II. Comments received from the Board and the public have been included or addressed in this Final Report.

The Final Report is attached as two files, one for the main report and one for the appendices. These are also posted on our website at [msdbc.org](http://msdbc.org).

### **Study Presentation:**

Malcolm Pirnie /Arcadis will give an short presentation of the Final Report to the Board.

# **STATUS REPORTS**

**CAPITAL IMPROVEMENT PROGRAM**

**STATUS REPORT SUMMARY**

**March 12, 2013**

PROJECT	CONTRACTOR	AWARD DATE	NOTICE TO PROCEED	ESTIMATED COMPLETION DATE	*CONTRACT AMOUNT	*COMPLETION STATUS (WORK)	COMMENTS
GIVENS ESTATES	Terry Brothers	10/17/2012	10/24/2012	6/1/2013	\$770,098.50	65%	<b>Formal</b> The bore under Norfolk Southern and Sweeten Creek Road is experiencing great difficulty due to existing soil conditions and an existing drainage pipe deep in the middle. A plan is in place and Contractor is working diligently to finish. Contractor has stood by for two weeks awaiting blasting permits from COA, which has further delayed work.
MOORE CIRCLE (PRP 45001)	Bryant's Land & Development	2/20/2013	TBA	TBA	\$240,640.58	0%	<b>Informal</b> Project was awarded to Bryant's Land & Development. A preconstruction meeting is scheduled for March 14th.
PIPE RATING CONTRACT #7 (LINING)	Southeast Pipe Survey, Inc.	12/12/2012	1/14/2013	6/15/2013	\$798,778.61	15%	<b>Formal</b> Subcontractor is replacing manholes and doing point repairs. Lining has not begun yet.
SCENIC VIEW DRIVE (PRP 29020)	Carolina Specialties	9/19/2012	10/29/2012	4/1/2013	\$249,450.00	90%	<b>Informal</b> Mainline complete. Contractor is working on service connections. Paving is imminent.
SHORT COXE AVENUE AT SOUTHSIDE AVENUE	Cana Construction	7/18/2012	9/4/2012	7/1/2013	\$888,998.01	65%	<b>Formal</b> All work on the Southside Avenue line should be complete this week. Asphalt plants are expected to open for business next week, at which time binder work will be completed. Then night work will start in Biltmore Avenue.
WRF - CRAGGY HYDRO FACILITY REPAIRS - CONTROL COMPONENTS UPGRADE	Innovative Solutions of NC	7/12/2012	N/A	3/31/2013	\$100,717.72	60%	<b>Informal</b> This is to upgrade the old control panel at the Hydro Facility. In addition to this, Turbine No. 2 is being repaired as well.
WRF - ELECTRICAL IMPROVEMENTS	Haynes Electric	8/15/2012	9/10/2012	6/7/2013	\$1,061,900.00	75%	<b>Formal</b> Project is going very well. All new cable with exception of directly in front on the existing gear is complete. All testing of switches and transformers is complete. Cat expects to start new generators in the next couple days.
WRF - PAVING IMPROVEMENTS	Trace and Company	2/27/2013	N/A	5/31/2013	\$ 119,985.00	0%	<b>Informal</b> Project will install and repair pavement at various areas within Treatment Plant property. Work will begin when warm weather returns and asphalt plant re-opens.

**\*Updated to reflect approved Change Orders and Time Extensions**

# Planning and Development Projects Status Report

March 13, 2013

Status	Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
	Davidson Road Sewer Extension	2004154	Asheville	3	109	12/15/2004	Complete-Waiting on final documents
	N. Bear Creek Road Subdivision	2005137	Asheville	20	127	7/11/2006	Complete - Waiting on final documents
	Willowcreek Village Ph.3	2003110	Asheville	26	597	4/21/2006	Complete - Waiting on final documents
	Rock Hill Road Subdivision	2005153	Asheville	2	277	8/7/2006	Complete - Waiting on final documents
	Black Mtn Annex: Avena Rd.	1999026	Black Mtn.	24	4,300	8/19/2010	Complete - Waiting on final documents
	Black Mtn Annex: McCoy Cove	1992174	Black Mtn.	24	2,067	8/19/2010	Complete - Waiting on final documents
	Black Mtn Annex: Blue Ridge Rd.	1992171	Black Mtn.	24	2,560	8/19/2010	Complete-Waiting on final documents
	New Salem Studios	2011119	Black Mountain	5	36	5/21/2012	Complete - Waiting on final documents
	Haw Creek Tract	2006267	Asheville	49	1,817	10/16/2007	Complete - Waiting on final documents
	Haywood Village	2007172	Asheville	55	749	7/15/2008	Complete - Waiting on final documents
	Lodging at Farm (Gottfried)	2008169	Candler	20	45	6/2/2009	Complete - Waiting on final documents
	Camp Dorothy Walls - Ph. 1	2007294	Black Mtn.	Comm.	593	6/16/2009	Complete - Waiting on final documents
	Momentum Health Adventure	2008097	Asheville	Comm.	184	8/19/2009	Complete - Waiting on final documents
	North Point Baptist Church	2008105	Weaverville	Comm.	723	5/20/2009	Complete - Waiting on final documents
	Lutheridge - Phase I	2009112	Arden	Comm.	330	3/16/2010	Complete-Waiting on final documents
	AVL Technologies	2010018	Woodfin	Comm.	133	5/21/2010	Complete-Waiting on final documents
	UNC-A New Residence Hall	2011047	Asheville	304	404	8/29/2011	Complete-Waiting on final documents
	Larchmont Apartments	2011014	Asheville	60	26	6/23/2011	Complete-Waiting on final documents
	Cottonwood Townhomes	2009110	Black Mtn.	8	580	10/20/2009	Complete-Waiting on final documents
	Brookgreen Phase 1C	2012015	Woodfin	4	280	8/2/2012	Complete-Waiting on final documents
	Berrington Village Apartments	2008164	Asheville	308	4,690	5/5/2009	Complete-Waiting on final documents
	Parameter Generation Relocation	2012024	Black Mtn.	Comm.	545	5/24/2012	Complete-Waiting on final documents
	MWB Phase II	2012053	Montreat	1	90	8/9/2012	Complete-Waiting on final documents
	Swannanoa Habitat Project	2012055	Swannanoa	17	303	6/26/2012	Complete-Waiting on final documents
	Ridgefield Business Park	2004188	Asheville	18	758	2/16/2005	Complete-Waiting on final documents
			Subtotal	972	22,323		

Planning and Development Projects Status Report  
March 13, 2013

Status	Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
	The Settings (6 Acre Outparcel)	2004192	Black Mountain	21	623	3/15/2006	Ready for final inspection
	Waightstill Mountain PH-8	2006277	Arden	66	3,387	7/26/2007	testing / in foreclosure
	Brookside Road Relocation	2008189	Black Mtn	N/A	346	1/14/2009	Pre-con held, ready for construction
	Scenic View	2006194	Asheville	48	534	11/15/2006	Ready for final inspection
	Ingles	2007214	Black Mtn.	Comm.	594	3/4/2008	Ready for final inspection
	Bartram's Walk	2007065	Asheville	100	10,077	7/28/2008	Punchlist pending
	Morgan Property	2008007	Candler	10	1,721	8/11/2008	Pre-con held, ready for construction
	Village at Bradley Branch - Ph. III	2008076	Asheville	44	783	8/8/2008	Ready for final inspection
	Canoe Landing	2007137	Woodfin	4	303	5/12/2008	Ready for construction
	Central Valley	2006166	Black Mtn	12	472	8/8/2007	Punchlist pending
	CVS-Acton Circle	2005163	Asheville	4	557	5/3/2006	Ready for final inspection
	Hamburg Mountain Phase 3	2004086	Weaverville	13	844	11/10/2005	Ready for final inspection
	Bostic Place Sewer Relocation	2005102	Asheville	3	88	8/25/2005	Ready for final inspection
	Kyfields	2003100	Weaverville	35	1,118	5/10/2004	Ready for final inspection
	Onteora Oaks Subdivison	2012026	Asheville	28	1,222	1/4/2013	Pre-con held, ready for construction
	Camp Dorothy Walls - Ph. 2	2007294	Black Mtn.	Comm.	593	6/16/2009	Pre-con held, ready for construction
	Harris Teeter - Merrimon Ave.	2011045	Asheville	Comm.	789	3/27/2012	Ready for final inspection
	Pisgah Manor Skilled Nursing Facility	2012008	Candler	Comm.	131	4/9/2011	Ready for final inspection
	Carolina Truck and Body (Cooper)	2012075	Asheville	Comm.	298	10/30/2012	Pre-con held, ready for construction
	Bradley Street - Phase II	2013031	Asheville	12	194	2/14/2013	Pre-con held, ready for construction
	Goldmont St	2012087	Black Mtn.	6	91	1/11/2013	Testing

Subtotal	2299	68,301
Total Units:	3,271	
Total LF:		90,624