

**BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
SEPTEMBER 16, 2015**

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 pm, Wednesday, September 16, 2015. Chairman VeHaun presided with the following members present: Ashley, Belcher, Bryson, Creighton, Kelly, Manheimer, Watts, and Wisler. Ms. Frost, Mr. Pelly and Mr. Root were absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Joseph Martin with Woodfin Sanitary Water & Sewer District, Jade Dundas with Asheville Water Resources and MSD Staff, Ed Bradford, Scott Powell, Jim Hemphill, Ken Stines, Mike Stamey, Matthew Walter, Hunter Carson, and Sondra Honeycutt.

2. Inquiry as to Conflict of Interest:

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

3. Approval of Minutes of the August 19, 2015 Board Meeting:

Mr. VeHaun asked if there were any changes to the Minutes of the August 19, 2015 Board Meeting. Mr. Creighton moved for approval of the minutes as presented. Mr. Watts seconded the motion. Voice vote in favor of the motion was unanimous.

4. Discussion and Adjustment of Agenda:

None.

5. Informal Discussion and Public Comment:

Mr. VeHaun welcomed Mr. Martin and Mr. Dundas. There was no public comment.

6. Report of General Manager:

Mr. Hartye called on Ed Bradford and Mike Stamey for a presentation on current construction projects for the Treatment Plant and Collection System.

Mr. Bradford reported there are two major projects underway at the Plant. The first is the Influent Pump Station rehabilitation. The first pump was replaced in 2014; the second pump in May 2015, and the third pump to be replaced in FY2017. He stated they will take the best parts of the three (3) existing pumps to use as a backup pump. These pumps have been in service for approximately 25 years and have seen a lot of wear. In addition to the Influent Pumps, The Adjustable Frequency Drives (AFD's) will be replaced as a result of equipment problems due to age and a corrosive environment. The AFD's allow the pumps to ramp their speed up and down to match the flow coming into the plant. He presented slides showing the new AFD enclosure, which will be placed on a slab, and the interior space air conditioned to protect the equipment. Completion of this project is expected in January 2016.

Mr. Bradford reported the second project is the Incinerator Emissions Upgrade. Total construction cost is \$5.6 million, which was reduced by approximately \$5 million by utilizing new technology. This was pilot tested a year ago with very successful results and MSD got permission to use this from the Air Quality Agency. Due to the accelerated schedule imposed upon MSD by the EPA, combined with equipment manufacturing schedules, MSD managed an accelerated design timeframe with Consultant (CDM Smith); Preapproved Venturi manufacturer November, 2014; Pre-purchased Heat

Exchanger December, 2014, and awarded the Construction Contract in February, 2015. MSD is currently ahead of schedule and expects to have the project operational by January, 2016. Mr. Hartye noted that as a part of this project the incinerator must be shut down for approximately a month to replace equipment. Mr. Bradford presented a slide showing the Heat Exchanger, which recovers heat, and the Venturi Scrubber, which removes particulates. He presented three dimensional renderings of the equipment that is currently in the building, which is shown in color. He presented slides showing the instrument used to measure/locate the existing system and the Mercury-removal system and Venturi Scrubber being lifted into the building, which was a very tight fit. Mr. Bradford mentioned the Headworks project currently in the design phase, which was a primary recommendation of the recent Facilities Plan that includes fine screens, grit removal, and storage for peak flows. Mr. Bradford noted the CIP Status report (entire program) is posted on-line and updated quarterly. He called on Mr. Stamey for a report on recent construction activities.

Mr. Stamey began his presentation with a report on Construction Inspections, which is done with all construction contractors MSD hires. Currently, the most active project is the Melody Circle sewer rehabilitation project located in Swannanoa, North of U.S. Highway 70, and East of New Salem Road. The project consists of approximately 4,500 LF of sewer line in the Melody Circle neighborhood. Terry Brothers Construction is the contractor on this project. He presented a map showing the location of the line. To date approximately 1,500 LF of sewer line has been installed. He presented a slide showing the natural terrain of the neighborhood, which drops off into a valley, where the original sewer line was located. As a result, a sub-contractor was hired to trim some of the trees, which was negotiated during the Right of Way phase. He presented slides showing the installation of 8-inch ductile iron pipe; back filling of trench, and installation of asphalt binder. He presented slides showing the lower end of the project closest to New Salem Road; pre-construction looking east; during construction looking east, and post construction looking west.

Mr. Stamey reported the Broadview Avenue Sewer Rehabilitation project is located in Oakley and consists of 4,500 LF of sewer line, which is now complete. Buckeye Bridge was the contractor on this project. He presented several slides showing the project prior to construction; rocky working conditions during construction, and post construction (9/14/15). Mr. Stamey stated the CIP Inspectors Group is responsible for inspecting sewer rehab projects with contractors. They are also required to inspect sewer extensions put in by private developers across the county that may eventually come to MSD for ownership and maintenance. He presented a map showing the 43 active projects.

Mr. Stamey reported that currently, the biggest job for In-house Construction Crews is Gracelyn Road @ Warwick Place Sewer Rehabilitation in North Asheville. The existing sewer in this area is 4" Orangeburg pipe to be replaced by an 8" public sewer system that will be easier to maintain and service. He presented slides showing the bottom end of Warwick Place at Gracelyn Road where the pipe bursting project will take place. Another project just completed last week is Covington Street located in West Asheville. This project consisted of 180 ft. of pipe bursting and repair. He presented slides showing the equipment used to complete this project. He presented a copy of the In-House Construction projects (31) for FY15-16 of which 9 projects are complete.

Mr. Hartye presented a flyer for the fund raising tournament to be held at the Grove Park Inn Golf Course on Thursday, September 24th.

Mr. Hartye reported a call was received from Hugh Murphy of Locust Court in Arden regarding the MSD crew replacing the sewer line. He said that he couldn't praise them enough. From start to finish they were always doing something. They are a great team and work hard all day long. Thanks to Gilbert Karn, Dale Dillingham, Jason Price,

Tim Haney, Mickey Roberts, and Nicolas Hercules. Also, a call was received from Emily Lacey on Cedar Street expressing her appreciation for Mitch Metcalf and Scott Graham responding to a problem at her residence. She said they were wonderful and did a great job, and went above and beyond to help her out.

Mr. Hartye reported the September ROW Committee Meeting is cancelled. The next meeting is scheduled for October 28th at 9am. The annual employee picnic will be held behind the Plant Maintenance Facility on September 22nd starting at 8am. The next regular Board Meeting will be held October 21st at 2pm.

7. Consolidated Motion Agenda:

a. Consideration of FY2016 Auditing Services RFP:

Mr. Powell reported an RFP for Auditing Services was sent to six auditing firms. On August 14th staff received responses from Cherry Bekaret LLP, McGladrey LLP, and Gould Killian CPA Group. All firms exhibited knowledge of the utility industry in North Carolina. The Selection Committee chose Cherry Bekaret due to their audit approach, firms staffing and turnover rate, and notably their governmental utility experience in North Carolina. The proposed fees for the FY2016 engagement were \$45,000, which is below the budgeted amount of \$46,500. The Selection Committee recommends Cherry Bekaret LLP as auditors for the FY2016 fiscal period.

b. Cash Commitment/Investment Report – Month Ended, July 31, 2015:

Mr. Powell reported Page 69 presents the makeup of the District's Investment Portfolio. There has been a \$7.6 million dollar decrease from the previous month report. This is a direct result of the District meeting its 7/1 debt service obligation. Page 70 is the MSD Investment Manager report as of the month of August. The weighted average maturity of the investment portfolio is 352 days. The yield to maturity is .52% and is exceeding MSD bench marks of the 6-month T-Bill and NCCMT cash portfolio. Page 71 is an analysis of the District Cash Receipts. Monthly domestic sewer revenue is considered reasonable based on historical trends. Monthly and YTD Industrial Sewer Revenue as well as Facility and Tap Fees are considered reasonable based on historical trends. Page 72 is an analysis of the District's Expenditures. Monthly and YTD expenditures are considered reasonable based on historical trends. Page 73 is the MSD Variable Debt Service report. Both the 2008 A Series are performing better than budgeted expectations. As of the end of August, both issues have saved District ratepayers approximately \$4.1 million dollars in debt service since April, 2008.

Mr. Watts moved the Board approve the Consolidated Motion Agenda as presented. Mr. Belcher seconded the motion. Roll call vote was as follows: 9 Ayes; 0 Nays.

8. Old Business:

None

9. New Business:

10. Adjournment:

With no further business, Mr. VeHaun called for adjournment at 2:30pm.

Jackie W. Bryson, Secretary/Treasurer

<h1 style="margin: 0;">MSD</h1> <h2 style="margin: 0;">Regular Board Meeting</h2>

Metropolitan Sewerage District
of Buncombe County, NC

AGENDA FOR 9/16/15

✓	Agenda Item	Presenter	Time	
	Call to Order and Roll Call	VeHaun	2:00	
	01. Inquiry as to Conflict of Interest	VeHaun	2:05	
	02. Approval of Minutes of the August 19, 2015 Board Meeting.	VeHaun	2:10	
	03. Discussion and Adjustment of Agenda.	VeHaun	2:15	
	04. Informal Discussion and Public Comment	VeHaun	2:20	
	05. Report of General Manager	Hartye	2:25	
	06. Consolidated Motion Agenda		2:40	
	a. Consideration for FY2016 Auditing Services.	Powell		
	b. Cash Commitment/Investment Report – Month Ended July 31, 2015.	Powell		
	07. Old Business:	VeHaun	2:55	
	08. New Business:	VeHaun	3:00	
	09. Adjournment: (Next Meeting 10/21/15)	VeHaun	3:05	
	STATUS REPORTS			

BOARD OF THE METROPOLITAN SEWERAGE DISTRICT
AUGUST 19, 2015

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 pm, Wednesday, August 19, 2015. Chairman VeHaun presided with the following members present: Ashley, Belcher, Bryson, Creighton, Frost, Kelly, Manheimer, Pelly, and Watts. Mr. Root and Ms. Wisler were absent.

Others present were: Thomas E. Hartye, General Manager, William Clarke, General Counsel, Jade Dundas with the City of Asheville, Joseph Martin with Woodfin Sanitary Water & Sewer District, Forrest Westall with McGill Associates, P.E., and MSD Staff, Ed Bradford, Scott Powell, Jim Hemphill, Ken Stines, Mike Stamey, Matthew Walter, Hunter Carson, Angel Banks, and Sondra Honeycutt.

2. Inquiry as to Conflict of Interest:

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

3. Approval of Minutes of the July 15, 2015 Board Meeting:

Mr. VeHaun asked if there were any changes to the Minutes of the July 15, 2015 Board Meeting. With no changes, Mr. Kelly moved for approval of the minutes as presented. Mr. Pelly seconded the motion. Voice vote in favor of the motion was unanimous.

4. Discussion and Adjustment of Agenda:

None

5. Informal Discussion and Public Comment:

Mr. VeHaun welcomed Dr. Martin and Mr. Dundas, City of Asheville Water Resources Director. Mr. VeHaun asked Mr. Dundas if he had any comments. Mr. Dundas stated he appreciates the opportunity to participate in today's meeting. There was no further public comment.

6. Report of General Manager:

Mr. Hartye presented a letter from the National Association of Clean Water Agencies (NACWA) honoring MSD with the Excellence in Management Gold Recognition. This recognizes MSD accomplishments and ongoing efforts such as detailed 10 year CIP implementation; Plant permit compliance with both air and water permit requirements; 10 year detailed business plan/financial model; Pipe Rating Program; strong Pretreatment Program; excellent customer response, and thorough emergency preparedness. He express his thanks to all employees for their effort; the Board for supporting those efforts, and a special thanks to Ed Bradford for putting together this information into a combined submittal.

Mr. Hartye presented an article in the Clean Cities Now (US Dept. of Energy national publication) regarding the use of biodiesel and featuring MSD's program. MSD's seminal biodiesel program has become a great success and has provided momentum for others around the county. He presented a slide of MSD's water truck used for cleaning lines with "Can the Grease" shown on the side as a reminder to customers of its importance. Blue Ridge Biofuels, a local company, uses recycled cooking oil as a feedstock for its fuel. Mr. Hartye expressed his thanks to Peter Weed and Neil Hall who have spearheaded this effort through the years.

Mr. Hartye reported a call was received from Bob Gun of Pleasant Drive in Black Mountain expressing how impressed he was with the MSD operation and the crews working on the job. Thanks to the MSD in-house construction crews.

Mr. Hartye reported the August ROW Committee meeting is cancelled. The next meeting is scheduled for September 23rd at 9 am. The next regular Board Meeting will be held September 16th at 2 pm.

7. Report of Committees:

Personnel Committee:

Chairperson Bryson reported the Personnel Committee met July 21, 2015 to consider the evaluation of the General Manager. Mr. Hartye reviewed short-term goals, milestones and objectives. Following discussion, the Committee recommends the Board approve an increase in Mr. Hartye's salary to \$180,000 effective July 1, 2015. Mr. VeHaun called for a motion to approve the recommendation of the Personnel Committee. Ms. Frost moved. Mr. Watts seconded the motion. Roll call vote was as follows: 10 Ayes; 0 Nays.

Planning Committee:

In the absence of Chairman Root, Mr. Hartye reported the Planning Committee met July 30, 2015 to consider changes to MSD's policy regarding Accessory Dwelling Units (ADU's). A discussion was held regarding the two types of fees charged by MSD (Sewer Connection and Sewer Facility). Mr. Hartye explained the Connection Fee pays MSD crews to go out and run a line from the public main to the cleanout. The Facility fee is considered an impact fee, which pays for allotment at the plan; interceptors and regional collection system near the project. Regarding the impact fee, MSD has a program whereby if Buncombe County or the City of Asheville determines its affordable housing, MSD will rebate over 70% of the fee from \$2,500 to \$650. He presented a slide showing the two types of ADU's (attached or detached). The Committee recommends to the Board that the District waive the Facility Fee for "attached additions" to single family housing. Mr. VeHaun called for a motion to approve the recommendation of the Planning Committee. Mr. Watts moved. Mr. Pelly seconded the motion. Mr. VeHaun called for any discussion. Mr. Pelly stated this was brought to the MSD Board because the City of Asheville is facing an affordable housing crisis. The idea was that if MSD can reduce fees associated with creating ADU's, which the City will do on its Water Tap Fees, this will reduce the cost of construction and allows owners to offer lower rents. With no further discussion, voice vote in favor of the motion was unanimous.

8. Consolidated Motion Agenda:

a. Consideration of Bids – Hillard Avenue @ Aston Park Sewer Replacement Project:

Mr. Hartye reported this project is to replace an old 8" clay line and a pump station at the end of Ann Street just above the tennis courts at Aston Park. The project is comprised of 2,688 LF of 8-inch DIP. The contract was advertised and the following three bids were received on July 30, 2015: Thomas Construction Company with a total bid of \$892,483.25; Terry Brothers Construction Company with a total bid of \$626,180.00, and Buckeye Bridge, LLC with a total bid of \$542,732.50. The apparent low bidder is Buckeye Bridge, LLC. Mr. Hartye stated Buckeye Bridge has completed numerous MSD sewer replacement projects, and their work quality has been excellent to date. The FY15-16 Construction Budget for this project is \$696,000.00. Staff recommends award of this contract to Buckeye Bridge, LLC in the amount of \$542,732.50, subject to review and approval by District Counsel. Ms.

Manheimer asked if this line follows the proposed Clingman Forrest Greenway and if it is appropriate for the proposed construction on the corner of Hilliard and Clingman Avenues, just north of the Mountain Housing property. The City is looking to put this Parks & Rec facility out for affordable housing construction with multiple apartment units. Mr. Bradford said yes, and that MSD has provided data to City staff to incorporate this rehabilitation project into any plans the City may have.

b. Consideration of Bids–Influent Pump Station Rehabilitation - AFD Replacement Project:

Mr. Hartye reported the plant has three large pumps that lift all wastewater received at the plant up to the Grit and Grease Facility. The pumps are powered by large 400 hp motors, which in turn are controlled by Adjustable Frequency Drives (AFD's). The AFD's allow the pumps to ramp their speed up or down to match the incoming flow to the plant, which is more efficient than having pumps cycle on and off at full power. The AFD equipment purchase was approved at the November 19, 2014 Board Meeting. This equipment has been delivered and is now on-site in an environmentally controlled building. A competitively-bid installation contract was recently advertised and the following three bids were received on July 30, 2015: Haren Construction Co. with a total bid of \$652,000.00; M.B. Kahn Construction Co. with a total bid of \$587,780.00, and M.B. Haynes Corporation with a total bid of \$428,370.00. Mr. Hartye stated M.B. Haynes is an established local electrical contractor who has completed previous work at the plant, including the recent electrical upgrades project. The FY15-16 construction budget for this project is \$477,000.00. Staff recommends award of this contract to M.B. Haynes Corporation in the amount of \$428,370.00, subject to review and approval by District Counsel.

c. Consideration of Developer Constructed Sewer System – Town Mountain Preserve:

Mr. Hartye reported this project is located inside the District boundary off Wolfe Cove Road in Buncombe County. The project included extending approximately 10,610 linear feet of 8-inch public gravity sewer to serve the seventy-five (75) unit residential development. Staff recommends acceptance of the developer constructed sewer system. All MSD requirements have been met.

d. Consideration of Reimbursement Resolution for Bond Projects:

Mr. Powell reported to be in compliance with IRS regulations concerning tax-exempt financing, all expenditures made with non-MSD bond funds, and to be reimbursed from MSD bond funds, must be properly identified and authorized. The proposed Reimbursement Resolution identifies major projects intended to be solely or substantially financed by bonds anticipated to be issued in FY2018. Board approval is required to obtain the tax-exemption of interest paid on MSD bonds by authorizing reimbursement from bond proceeds of the expenditures for the attached project listing. Of the projects that are in the budget for this fiscal year, \$12.1 million dollars have been identified as projects that can meet the definition of what MSD would like to submit to the Local Government Commission for reimbursement for proposed debt issuance in 2018. Staff recommends approval of the Reimbursement Resolution.

e. Fourth Quarter Budget to Actual Review – FY2015:

Mr. Powell reported as follows:

- Domestic Revenue is above budgeted expectations as a result of a short-term revenue source which will end in FY2017. Industrial Revenue trended above budgeted expectation due to increased consumption from two industrial users.

- Facility and Tap Fees are above budgeted expectations. This is due to the District receiving \$1.5 million from seven developments at the end of the year as well as the conservative nature in which these funds are budgeted.
- Interest and miscellaneous income are below budgeted expectations. Short-term interest rates are still experiencing pressures due to the Federal Reserve monetary policy.
- O&M expenditures are at 94.09% of budget. This amount may vary slightly from audited numbers due to final accruals.
- Bond principal and interest are better than budgeted expectations due to the interest rate swap associated with Series 2008A revenue refunding bonds.
- Capital project expenditures are at approximately 85.45% of budget. CIP projects are continuing to receive favorable pricing. Additionally, staff moved some projects to FY2016 due to the fact MSD in-house and contracted sewer construction met its 400,000 foot goal for the last 8 year permit cycle.

f. Cash Commitment/Investment Report – Month Ended June 30, 2015:

Mr. Powell reported Page 39 presents the makeup of the District's Investment Portfolio. The makeup of the portfolio is substantially the same as compared to last month. Page 40 is the Investment Manager Report as of the month of June. The weighted average maturing of the investment portfolio is 352 days. The yield to maturity is 0.59% and is exceeding MSD bench marks of the 6 month T-Bill and NCCMT cash portfolio. Page 43 is the MSD Variable Debt Service Report for the month of July. The 2008A Series refunding bonds are performing better than budgeted expectations. As of the end of July, the issue has saved District rate payers \$4.0 million dollars in debt service.

Mr. Watts moved the Board approve the Consolidated Motion Agenda as presented. Ms. Bryson seconded the motion. With no discussion, Mr. VeHaun called for the question: Roll call vote was as follows: 10 Ayes; 0 Nays.

9. Old Business:

None

10. New Business:

None

11. Adjournment:

With no further business, Mr. Vahaun called for adjournment at 2:24 pm.

Jackie W. Bryson, Secretary/Treasurer



MEMORANDUM

TO: MSD Board
FROM: Thomas E. Hartye, P.E., General Manager
DATE: September 10, 2015
SUBJECT: Report from the General Manager

- Quarterly Construction Update

Ed Bradford and Mike Stamey will give a short presentation on current construction projects for the Treatment Plant and Collection System.

- MSD's Annual United Way Golf Tournament

Attached is the flyer for the fund raising tournament to be held at the Grove Park Inn Golf Course on Thursday September 24th.

- Kudos

- Received a call from Hugh Murphy from Locust Court in Arden regarding the MSD crew replacing the sewer line. He said that he couldn't praise them enough – from start to finish they were always doing something. They are a great team and work hard all day long. Thanks to Gilbert Karn, Dale Dillingham, Jason Price, Tim Haney, Mickey Roberts and Nicolas Hercules.
- Received a call from Emily Lacey of Cedar St. expressing her appreciation for Mitch Metcalf and Scott Graham responding to a problem at her residence. She said they were wonderful and did a great job and went above and beyond to help her out.

- Board/Committee Meetings/Events

The September ROW Committee Meeting is cancelled. The next ROW is scheduled for October 28th at 9am. The annual employee picnic will be held behind the Plant Maintenance Facility on September 22nd starting at 8am. The Next Regular Board Meeting will be held October 21st at 2 pm.

Metropolitan Sewerage District

Presents the

Annual

United Way Golf Tournament

Tournament will be held at the

Grove Park Inn Golf Course

this year with registration starting at 8:00am.

Shotgun start will follow at 9:00am

Thursday

September 24th

\$85 registration fee (includes lunch)

9:00 shotgun start

Foursome format (captain's choice)

For information contact

Owen Herbert @ 828-225-8331

OwenH@msdbc.org

Hole sponsorships are still available at the standard and premium level! All net proceeds go to the United Way of Buncombe County. Door prize donations are also accepted...



METROPOLITAN SEWERAGE DISTRICT OF BUNCOMBE COUNTY

BOARD ACTION ITEM

Meeting Date: September 16, 2015

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

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

Subject: Consideration for FY2016 Auditing Services RFP

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. Additionally, The RFP specified that after the first year of the contract, it could be continued on the basis of annual negotiation.

Discussion

The external auditor is charged with providing an opinion on the District's financial statements prepared by management. The opinion is subject to governmental auditing standards issued by the Comptroller General of the United States. Additionally, the external auditor informs the board of any audit findings and/or difficulties incurred through the audit process.

Since we have had the same external auditor for over twelve years, staff informed the board in July of its desire to issue an RFP for auditing services for the FY2016 fiscal period. A RFP (Exhibit 1) was sent to the following auditing firms:

- ◀ CHERRY BEKARET, LLP
- ◀ MARTIN STARNES & ASSOCIATES, CPA
- ◀ MCGLADREY LLP
- ◀ THOMPSON, PRICE, SCOTT ADAMS & CO. PA
- ◀ DIXON HUGHES GOODMAN, LLP
- ◀ GOULD KILLIAN CPA GROUP PA

On August 14, 2015, staff received responses from Cherry Bekaret LLP, MCGladrey LLP, and Gould Killian CPA Group PA. A selection committee comprised of the General Manager, Finance Director, and Accounting Manager evaluated the responses based on their relevant experience in governmental accounting in North Carolina specifically with utility systems.

All firms exhibited knowledge of utility industry and experience in North Carolina. Based upon the presented qualifications, the selection committee chose Cherry Bekaret LLP (Exhibit 2) due to their audit approach, the firms staffing and turnover rate, and notably the governmental utility experience in North Carolina.

Board Meeting: September 16, 2015

Subject: Consideration for FY2016 Auditing Services

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Fiscal Impact

The combined audit fees and reimbursable expenses proposed by Cherry Bekaret LLP for FY2016 is \$45,000. The cost of the FY2014 and F2015 audit engagements were \$46,500 each. Staff budgeted \$46,500 in FY2016.

Staff Recommendation

Selection Committee recommends Cherry Bekaret LLP as auditors for FY2016 fiscal period.

Action Taken

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

EXHIBIT 1

METROPOLITAN SEWERAGE DISTRICT OF
BUNCOMBE COUNTY, NORTH CAROLINA



REQUEST FOR PROPOSAL

**Metropolitan Sewerage District
of Buncombe County, North Carolina
Request for Proposal to Provide Audit Services**

The Board of Directors of the Metropolitan Sewerage District of Buncombe County, North Carolina (hereinafter called the "District") invites qualified independent auditors (hereinafter called "auditor") having sufficient governmental accounting and auditing experience in performing an audit in accordance with specifications outlined in this Request for Proposal (RFP) to submit a proposal.

There is no expressed or implied obligation for the District to reimburse responding firms for expenses incurred in preparing proposals in response to this request.

Type of Audit

The audit will encompass a financial and compliance examination of the District's Comprehensive Annual Financial Report (CAFR) in accordance with the laws and /or regulations of the State of North Carolina, which include requirement for the minimum scope of the audit. The financial and compliance audit will cover Federal, State, and local funding sources in accordance with generally accepted auditing standards; Government Auditing Standards, July 2011 revisions; the Single Audit Act of 1984, as amended in 1996; the provisions of OMB Circular A-133; Audits of State and Local Governments and Non-Profit Organizations, including revisions published in Federal Register June 27,2003 and June 26, 2077; the State Single Audit Implementation Act; and applicable laws and regulations. The auditor is not required to audit required supplementary information nor the statistical section of the CAFR.

The District anticipates preparation of an official statement during fiscal year 2018 in connection with the sale of debt securities, which will contain the general-purpose financial statements and the auditor's report thereon. The auditor shall be required, if requested by the financial advisor and/or the underwriter, to issue a "consent and citation of expertise" as the auditor.

Period Covered By the Proposal

The District intends to continue the relationship with the selected Auditor for services over a minimum of three years covering the fiscal years ending June 30, 2016, 2017, and 2018 on the basis of annual negotiation, after completion of the first year contract. Each year after negotiation has taken place an annual contract documenting the terms of the audit will be signed. Since one governing board may not obligate future governing boards, the remaining years of the agreement, as well as any subsequent years, are subject to annual governing board approval.

Requirements

1. The audit must be conducted in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, the State Single Audit Implementation Act, and any other applicable procedures for the audit of a government's financial statements prepared in accordance with GAAP and encompass any requirements imposed by the Local Government Commission.
2. Final fieldwork will not commence until the last week of September for each year. The audit must be conducted in a manner such that all necessary financial and compliance information (trial balance with any potential adjusting journal entries in final form) are completed and presented to the District's Finance Director, not later than the second week of October each year, to enable the District to prepare the financial statements. Prior to the beginning of fieldwork, the auditor and the Director of Finance will agree upon delivery date of all District-prepared schedules and assembled documentation.
3. All CAFR statements, schedules, and notes to the financial statements (except those listed below) will be drafted by Finance staff and available for the auditor at the beginning of fieldwork. Auditor reviews and comments should be turned in to Finance by the 15th of October.
 - Schedule of Findings and Questioned Costs (Compliance)
 - Summary Schedule of Prior Year Audit Findings (Compliance)
4. The financial audit opinion will cover the general-purpose financial statements. The supplemental schedules and related information are not necessary for fair presentation, but will be presented as additional analytical data. This supplemental information will be subjected to the tests and other auditing procedures applied in the examination of the

general purpose financial statements, and an opinion will be given as to whether it is fairly stated in all material respects in relation to the financial statements taken as a whole.

5. The working papers shall be retained and made available upon request by the District or any cognizant agency for no less than three years from the date of the audit report.
6. The report will be subjected to quality control review by a qualified independent third party, i.e., the Local Government Commission, prior to acceptance by the District.
7. In the event that circumstances arise during the audit that requires work to be performed above the original estimates, such cost will be negotiated prior to commencement of work. Any such negotiation will be conducted with the General Manager, Director of Finance, and the Finance Committee, and an amended contract will be approved by the governing board and submitted to the Local Government Commission for approval.

Time Schedule for Awarding the Contract

Friday, July 17, 2015	Requests for proposal packages will be released
Friday, July 31, 2015 3:00 p.m.	A pre-proposal conference will be held in the Board Conference Room, 2028 Riverside Drive, Asheville, NC, to answer any questions that might arise and to discuss general background information on the District and its operations. Information covered at the conference will not be sent to audit firms not attending the conference. Attending this meeting is not required.
Friday, August 14, 2015 2:00 p.m.	The proposal should be submitted to the Metropolitan Sewerage District of Buncombe County Finance Department located at 2028 Riverside Drive, Asheville, NC 28804, and be clearly marked "Proposal-Audit Services". All inquiries and submissions are to be directed in writing to District Director of Finance, W. Scott Powell at the above address.
Friday, August 25, 2015	Preliminary selection of auditor by Selection Committee.
Wednesday, September 16, 2015	Audit Firm selection will be approved by Board at the regularly scheduled meeting.

The District reserves the right to adjust the dates for preliminary selection and final contract approval based upon changes to regularly scheduled Board meeting dates, unanticipated delays in the selection and/or negotiation process, or any other contingency based upon the best interest of the District. Nevertheless, every effort will be made to be respectful of the time constraints put upon public accounting firms in the late spring.

Description of Selection Process

Five (5) copies of each section of the proposal should be submitted at the time and place indicated under the section entitled "Time Schedule for Awarding Contract".

Proposals will be submitted in two sections. The first section will be comprised of the firm's prior experience and qualifications of its personnel in performing government audits having utility enterprise systems and/or standalone government utility system audits. The second section will be comprised of the separately sealed audit cost estimates. A selection committee will evaluate each auditor on educational and technical qualifications and then select the top three firms from the first section to have their second section opened and evaluated. The firm providing the optimum value of governmental utility audit experience and approach for proposed fees will be selected.

PLEASE KEEP IN MIND THAT COST, WHILE AN IMPORTANT FACTOR WILL NOT BE A SOLE DETERMINING FACTOR. UNUSUALLY LOW BIDS THAT ARE OBVIOUSLY OUT OF LINE WITH OTHER BIDDERS OR ARE SIGNIFICANTLY LOWER THAN OUR CURRENT FEES WILL RAISE CONCERN. THE LOWEST BID WILL NOT AUTOMATICALLY BE AWARDED PREFERENTIAL CONSIDERATION.

The Finance Director may be contacted only to clarify questions concerning the RFP.

The District reserves the right to reject any bids, waive technicalities, and be the sole judge of suitability of the services for its intended use and further specifically reserves the right to make the award in the best interest of the District. Failure to respond to any requirements outlined in the RFP, or failure to enclose copies of the required documents, may disqualify the bid. The District shall not be responsible to reimburse any responding firms for any expenses incurred in preparing or presenting responses to this request.

During the evaluation process, the District reserves the right to request additional information or clarifications from proposers or to allow corrections of errors or omissions. At the discretion of the District, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

First Section

The first section should address the requested information below pertaining to the firm's experience and audit approach. The corresponding response should begin with the number of the requested information.

■ **Audit Approach**

Clearly describe your firm's approach to conducting the examination (include use of statistical sampling and automated processes). Specifically comment on the audit timeline and how the District can assist in expediting the audit. Include separate sections for both SAS 99 and GASB 34.

■ **Profile of the Firm**

1. State whether your firm is regional, national, or international.
2. Give the location of the office responsible for the proposed services and the number of partners, supervisory staff, seniors, and other professional staff employed at that office. Also, give the number of staff members with local government experience specifically with utility systems (e.g. water and sewer).
3. Describe the range of services provided by the local office in the governmental area, such as audit, accounting, or management advisory services. Include activities, which demonstrate your commitment to governmental practice.
4. Describe your audit organization's participation in AICPA-sponsored or comparable quality control (peer review) programs.
5. Describe how the firm meets professional independence standards, and include any potential personal or professional conflict of interest.
6. Describe any regulatory action taken by any oversight body against the proposing audit organization or local office.
7. Describe liability insurance coverage arrangements.

8. Provide statistics on your firm's turnover rate and your policy on audit team continuity for your clients.

Governmental Experience

1. Provide information on your firm's background and experience auditing governmental units having utility enterprise systems and/or standalone governmental utility system audits.
2. Provide information on your firm's background and experience auditing governmental units having variable debt and interest rate swaps.
3. List the governmental clients of your firm. Also, list names, addresses, and telephone numbers of client officials.
4. List the governmental clients of your firm that have annual water and sewer revenues in excess of \$30 million.
5. The District has received the GFOA Certificate of Achievement for Excellence in Financial Reporting since 1995. Indicate whether your office has previous experience auditing financial statements, which have earned this recognition.
6. List any specific training or experience your firm has related to new pronouncements such as GASB 67 and GASB 68.
7. Identify the specific persons (minimally, the engagement partner and manager) who will work on the District's audit and designate the individual who will be the primary contact for the firm. Include resumes for each person to be assigned to the audit and indicate specific governmental experience of each person. Identify individuals that will be assigned to work on the District's audit who will also be assigned responsibilities on other similar local government engagements (identify each entity) during the District's audit time frame. Staff continuity is a priority for the District. The District must be notified of any changes in key audit personnel prior to annual renewal of contract within the multi-year period to assess continuity concerns. Note which staff that are members of GFOA (national and local) and if they attend any GFOA professional development conferences or seminars.

Second Section

The second section should consist of completed cost estimate sheets (see attachments) which will include the following information.

1. Proposals should include completed cost estimate sheets and any other necessary cost information in a separate sealed envelope marked "Cost Estimate." The District plans to evaluate the qualifications of all firms submitting proposals before considering the Cost Estimate.
2. Cost estimates must indicate the basis for the charges and whether the amount is a "not-to-exceed" amount.
3. Charges must be separately estimated for the financial audit and the compliance audit.
4. Cost estimates for additional compliance testing must be included in the event additional federal or state financial assistance is obtained. List the cost per additional program tested. This amount should not be in the base bid and should be noted on a separate line of the cost estimate form.
5. The firm's travel expenses, as well as any other incidental expenses, must be included in the base cost estimate. The District will not directly reimburse for these types of expenses.
6. Note your method of determining increase in audit costs on a year-to-year basis within the initial three-year audit contract period.

Note your method of determining audit costs, which would be used in price negotiations after the initial three-year. List factors that you would use in determining any increases or decreases

Description of the District and the Accounting Structure

Description

The District is a special purpose governmental unit established 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. Located in Buncombe County, the District serves the City of Asheville and surrounding communities, including Biltmore Forest, Weaverville, Black Mountain, Montreat, and Woodfin Water 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 North Henderson County and in the Avery Creek Sanitary Sewer District in South Buncombe County. The District serves about 52,000 residences and businesses, which comprise more than 80% of the population of Buncombe County.

The collection system has been extended over the years as a result of expansion and development, and now collects wastewater through approximately 1000 miles of sewer line with more than 28,000 manholes. 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 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. The District operates a 40 million gallons per day wastewater treatment plant and a hydroelectric generating facility on the French Broad River adjacent to the treatment plant, which provides power for the plant.

■ **Fund and Account Groups**

The District's financial statements are presented as an Enterprise Fund. However, due to provisions in the Bond Order, budgeting and internal accounting involve several funds including the revenue fund, construction fund, debt service escrow funds, and reserve funds. A copy of the FY2014 CAFR and the FY2016 Budget is available on the District's website www.msdbc.org, and the FY2016 general purpose financial statements are anticipated to be available online by December 16th.

■ **Grants, Entitlements, and Shared Revenues**

There are no anticipated grants, entitlements, or shared revenues for FY2016.

■ **Budget**

The District budgets all funds on the modified accrual basis of accounting as required by North Carolina law. Appropriations are made at the departmental level. The District also maintains an encumbrance system. Both the budgetary and encumbrance systems are integrated with the accounting system to provide easy comparison with actual expenditures.

■ **Accounting Records**

The District maintains all its accounting records at the Finance Department located at 2028 Riverside Drive, Asheville, NC. The District maintains its cash receipts, cash disbursements, general ledger, payroll, fixed assets, inventory, and procurement records on a mainframe computer system using integrated Serenic Navigator software .

■ **Assistance Available to Proposer**

The Finance staff consists of the following: Director of Finance, Accounting Manager, Budget Analyst, Billing Coordinator, Accounts Payable Coordinator, Purchasing

Supervisor, Purchasing Agent, and one Warehouse. The Director of Finance is a CLGFO with both governmental auditing and accounting experience.

To assist the Auditor in his or her examination of the records, the District will provide and prepare the following:

▶ **General**

1. A trial balance of all District funds maintained in the Finance Department.
2. All normal year-end adjusting entries.
3. A copy of the original budget, all amendments, and the final budget as of June 30.
4. Details of budgeted and expended amounts for all Capital Projects, with supporting information as to status of projects – completed, in progress, etc.
5. Confirmation letters for mailing by auditor i.e. Banks, grants, revenues, and legal representation letter.
6. Copies of Board-approved fiscal policies.
7. A copy of the operating and capital lease schedules itemizing contracts in force during the audit period as well as access to the lease files.

▶ **Cash and Investments**

1. Bank reconciliations for each month.
2. List of outstanding checks, showing check number, payee, date, and amount.
3. Schedule of cash and investments at the year-end.
4. Schedule of summarized investment activity including investment income and all purchases and sales of investments.

▶ **Receivables**

1. Aged trial balance of accounts and miscellaneous receivables as of the statement date.
2. Analysis of allowance for doubtful accounts.
3. Reconciliation of revenue confirmations with general ledger amounts.

▶ **Other Assets**

1. Schedule of prepaid assets, insurance coverage, claims, and judgments if any.
2. Schedule of inventory items on hand with item cost and book valuation.
- 3.

▶ **Fixed Assets**

1. Schedule of all capital outlays during the audit period.
2. Schedule of all capital dispositions during the audit period.
3. Schedule of all depreciation expense by asset.
4. Schedule of CIP with capitalized engineering and interest expenses.

▶ **Liabilities**

1. Subsidiary detail of accounts payable including retainage and listing of open encumbrances at year-end.
2. Detail of all salaries and wages payable and accrued withholdings.

▶ **Long-Term Debt**

1. Schedule of long-term debt and capital leases, including amortization of issuance costs and amortization of bond discounts and premiums.
2. Computations of compensated absences, pension liability, OPEB liability, and arbitrage rebate.

▶ **Federal and State Grants**

1. Schedule of Expenditures of Federal and State Awards if any, including CFDA numbers and/or pass-through grant numbers.
2. Grant agreements, budgets, financial reports, applicable laws, and regulations, correspondence with grantor agencies, including monitoring reports and audits.

▶ **Size and Complexity of Unit**

- ◆ Personnel/payroll
 - ◇ Number of employees at 6-30-15 was 147.
 - ◇ Frequency of Payroll is bi-weekly.
 - ◇ Number of payroll direct deposit advices 3,822
- ◆ Sewerage Billing
 - ◇ Seven municipalities include MSD charges on their water bills and remit payment on a periodic basis.
 - ◇ MSD direct bills approximately 500 industrial and well-water customers monthly.
 - ◇ Approximately 52,000 customers generating \$30,000,000 in sewer revenues.
- ◆ Purchasing
 - ◇ Approximately 2,000 purchase orders were issued during FY2015
- ◆ Bank Accounts
 - ◇ Number of Bank Accounts:
 - 8 North Carolina Cash Management Trust Accounts
 - 19 Debt Escrow Accounts

- 1 General Checking Account
- 1 Flexible Spending Account
- ◇ Approximate activity in the checking accounts:
 - Annual number of deposits is 600.
 - Annual number of checks is 4000.
- ◆ Information Technology (IT)
 - ◇ The approximate number of financial user connections is 12.
 - ◇ The IT department is separate from the Finance department.
 - ◇ The number of employed programmers that are capable of modifying the financial system is 1.

Finance Department staff will furnish additional data as requested and will be available to furnish reasonable assistance in other areas. Space will be made available for audit staff fieldwork.

Cost Estimate (Per Year)

THREE-YEAR CONTRACT

	FY2016	FY2017	FY2018
Base charge–Financial Audit			
Base charge–Compliance Audit			
Charge per program for additional compliance testing			
Other:			
TOTAL			

Basis/methodology of cost estimate:

Basis for determining cost estimate after first year:

EXHIBIT 2

Proposal to provide audit services

Metropolitan Sewerage District of Buncombe County, North Carolina

August 12, 2015

First Section – Qualifications

Your guide forward

Prepared by:

Eddie Burke

Partner

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cbh.com



August 12, 2015

Mr. W. Scott Powell
Director of Finance
Metropolitan Sewerage District of Buncombe County, North Carolina
Finance Department
2028 Riverside Drive
Asheville, NC 28804

RE: RFP for Audit Services

Dear Mr. Powell and the Board of Directors:

Cherry Bekaert LLP (“Cherry Bekaert” or the “Firm”) would be honored to continue to serve the Metropolitan Sewerage District of Buncombe County, North Carolina (the “District”) as its external auditor and trusted advisor. Our proposal will demonstrate and confirm that Cherry Bekaert continues to possess the resources, personnel, and commitment to the District, the State of North Carolina and the public sector as a whole to provide high quality audit and attest services.

Understanding of the Engagement

We understand that the District is requesting audit services to include both financial and compliance audits as outlined in the Request for Proposal (RFP). We understand that the District is requesting these services for the fiscal year ending June 30, 2016, 2017 and 2018.

Our Commitment to Utility Systems and the Public Sector

We believe the specific attributes detailed throughout our proposal distinguish Cherry Bekaert from the other firms vying for your business. The most obvious demonstration of our dedication and commitment to the District is the strength of our returning dedicated and seasoned service team - a team experienced with other water and sewer authorities and government entities with similar operations. Our returning engagement team will be augmented with the Firm’s subject matter experts, to provide an unparalleled service team.

No Surprises!

We understand the importance of conducting an audit free from surprises. If selected again, we will honor our commitment to discuss immediately any issues we note that might ultimately result in an audit finding or other matters of interest to management. This commitment will enable Cherry Bekaert and the District to address any matters and develop the appropriate action plan. The District can continue to rely on Cherry Bekaert, not only by reputation but also through our history of service to the District.

Why Cherry Bekaert is the Best Partner for the District

We consider it a privilege to partner with the District and we look forward to continuing our relationship with you to achieve your current and future goals. We are dedicated to our clients through a passion to provide excellent professional services, while extending value at a fair fee. With Cherry Bekaert, the District can rely on a Firm that meets its commitment to the highest level of quality service, founded upon what separates Cherry Bekaert from other firms, as further detailed in our proposal:

- ▶ Continuity of Engagement Team
- ▶ No Learning Curve or Transition Costs
- ▶ Record of High Quality Client Service
- ▶ Annual 8-hour CPE Training
- ▶ Webinar and online training available
- ▶ Strong History of Public Sector Experience
- ▶ Understanding of the District's operations, Goals and Challenges

We are excited about the opportunity to continue to serve the District and are confident that you will find us fully capable of meeting your current and future needs. We strongly believe that our experience and perspective ***allows only Cherry Bekaert to be the firm to partner with the District.*** Please do not hesitate to contact me directly at eburke@cbh.com or on my cell phone at 910.273.6000 if you have any questions or require additional information.

Sincerely,

CHERRY BEKAERT LLP



Eddie Burke
Partner

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Audit Approach

Clearly describe your firm's approach to conducting the examination (include use of statistical sampling and automated processes). Specifically comment on the audit timeline and how the District can assist in expediting the audit. Include separate sections for both SAS 99 and GASB 34.

Overview of Our Audit Process

The Firm employs an efficient, effective, compliant and time-tested audit process utilizing an audit methodology that facilitates audit quality and delivers a comprehensive and timely audit. Our audit approach focuses on a targeted examination of your financial statements by addressing the risks related to the fair presentation of the statements in accordance with generally accepted accounting principles.

In order to effectively implement our audit plan, we employ the resources needed, comprised of multidisciplinary industry experienced personnel, to analyze the routine and unique processes and transactions accumulated and assimilated into the financial statements prepared by the District management. Our service team resources will also be augmented by subject matter experts within our firm to assure that all the resources of the Firm are brought forward to provide the District the level of service it expects and deserves.

Planning

Upon notification that our proposal has been accepted, we will begin developing the necessary audit working papers.

1. Document Our Understanding of Your Operating Environment – Our engagement will begin by updating our understanding of the District's operating environment. We will meet with the finance office and other departments where financial transactions either originate or are processed and review important information about your control environment, accounting system, and control procedures and review and assess the risk of fraud related to financial reporting and the misappropriation of assets.

2. Prepare for Compliance Work and Single Audit – We will review the District's activities in the current year to determine major programs subject to the Single Audit requirements.

3. Conduct Planning Meeting – We will conduct an initial planning meeting with the District wherein we will provide a detailed audit plan for each phase of the audit, including a list of the submission dates for the delivery of management schedules, documents, and the draft CAFR. The plan will be developed after consultation with the District.

At the District's request, we will also have an entrance conference with the District Board Members or their designees to discuss anticipated audit issues, new accounting principles and/or auditing standards and their effect on the District, staff concerns, audit approach and dates, and assistance to be provided by the District personnel, any audit concerns, and reporting requirements and deadlines. We will also make arrangements for workspace and any other needs that we may require.

First Section - Proposal to provide audit services

Metropolitan Sewerage District of Buncombe County, North Carolina

4. Review the Data Processing System – Because of its importance to the District’s accounting systems and the internal controls, our integrated information technology team consists of computer controls specialists who will conduct a review of the data processing systems. This will provide us with a complete understanding of how the system(s) work and to determine the potential impact of general controls.

5. Conduct an Analytical Review – We will perform a preliminary analytical review to analyze the financial statements for unusual trends and results and to help identify in advance the high audit risk areas. Extended audit procedures are then focused on the areas of unusual results or potential audit risk.

6. Assess the Risk of Fraud – Consideration of fraud in a financial statement audit requires us to document fraud risk factors that relate to the misappropriation of assets and fraudulent financial reporting and to design and perform additional procedures, if necessary, based on the risk factors present. Our documentation of these risk factors is accomplished through discussions with key accounting department personnel during the planning stages of the audit. The goal of this discussion is to identify areas of risk, inquire as to your knowledge of any occurrence of fraud and to inquire of any areas where you may have a concern. Based on the results of this discussion, should additional tailored procedures be required, we will develop them and integrate them into our audit approach.

7. Identify Major Areas of Audit Risk and Define Major Objectives – Based on our understanding of the operating environment, the financial statement format, and our analytical review, we will identify areas in which to focus our audit efforts. We will then define the objectives for the audit, concentrating on the identified areas of audit concern and areas we know are important to the District.

8. Modify Tailored Audit Program – Our audit of the District will feature the use of CCH Engagement software, which enables our audit documentation to be virtually paperless and documented within an automated environment and allows us to share file among engagement team members through wireless technology. Utilizing our Audit Program Preparation Guides, tailored within our software, we will create audit programs for each key process and accounts within the District’s financial reporting system. These programs will reflect the identified areas of risk and help us ensure that such areas receive the proper degree of audit consideration.

Control and Substantive Account Testing and Sampling Techniques

Your service team will prepare sampling control test work plans and the following documentation as part of internal control phase work. In determining the nature of the tests to apply, we will select the most effective and efficient test techniques. The nature of our testing will fall into one of the following three non-sampling control test categories:

- ▶ **Observation** involves physically observing organization personnel performing the control technique to be tested.
- ▶ **Inquiry** involves making either oral or written inquiries of organization personnel responsible for specific control techniques to determine what they do or how they perform a specific control technique.
- ▶ **Inspection** involves examining documents and records for evidence that a control technique actually occurred.

Determining the timing of control tests depends on the type of test. For example, observations should be conducted during the period under audit. Inspections, on the other hand, could be performed after year-end, as long as

First Section - Proposal to provide audit services
Metropolitan Sewerage District of Buncombe County, North Carolina

documents being examined are from the period under audit. The extent of testing is determined by auditor judgment to be the level necessary to assess the effectiveness of the controls.

Perform Non-sampling Control Tests

We will perform and evaluate non-sampling control test results, test information system controls associated with financial reporting, and evaluate results.

We also will test internal control over compliance with laws and regulations that could have a direct and material effect on the financial statements. We will test controls sufficiently to support a low assessed level of control risk or report findings where controls in operation cannot support that risk assessment.

Conduct Sampling Control Tests

Sampling control tests are conducted if sufficient evidence cannot be obtained through non-sampling procedures. A sampling control test is conducted by taking a sample of transactions and determining if the control technique being tested was in place for the sampled items during the audit period. Based on test results, we will reassess control and combined risk. Whenever possible, our service team makes use of computerized audit tools, such as Interactive Data Extraction and Analysis (IDEA) for Windows, to improve the efficiency and effectiveness of sampling control tests. Additionally, our selections will serve as “dual purpose” samples in that each individual transaction tested will be utilized for control, substantive, and if applicable, compliance purposes. This effort reduces the efforts of the District personnel to provide sample documentation while maximizing the efficiency of our audit procedures.

Assess Control Risk

Based on our evaluation of the above steps, and the results of our tests of controls, we will assess control risk. Control risk is the risk that a material misstatement is not prevented or detected in a timely manner by an organization's systems of internal control. We then will assess control risk in light of our assessment of inherent risk to determine combined risk. Inherent risk involves the degree to which a financial statement assertion is susceptible to misstatement due to the nature of the account. We will document its assessment of control risk on the Risk Assessment Synthesis (RAS) form.

Perform Substantive Procedures

We perform our substantive test work using either substantive analytical procedures or tests of details or a combination of both. Analytical procedures tend to be more applicable to accounts with a large number of transactions (e.g., payroll expense, tax collections) as these accounts have a higher expectation that relationships among both financial and non-financial data do exist and that an estimated relationship can be tested.

Tests of details tend to be effective when one is trying to gather evidence as to specific assertions such as existence and valuation in areas like cash, investments, and capital assets. Additionally, it is important in performing test of details to understand the accounts population to effectively and efficiently select either the entire population, specific items within a population or samples using a sampling approach.

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Our interim and year-end audit procedures include considerable use of sampling procedures to perform our tests of internal controls and compliance and to verify key assertions related to the year-end financial statement amounts, utilizing approaches representative of populations tested (i.e. payroll, disbursements). The extent to which we apply detailed audit procedures and sampling is based on materiality, our evaluation of audit risks and internal accounting control, and the characteristics of items comprising the account balances or class of transactions.

Our sample sizes will consider audit risk through reliability and precision factors. Accounting standards prescribe the criteria for developing sample sizes, which we have utilized based on varying degrees of reliance and confidence in internal control structure. Because our sample sizes are affected by many variables, a statement about sample sizes cannot be made in absolute terms. However, in practice, sample sizes usually vary from 1 item to 60 items for a particular test.

Our use of sampling will also consider requirements of the Single Audit Act, OMB Circular A-133 and the State Single Audit Implementation Act. If necessary, representative sample selections will be drawn for each separate system of internal control over major federal and State financial assistance programs. We will integrate these tests, to the extent possible, with required sampling for reliance on other aspects of the District's internal control structure.

Reporting

We will reconsider the effectiveness of our audit, follow up as needed, develop overall conclusions and communicate them to management, perform several quality control functions, and prepare reports.

Complete Overall Analytical Review Procedures

Once the draft financial statements and note disclosures have been received, we will conduct analytical review procedures. Specifically, we will review the financial statements and supporting trial balances for key relationships and determine if audit evidence is consistent with variances noted during preliminary analytical procedures. Our analytic review will include trend and comparative analysis and will encompass the use of key liquidity, performance and operational metrics.

Determine Adequacy of Audit Procedures and Audit Scope

In the planning phase, we determined planning materiality based on preliminary information. Based on planning materiality, we determined design and test materiality levels, which impacted the nature and extent of testing. We now will determine a final materiality based upon audited balances. In light of the final assessment of combined risk and final materiality level, we will consider if the extent of substantive audit procedures was sufficient.

We will also obtain and review the final schedule of expenditures of federal awards (SEFA) prepared by the District and ensure that we have identified all major programs and obtained sufficient audit coverage.

Evaluate Known and Likely Misstatements

Misstatements will be evaluated both in quantitative and qualitative terms. Based largely on these considerations and our evaluation, we will determine the type of audit opinion and internal control and compliance reports to render.

First Section - Proposal to provide audit services

Metropolitan Sewerage District of Buncombe County, North Carolina

Prepare Audit Reports

In accordance with generally accepted auditing standards, Government Auditing Standards, OMB Circular A-133 and the State Single Audit Implementation Act we will then prepare the following reports:

- ▶ Report of Independent Auditor
- ▶ Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance in accordance with *Government Auditing Standards*
- ▶ Report of Independent Auditor on Compliance Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 (if applicable)
- ▶ Report of Independent Auditor on Compliance Applicable to Each Major State Program and on Internal Control over Compliance in Accordance with Applicable Sections of OMB Circular A-133 and the State Single Audit Implementation Act (if applicable)
- ▶ Schedule of Findings and Questioned Costs (if applicable)
- ▶ Management Letter
- ▶ Communication of Significant Audit Matters

The Management Letter will report internal control deficiencies not considered as significant deficiencies in the Independent Auditor's Reports, as described in AICPA standards. This letter will also report on our follow-up of previous recommendations and report on corrections made and the status of uncompleted actions.

Review reports with the Board of Directors, Finalize and Present to Governing Body

We will review our draft auditor's reports, management letter and other matters with Management and/or the Board of Directors and solicit their input. After this meeting, the auditor's reports will be finalized and signed, and we will present the audit to the governing body in accordance with North Carolina statutes.

The culmination of all of our audit testing is the achievement of our key objective - the formulation of an opinion on the fair presentation of the District's financial statements. This objective is achieved through the conscious effort of both the Firm and the District personnel to proactively address any reporting matters (e.g., GAAP, GFOA certificate program) and by meeting with the District's Board of Directors and the District's management to keep all apprised of the status of the audit or discuss issues of concern, if any.

Single Audit

For major programs that are required to be audited in accordance with Circular A-133 or the State Single Audit Implementation Act, we will test the accounting and administrative internal control systems in place over the District's federal and State programs. We will also test all major programs for compliance with specific grant requirements and compliance with the general grant requirements. The following outlines the Single Audit process:

- ▶ Identify Type A and Type B programs in accordance with OMB Circular A-133 and the State Single Audit Implementation Act
- ▶ Identify the major federal and state grant programs and their respective compliance requirements based upon a risk-based analysis
- ▶ Review the administrative control systems established to ensure compliance with grant requirements
- ▶ Select and examine transactions for conformance with grant requirements

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- ▶ Test for conformance with compliance requirements, such as cash management, relocation assistance and real property management, federal financial reports, allowable cost principles, and sub-recipient monitoring
- ▶ Summarize audit findings, confirm factual data with appropriate grant personnel, report findings to the various departments, and request that corrective action plans be completed for inclusion in the issued report
- ▶ Prepare a schedule of findings and questioned costs

Communication Philosophy

As part of our Firm's philosophy, open and frequent communication throughout the fiscal year, not just during the audit process, is a part of our Firm's culture and an integral part of our service philosophy. Our clients look to us as key business advisors in addition to independent external auditors. In this role, our clients look to the Firm to help them analyze and interpret data, systems and industry trends through the year in an effort to address issues when they occur by bring the appropriate resources to bear rather than simply reacting to those issues after the fact. We consider such inquiries are part of the normal audit and are not billed separately.



Use of statistical sampling

Statistical sampling will be used in all aspects of the testing phase, utilizing the tailored audit program. We will conduct tests to ascertain that the significant strengths within the system are functioning as described to us. Transactions will be selected and reviewed in sufficient detail to permit us to formulate conclusions regarding compliance with control procedures. Additional tests will be designed to provide reasonable assurance as to the validity of the information produced by the accounting system. The firm has developed sample size guidelines for all samples performed in order to form an opinion on the financial statements under generally accepted auditing standards and *Government Auditing Standards*. The objective of the guidelines is to improve the quality of sampling by:

- ▶ Relating sample sizes more directly with factors that influence sample size
- ▶ Reducing unexplainable sample size variability
- ▶ Encouraging the use of statistical sampling

Structured worksheets, which give appropriate recognition to factors such as reliance on internal control, nature and timing of audit procedures, size of the organization, dollar total of population being sampled, and sampling error, are used to effectively determine audit samples and evaluate the results of the procedures performed. We use these worksheets to determine the sample size for capital asset additions/dispositions, cash disbursements, accounts receivable, inventory, and accounts payable. Sample size will vary based on materiality and the population being tested.

The extent to which we apply detailed audit procedures and sampling is based on quantitative and qualitative components of our materiality determination, our evaluation of audit risks and internal accounting control, and the characteristics of items comprising the account balances or class of transactions.

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Metropolitan Sewerage District of Buncombe County, North Carolina

Use of computer audit specialists

Information Systems / Review Procedures

IT specialist located in the Raleigh office, Scott Hotop who has more than 11 years of experience, will perform the review of the District's information systems environment. The District will have the assurance of direct review by a senior level individual with significant experience directly related to information systems.

The IT specialist will work with the District to assess the effect of systems processing on the District's business and will assess the reliability of systems processing. They will focus on providing constructive service comments intended to improve the quality of information and system controls. The results of this assessment will be integrated into our audit approach to improve audit efficiency and to further define the way in which we address identified risk factors.

Council Of Sponsoring Organizations (COSO)

Because our Information Technology Controls Review methodology is based upon the COSO framework, it not only addresses the control activities that are in place but also the underlying management policies, documentation of the controls and monitoring of the controls by management. Furthermore, our review examines controls imbedded in the key business workflows of the District.

Internal Control Philosophy

In our audit process, we invest a significant amount of time planning the engagement. In the planning segment of the engagement, we will meet with certain key employees of the District to develop mutual expectations as relating to timelines and any assistance you may provide us in the audit. During this process we will also identify the significant audit areas and account balances to test. Identification of these areas is typically performed through a preliminary analytical review. The analytical review is where we detect unusual trends in account fluctuations and where we develop expectations about the relationships in the account balances.

During the preliminary segment, we will review the internal control environment over the financial processes of the District. The internal control review will be conducted from an information technology perspective but will also include manual controls over the transactional flow in the account balances. The intention of the control review is to rely on controls from a compliance perspective and to gain an understanding of the processes and controls related to the District. As appropriate, during this control review we may test certain controls that we will rely on in performing the audit.

By focusing on the planning segment of the engagement, as well as reviewing and testing controls over the financial processes of the District, we believe we will have a strong understanding of the significant areas and processes of the District in order to perform an efficient and effective audit.

Adequate assessment of the District's internal control is a key component of the audit. Our audit procedures are tailored to address specific risks for each individual client. We obtain an understanding of an entity wide control environment during audit planning to provide us an understanding of "what can go wrong," and use that understanding as a basis in formulating our client service plan and our audit procedures. We use a variety of methods in obtaining our

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understanding of internal controls. Typically, these include interviewing entity personnel, observing processes and controls, walking through transactions from initiation to recording, and discussing controls and risks of fraud with various company personnel. We also utilize our information systems audit specialists in assessing controls and risks over information systems processing. We will communicate with management any weaknesses we may find in the internal controls or opportunities for strengthening controls or making processes more efficient.

Integration of Information System Controls Testing

We have developed an integrated financial statement audit approach to ensure that Information System (IS) controls are considered when determining the amount of reliance that can be placed upon internal controls for financial reporting and compliance with laws and regulations. Our review procedures of general controls are categorized as follows:

- ▶ **Entity-wide security program planning and management controls** provide a framework and continuing cycle of activity for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy and effectiveness of IS and security controls
- ▶ **Access controls** limit or detect access to computer resources (data, programs, equipment, and facilities), thereby protecting these resources against unauthorized modifications, loss, and disclosure
- ▶ **Network controls** provide controls and monitoring to detect and prevent attacks upon the network by internal or external sources such as unauthorized network access, implantation of malware and disruption of service
- ▶ **System development and program change controls** prevent implementation of unauthorized programs or modifications to existing programs that may alter financial data, modify or destroy application audit trails, or introduce processing errors
- ▶ **System software controls** limit and monitor access to powerful programs and utilities and sensitive files that control computer hardware, secure applications supported by the system, and monitor and record activities
- ▶ **Segregation-of-duty controls** provide policies, procedures, and an organizational structure to prevent one individual from controlling key aspects of computer-related operations and thereby conducting unauthorized actions or gain unauthorized access to assets or financial records
- ▶ **Service continuity controls** ensure that when unexpected events occur, critical operations continue without interruption or are promptly resumed to minimize the impact of the disruption on an entity's critical mission and to protect sensitive data from destruction

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Audit Timeline

The following schedule contains our planned timing and sequence for the audit of the District, including various activities required to meet the report deadlines. These dates are subject to change during the audit-planning phase as a result of discussions with the District’s staff. **As we have in the past, our team is committed to expediting the audit to meet the deadlines and time requirements of the District. We understand the deliverables for this engagement and will deliver the financial statements no later than the October 31st deadline.**

Preliminary Audit Timeline for the District	May/June	July	Aug.	Sept.	Oct.	Nov.
Phase I – Orientation and Planning						
Preplanning conference						
Strategy meeting with the District’s management						
Review prior year’s information						
Review and document the District’s control environment						
Develop overall audit strategies						
Deliver client assistance plan and proposed schedules						
Phase II – Interim and Year-End Procedures						
Perform interim work and testing						
Perform year end cut-off procedures						
Perform Single Audit compliance testing						
Phase III – Final Fieldwork						
Complete substantive testing of balances and transactions						
Propose any adjusting entries and print final trial balances						
Hold exit conference with the District personnel						
Phase IV – Report Preparation and Audit Completion						
Prepare deliverables						
Exit conference and review financial statements with the District management						
Complete audit report and financial statements						
Conduct post-audit conference						
Present audit results to the District General Manager and Board						

Profile of the Firm

1. State whether your firm is regional, national, or international.

As a regional firm headquartered in Richmond, Virginia, Cherry Bekaert has practice offices in Virginia, North and South Carolina, Georgia, and Florida. The 950-person Firm provides a unique alternative to other national, regional and local firms. Clients choose us to be their accounting and advisory firm primarily because we provide the depth of knowledge and experience desired with a focus on service from locally based teams. As such, the District will enjoy the benefits of:

- ▶ direct partner involvement;
- ▶ staff continuity;
- ▶ proactive communication;
- ▶ responsiveness; and
- ▶ tailored, streamlined audit plans

2. Give the location of the office responsible for the proposed services and the number of partners, supervisory staff, seniors, and other professional staff employed at that office. Also, give the number of staff members with local government experience specifically with utility systems (e.g. water and sewer).

Our North Carolina service practice unit has 28 partners and a total of over 200 employees, serving clients through our Raleigh, Durham, Charlotte, Asheboro, Gastonia and Fayetteville offices. We manage audit engagements for over 40 cities, counties, towns, school boards, authorities, commissions and other-governmental entities while also providing clients a wide range of advisory and attestation services (e.g., agreed upon procedures, indirect cost plans, internal control reviews, comfort letters, and strategic management services). Firm-wide, our Government Services Group (GSG) has more than 250 professionals within this specialized group experienced and trained to understand the many facets of the public sector and more than 25 professionals have experience serving water and sewer utility systems. Our coordinated GSG team approach to serving clients allows us to draw the best resources from any office to meet any particular engagement needs, regardless of locations and logistics, to provide tangible benefits to our clients.

With this critical mass of personnel and North Carolina client base, the returning service team members assigned to serve the District all have significant experience auditing governmental entities. Below is the breakdown of anticipated leadership for the District's engagement:

Partner	Eddie Burke	Over 34 years of experience
Concurring Review Partner	Michelle Thompson	Over 25 years of experience
Senior Manager	Matthew Socha	Over 10 years of experience
IT Senior Manager	Scott Hotop	Over 11 years of experience
Senior Accountant	Lauren Gates	Over 4 years of experience

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3. Describe the range of services provided by the local office in the governmental area, such as audit, accounting, or management advisory services. Include activities, which demonstrate your commitment to governmental practice.

Cherry Bekaert has extensive experience providing consulting and advisory services to government entities both in North Carolina and throughout the Firm. These services include:

Financial Management:

- ▶ Financial statement and compliance audits
- ▶ Compliance with OMB Circular A-133 and the State Single Audit Implementation Act
- ▶ Cash flow and cash management
- ▶ Forecasting methods
- ▶ Assistance with budget preparation
- ▶ Property and equipment management
- ▶ Overhead expenditure budgeting systems
- ▶ Cost determination and Cost allocation plans

Assurance Services:

- ▶ Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization (effectively replaces SAS 70)
- ▶ Internal audit outsourcing
- ▶ Performance audits

Information Resource Studies:

- ▶ Systems analysis, review and planning
- ▶ Review of accounting systems
- ▶ Information resource requirements
- ▶ Data Analytics

Organization and Personnel:

- ▶ Organizational studies and reviews
- ▶ Compensation studies and incentive plans
- ▶ Executive compensation and recruitment
- ▶ Risk Advisory Services
- ▶ Procure-to-Pay – Cash Management

Specifically, we have provided or are currently providing the following additional services to state and local government entities.

Government Entity	Non-traditional Services Provided
Various Large State and Local Governments in NC, VA and FL	Cherry Bekaert performs pre and post-implementation reviews on government business systems from Northern Virginia to Tampa, FL. The scope of work includes review of project management and important general control points over implementing a new business system, including (1) system acceptance testing, (2) system integration testing, (3) reconciliation of converted data from the legacy system to the new system, (4) user acceptance testing and training, (5) system access controls and (6) the cutover process onto the new system and extent of post “go-live” support to ensure the risk of unintended consequences is acceptably low before going live on the new system. We also performed post-implementation review services of new system operation in the production environment for accuracy and completeness of data conversion, business cycle processing integrity, and interface processing between legacy systems and ongoing system access and monitoring controls. Year(s) served: On-going

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Government Entity	Non-traditional Services Provided
City of Durham and Town of Cary, NC	<p>Cherry Bekaert was asked to provide Professional Ethics and Conduct training to the City of Durham and Town of Cary staff where participants and the discussion leader had opportunities to interact and discuss ethical issues facing the profession. The North Carolina Professional Ethics and Conduct rules were specifically examined and clarified how they are applicable to all CPAs. The session examined current trends in ethical behavior, social networking, and fraud during economic downturns. Real-life case studies supplied by North Carolina CPAs which examined ethical dilemmas most prevalent in the workplace. Years served: 2013 - 2014</p>
Mecklenburg County, NC - MeckLINK	<p>Cherry Bekaert performed a consulting engagement for Mecklenburg County to assess several areas of reporting by MeckLINK, an enterprise fund of the County, for activities related to the management of Medicaid funded care provided to individuals with mental illness, intellectual and developmental disabilities and substance abuse disorders. The engagement delved into the operation of the claims system, State capitation reports of eligible Medicaid recipients, State reports of services actually provided, Mecklenburg County's reconciliation of those reports to the claims system and general ledger, and evaluating Mecklenburg County's summarization and reporting of the claim and financial data to the State in accordance with contractual requirements in the County's Medicaid waiver agreement with the State. The engagement also involved researching the financial and contractual implications of alternative accounting treatments of certain types of transactions for the County's information. Year(s) served: 2013</p>
Town of Smithfield, NC	<p>Cherry Bekaert served as the interim finance director of Town of Smithfield for a period of several months. During this time we were performed tasks such as reconciling the bank / investment accounts, recording / reviewing journal entries, filing informational returns (sales tax & payroll) and communicating financial information between departments and town management. Additionally, we facilitated the compliance and financial portions of a major capital project with multiple funding sources. Finally, we assessed the internal controls and implemented changes to current controls as well as new controls. Year served: 2012</p>
City/County of Durham Convention Center, NC	<p>In 2012, Cherry Bekaert was engaged to perform a certified audit of the Durham Convention Center's financial statements, provide a certification of operating revenues and operating expenses, a management letter, as well as express an opinion as to the effectiveness of the internal controls. The Center is managed by Global Spectrum on behalf of the City and County of Durham. Year(s) served: 2012</p>
City of Winston-Salem, NC	<p>We performed a review of revenue billing and collections policies to ensure compliance with North Carolina General Statutes, City Ordinances, and Federal Regulations as applicable. This includes compliance attribute testing over a sample of the following areas: Business licenses, parking tickets, special assessments, loans, storm water, utility billing, general invoices, and water bill refunds. Year(s) served: 2012</p>
Town of Cary, NC (and Town of Morrisville)	<p>On an annual basis, Cherry Bekaert provides Agreed Upon Procedures for the Town of Cary (and Town of Morrisville) including the evaluation of the annual statement summarizing the status of the Morrisville utility revenues and merger cost activity. Year(s) served: 2008-2012</p>

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Government Entity	Non-traditional Services Provided
Town of Cary, NC	On an annual basis, Cherry Bekaert provides Agreed Upon Procedures for the Town of Cary and the Town of Holly Springs, the Town of Apex, and the Town of Morrisville (“Project Partners”) solely to assist in evaluating the costs of qualified Western Wake Regional Wastewater facilities expenditures (including payroll), as well as the reimbursements billed to the Project Partners. Year(s) served: On-going
Triangle Transit (formerly Triangle Transit Authority)	On an annual basis, Cherry Bekaert performs Agreed Upon Procedures for the FTA and the Triangle Transit for each of the information systems used to develop the reported actual vehicle revenue miles, passenger miles traveled and operating expenses of the Bus (non-rail) and Paratransit (non-rail) for the Triangle Transit. Year(s) served: On-going
City of Raleigh, NC & Federal Transit Administration (FTA)	On an annual basis, Cherry Bekaert performs Agreed Upon Procedures for the FTA and the City of Raleigh for each of the information systems used to develop the reported actual vehicle revenue miles, passenger miles traveled and operating expenses of the Bus (non-rail) and Paratransit (non-rail) for the City of Raleigh. Year(s) served: On-going
City of Greensboro, NC	Cherry Bekaert assisted the City of Greensboro with a special AUP project for Solid Waste, which evaluated the financial condition of potential vendors. The scope included calculating financial ratios, summarizing auditors’ opinion and identifying and summarizing reported claims, judgments or loss contingencies, reported insurance and bonding provisions. Year(s) served: 2012
Eastpointe, NC	In 2014, Cherry Bekaert completed a review of Eastpointe’s governance and anti-fraud program and internal controls, as well as performed a comprehensive review and internal control maturity initiative of the organization’s procurement to pay cycle. Years served: 2014
Town of Holly Springs, NC	Cherry Bekaert was engaged in July of 2014 to assist the Town with various accounting and finance issues and preparation of the CAFR. Year(s) served: On-going
NC Department of Public Instruction	Cherry Bekaert performed compliance Monitoring – Internal Audit Supplemental Staffing services for the North Carolina Department of Public Instruction. Year(s) served: On-going
Town of Fuquay-Varina, NC	Cherry Bekaert was engaged to assist the Town with the preparation of the CAFR. Year(s) served: On-going
Halifax County North Carolina Board of Education, NC	Documentation, review, and assessment of internal controls over cash receipts, cash disbursements, payroll, capital assets, long term debt, and financial reporting, In addition we documented, reviewed, and assessed administrative controls “activities allowed or un-allowed, allowable cost – cost principles, cash management, eligibility, equipment and real property management, matching – level of effort, period of availability of federal funds, procurement and suspension and debarment, program income, reporting, and sub-recipient monitoring” for all major programs administered by the board. Year(s) served: 2009

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Government Entity	Non-traditional Services Provided
<p>Town of Cary, NC</p>	<p>Cherry Bekaert performed risk assessment procedures as part of the Town's efforts to identify potential risks that can adversely affect the Town's operations and activities. This process included an identification of selected operational areas and a series of interviews and surveys with management and other various Town employees. Our interviews and surveys focused on the identification of risks through consideration of risk factors common to operating environments and how the Town addresses such risks. The engagement also included an evaluation and analysis of risks identified, including assignment of relative importance (based on likelihood and impact), based on our review of organizational and financial data, review of relevant correspondence and our interviews with Town employees and management personnel. Based on this, Cherry Bekaert issued a report that presented key risks identified by operational area and potential enhancements that may be implemented to address such risks. Year(s) served: 2008</p>
<p>Orange County, NC</p>	<p>Cherry Bekaert assisted with documenting selected operating cycles as part of the County's efforts to comply with Statement on Auditing Standards 109 for fiscal year end June 30, 2008. We documented the property tax, payroll, purchasing, disbursement, receipt, food stamp, Medicaid, and budgeting cycles. This process required that we conduct interviews with management and other various County employees in order to obtain the information necessary to document these processes. At the conclusion of this process, we issued a report to the County which documented the cycles from origination to completion and also included the material monitoring controls that were in place for each cycle. Year(s) served: 2008</p>
<p>Cumberland County, NC</p>	<p>Cherry Bekaert provided internal control assessment procedures as part of the County's efforts to identify potential internal control weaknesses in the County's Health Department that can adversely affect the County's operations and activities. As part of this engagement, we performed interviews and surveys with selected members of the County and key management personnel. Our interviews and surveys focused on the identification of control risk and how the County addresses such risks. We also reviewed the policies and procedures for the Health Department for completeness and reasonableness and obtained an understanding of the internal controls in place in the Health Department. Based on our procedures, Cherry Bekaert issued a report that presented key internal control weaknesses in the Health Department and recommendations that may be implemented to address such risks. Year(s) served: 2008</p>
<p>Virginia Department of Transportation, Richmond, VA</p>	<p>In 2011, Cherry Bekaert performed a performance audit of the Department's project administration, budgeting and human resource utilization procedures. Cherry Bekaert was responsible for assessing the Department's project management processes, supporting information system applications and relevant organizational structures, as well as assessing Department's procurement processes associated with the awarding of engineering services contracts. The purpose of this audit was to provide an objective and independent cost savings assessment of the Commonwealth's organizational structure and the efficiency and effectiveness of the Commonwealth's transportation programs. Year(s) served: 2011</p>

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4. Describe your audit organization's participation in AICPA-sponsored or comparable quality control (peer review) programs.

Peer reviews are intensive reviews of a firm's quality system applicable to its accounting and auditing practice. These reviews, including governmental audit client, are performed by CPAs from the AICPA division member firms in accordance with standards established by the AICPA.

Through the years, the Firm has successfully completed the peer reviews conducted under the auspices of the AICPA. A copy of our most recent peer review report is included as **Appendix A**. As a normal result of conducting government audits, state and local agencies routinely review our work. To date, we are neither aware of any problems resulting from these field or desk reviews, nor aware of any disciplinary action taken or pending against us over the past three years by regulatory bodies or professional organizations.

Firm leaders and managing partners of industry practice areas maintain vital links to policy-making bodies in public accounting. The Firm's personnel current or past committee assignments and industry associations include:

- ▶ Accounting Standards Executive Committee
- ▶ AICPA Professional Ethics Committee
- ▶ AICPA Auditing Standards Board
- ▶ AICPA Accounting and Review Services Committee
- ▶ The President's Council on Integrity and Efficiency and its Standards Subcommittee
- ▶ AICPA Technical Issues Committee, Private Companies Practice Section
- ▶ AICPA Tax Division and its Individual Taxation Subcommittee
- ▶ AICPA SEC Practice Section Executive Committee
- ▶ AICPA Accounting Practice Committee

5. Describe how the firm meets professional independence standards, and include any potential personal or professional conflict of interest.

Cherry Bekaert is independent of the District as defined by generally accepted auditing standards/the U.S. General Accounting Office's Government Auditing Standards (2007). The Firm does not have, and has not had for the past five years any other professional relationships involving the District. Furthermore, we currently have no partners, directors, officers, shareholders, employees, agents, or owners who are employees or Board members of the District. In the event that a professional relationship is entered into during the period of this engagement, we will inform the District of this event in writing. Our Firm Statement of Policy and Procedures is included as **Appendix B**.

6. Describe any regulatory action taken by any oversight body against the proposing audit organization or local office.

We distinguish ourselves by the quality and accuracy of the work we perform. There has been no disciplinary action taken against the Firm or any individual associated with the Firm by any other regulatory authority in the past three (3) years. Furthermore, there are no judgments, or pending or threatened lawsuits against the Firm or its employees which will affect the Firm's ability to continue to serve the District.

7. Describe liability insurance coverage arrangements.

The Firm maintains adequate insurance coverage to meet the needs of the District. We have placed our professional liability insurance with a national carrier and our current limits of coverage are satisfactory for this engagement. As requested, evidence of our current insurance coverage arrangements is included as **Appendix C**.

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8. Provide statistics on your firm's turnover rate and your policy on audit team continuity for your clients.

We are committed to maintaining audit staffing for the District. We have a significant depth of professionals available to you that are supported by our firm-wide Government Industry Group. We believe knowledge, efficiency and effectiveness are optimized over time in a client relationship, and therefore, we strive to maintain continuity in partners and key professionals from beginning to end of an engagement and year over year. Our high percentage of partners and managers relative to our overall personnel complement, allows us to utilize significant involvement of our management team in the performance of our services. This allows our clients to be consistently served by knowledgeable and experienced professionals.

We reassign staff to jobs for continuous years, allowing their knowledge of the client to increase the efficiency of our team. Periodically, we may introduce new staff to a particular client as we believe bringing fresh talent and insight to the engagement team provides new ideas and perspectives.

The District will be a very important client and will be afforded our utmost priority; however, please we understand that there may be times where staffing changes are required, and we will work with you to mutually agree to any staffing changes.

For the North Carolina office, our turnover rate for the last three years is less than 15%, which is comparable to our peer firms and below that of the Big Four.

Governmental Experience

1. Provide information on your firm's background and experience auditing governmental units having utility enterprise systems and/or standalone governmental utility system audits.

Our coordination and allocation of resources and talents is accomplished through the Government Services Group (GSG). The GSG is responsible for assuring seamless service delivery, quality control and continuing education for government engagements throughout the Firm. The commitment of the Firm to government service is demonstrated by our sustained growth in this practice area as well as the depth of experience of personnel in this group. As a result of this commitment, our personnel have extensive knowledge of the methods and techniques applicable to government auditing, and have applied this knowledge successfully for many clients. Currently, over 250 professionals provide services to utility and governmental entities.

Cherry Bekaert serves numerous counties, cities and other organizations throughout the Southeast that have significant utility operations, specifically water and sewer, electric, hydro, and nuclear. Separate financial statements and Comprehensive Annual Financial Reports (CAFR) are prepared for certain of these utilities as well as other stand-alone entities focused on utility operations. A sample listing of government utilities outside of North Carolina we have served over the last five years follows.

North Carolina

- ▶ Sandhills Utility Services*
- ▶ Greenville Utility Commission (new)*
- ▶ Cape Fear Public Utility Authority (new)*
- ▶ Public Works Commission of Fayetteville, NC*
- ▶ Metropolitan Sewerage District of Buncombe County, NC*
- ▶ Cleveland County Water Authority*
- ▶ Piedmont Triad Regional Water Authority*
- ▶ Greenville Utilities Commission*
- ▶ Eastover Sanitary District*
- ▶ Handy Sanitary District*

Florida

- ▶ Charlotte County Utilities
- ▶ Hillsborough County – Water Resource Division Enterprise Fund
- ▶ Orange County, Florida Water Utilities
- ▶ Orlando Utilities Commission

Georgia

- ▶ Augusta Canal Authority
- ▶ Burke County Authority
- ▶ College Acres Public Works District

South Carolina

- ▶ South Carolina Public Service Authority*
- ▶ Greer Commission of Public Works
- ▶ Greenville Commission of Public Works
- ▶ Piedmont Municipal Power Agency*
- ▶ Talatha Rural Community Water District of Aiken

Virginia

- ▶ City of Newport News, including utilities
- ▶ City of Charlottesville, including utilities
- ▶ City of Chesapeake, including utilities
- ▶ City of Hampton, including utilities
- ▶ City of Portsmouth, including utilities
- ▶ City of Richmond, including utilities
- ▶ City of Virginia Beach, including utilities
- ▶ Spotsylvania County, including utilities
- ▶ Stafford County, including utilities
- ▶ Western Tidewater Water Authority
- ▶ Upper Occoquan Service Authority

*Served by North Carolina Practice

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2. Provide information on your firm's background and experience auditing governmental units having variable debt and interest rate swaps.

In accordance with GAAP, which requires derivatives to be reported in the financial statements at fair value, the District must analyze all derivative transactions yearly to ensure proper accounting and disclosure. Specifically, if a derivative effectively hedges (significantly reduces) an identified risk of rising or falling cash flows or fair values, then any changes in its fair value are deferred until the hedged transaction culminates or the derivative ceases to be effective. Conversely, if the derivative is deemed not effective, the annual change in the fair value is reported immediately as investment income or loss. Most of our existing client base has a mix of variable rate and fixed rate debt many of which have interest rate swaps to hedge against rising interest rates. Continuing our standard procedures in serving the District, our engagement team will secure an independent third party valuation of the District's interest rate swaps derivative instruments each year end and test for effectiveness, validating the District's related accounting and ensuring fair presentation in the financial statements.

3. List the governmental clients of your firm. Also, list names, addresses, and telephone numbers of client officials.

Satisfied clients are the strongest endorsement of the technical skills and consistently high-quality service we deliver. We are proud of our record and we welcome you to verify our quality service with the references below.

City of Fayetteville, Public Works Commission

J. Dwight Miller, Chief Finance Officer
PO Drawer 1089
Fayetteville, NC 28302
Dwight.miller@faypwc.com
910.223.4005

Piedmont Triad Regional Water Authority

Joy L. Sparks, Accounting Manager
PO Box 1326
Randleman, NC 27317
jsparks@ptrwa.org
336.547.8437

City of Raleigh, NC

Allison Bradsher, Controller
P.O. Box 590
Raleigh, NC 27602
allison.bradsher@raleighnc.gov
919.996.4970

City of Charlotte, NC

Teresa Smith, Financial Reporting Manager
CMGC 600 East Fourth Street, 10th Floor
Charlotte, NC 28202
tsmith@ci.charlottenc.gov
704.335.8085

Town of Cary

Karen Mills, Finance Director
PO Box 8005
Cary, NC 27512-8005
karen.mills@townofcary.org
919.469.4110

City of Fayetteville, NC

Lisa Smith, Chief Financial Officer
433 Hay Street
Fayetteville, NC 28301
lsmith@ci.fay.nc.us
910.483.1682

City of Asheville, NC

Barbara Whitehorn, Chief Finance Director
Asheville City Hall, 4th floor
P.O. Box 7148
Asheville, NC 28802
bwhitehorn@ashevillenc.gov
828.259.5484

South Carolina Public Service Authority (Santee Cooper, SC)

Glenda W. Gillette, Vice President and Controller
1 Riverwood Drive
Moncks Corner, SC 29461
843.761.8000, ext. 5108
glenda.gillette@santeecooper.com

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4. List the governmental clients of your firm that have annual water and sewer revenues in excess of \$30 million.

We are committed to providing auditing and consulting services to governmental organizations. As mentioned previously, we audit more than 150 local governments, authorities and public agencies throughout the Southeastern U.S. Our current government clients served by the local office for clients of your firm that have annual water and sewer revenues in excess of \$30 million:

Local Government	Services	Served Since
Metropolitan Sewerage District of Buncombe County	Audit, GFOA	2008
Public Works Commission of City of Fayetteville	Audit, GFOA	1998
City of Charlotte	Audit, GFOA, Single Audit, Consulting	2004
City of Fayetteville	Audit, GFOA, Single Audit, Consulting	1998
City of Raleigh	Audit, GFOA, Single Audit, AUP	2002
City of Winston-Salem	Audit, GFOA, Single Audit, AUP	2008
Town of Cary	Audit, GFOA, Single Audit, AUP, Consulting	2002
South Carolina Public Service Authority (Santee Cooper)	Audit, Single Audit, Comfort Letters	2006

The District has received the GFOA Certificate of Achievement for Excellence in Financial Reporting since 1995. Indicate whether your office has previous experience auditing financial statements, which have earned this recognition.

We applaud the District on their great achievement of receiving this honor since 1995. We strongly believe in this program and want to continue our role in helping the District to achieve this certification. The Firm has assisted many localities with the preparation of the Comprehensive Annual Financial Report (CAFR) and applying for the GFOA's Certificate of Achievement for Excellence in Financial Reporting. All proposed members of the District's engagement team are very familiar with the requirements of the GFOA certificate program.

Specifically, all members of the District's engagement team have helped utilities, cities, counties, towns, and other local government organizations, including the District, prepare their CAFR submitted to the GFOA by providing assistance, which varied from client to client but generally included at a minimum:

- ▶ Discuss significant changes in GASB reporting standards during our planning meetings with the staff and Audit Review Committee
- ▶ Review prior year GFOA reviewer comments as soon as they are received by the District
- ▶ Review the GFOA checklist as part of our CAFR review procedures prior to issuing our opinion

Our service team has experience with assisting clients with the preparation of the CAFR and applying for the GFOA's Certificate of Achievement for Excellence in Financial Reporting, having provided preparation and review assistance to well over 25 counties, cities and towns throughout North Carolina alone with those clients listed on page 22-23.

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As a Firm, we have provided support in obtaining and maintaining the GFOA certification to more than 75 governments.

6. List any specific training or experience your firm has related to new pronouncements such as GASB 67 and GASB 68.

Cherry Bekaert LLP stays on the cutting edge of new regulations and pronouncements impacting our clients. Through our Audit Professional Practices Group (PPG), we monitor activities of the Government Accounting Standards Board (GASB), as well as Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA). Assembling on a biweekly basis, the PPG discusses any accounting and auditing guidance issued since its previous meeting, as well as any exposure drafts that are released. The PPG reviews details of the standards, and determines which industries and businesses are most impacted – tracking the important information pertaining to the standards through an internal system. A PPG specialist develops the communication strategy, which includes:

- ▶ Development of technical report papers;
- ▶ Creation of blog posts and other social media notifications;
- ▶ Design of tools to assist in implementation; and
- ▶ Presentations through live and web-based training.

In addition the firm has sponsored various internal and external seminars over the last two years to train our staff and clients. Representatives of your audit team also participated on a state wide task force which included representatives from the State Auditor's Office, the North Carolina Association of Certified Public Accountants, and the Local Government Commission in developing the states response to these reporting standards.

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Cherry Bekaert commits to proactively helping the District to prepare for the implementation of a number of new reporting standards required in the upcoming reporting period including:

- ▶ Statement No. 68 - Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27
- ▶ Statement No. 69 - Government Combinations and Disposals of Government Operations
- ▶ Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date
- ▶ Statement No. 72 - Fair Value Measurement and Application
- ▶ Statement No. 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68
- ▶ Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

Furthermore, Cherry Bekaert provides forward thinking through thought leadership, and helping our clients stay up-to-date on emerging regulatory and accounting issues that are impacting our clients' businesses. We provide resources to our clients through publishing our own technical reports, and hosting our own blogs and webinars. Our blog can be found at <http://www.cbh.com/blog>. We also provide training at our annual government seminar held each Spring, which typically includes a GASB Update.

The Firm's goal is to keep you informed and ahead of the curve on accounting and reporting trends. Our Partners help this goal with their membership in American Institute of Certified Public Accountants, and committees such as the Governmental Audit Quality Center, the Auditing Standards Executive Committee, the Peer Review Committee and the Independence Committee.

7. Identify the specific persons (minimally, the engagement partner and manager) who will work on the District's audit and designate the individual who will be the primary contact for the firm.

The experienced engagement team committed to the District has decades of experience in the Government sector. The proposed team also has extensive GASB training annually to get up-to-date on the latest standards, rules and implementation. The Firm has internal training courses, webinars, and external training available to ensure our professionals meet all CPE requirements.

Our engagement team for the District has decades of experience in the Government sector, including experience working with sewer, water and electric utilities, transit, airports, health authorities, school systems, and many others. Their full biographies are provided on the following pages.

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Metropolitan Sewerage District of Buncombe County, North Carolina

Eddie T. Burke, CPA - Engagement Partner

Eddie is a Certified Public Accountant with over 34 years of experience in public accounting. He will have final authority in the conduct of the engagement and full responsibility for the work performed, including final review of the audit report and all deliverables. He also will help ensure that the correct resources are available and assigned to the audit and that deliverables are complete, accurate, responsive to the District's requirements, and delivered in a timely manner. Working with the Firm for over 28 years, Eddie has provided a variety of audit and accounting services to all sizes of governments including: many types of financial statement audits and attestation services, fraud investigations, internal control analysis, accounting policy and procedure development, contract internal auditing and internal monitoring, developing management anti-fraud programs and controls, quality assurance reviews, training, and assisting clients with obtaining the GFOA Certificate of Achievement for Excellence in Financial Reporting.

Annually, Eddie also serves as Engagement Partner or Concurring Reviewer for over 50 local governments and various authorities throughout the Southeast, including numerous water and sewer authorities.

Eddie is a valued instructor and speaker for Firm-sponsored governmental updates. He is a member of the AICPA, North Carolina Association of Certified Public Accountants (NCACPA), South Carolina Association of Certified Public Accountants (SCACPA), Florida Association of Certified Public Accountants (FACPA), GFOA, North Carolina Government Finance Officers Association (NCGFOA), North Carolina Finance Officers Association (NCFOA), and the North Carolina Association of School Board Officers (NCASBO). He currently serves on the AICPA Technical Standards Subcommittee, GFOA Special Review Committee, and the NCACPA Government Audit Committee.

Eddie has more than 40 hours each year of relevant continuing education during the last three years, including the continuing education required by Government Auditing Standards (24 hours of government accounting and auditing credits).



Years of Experience: 34+

Role on Engagement Team:
Engagement Partner

Education:
Bachelor of Science in Accounting
from Elon University

Relevant Client Experience:
Metropolitan Sewerage District of
Buncombe County
Cleveland County Water Authority
Piedmont Triad Regional Water
Authority
Public Works Commission of
City of Fayetteville
Santee Cooper, SC
Mecklenburg County, NC
Guilford County, NC
Cumberland County, NC
Forsyth County, NC
Randolph County, NC
Durham County, NC
City of Asheville, NC
City of Durham, NC
City of Raleigh, NC
City of Charlotte, NC
City of Greensboro, NC
City of Winston-Salem, NC
City of Fayetteville, NC
Town of Cary, NC
Town of Wake Forest, NC
Town of Holly Springs, NC
Town of Fuquay-Varina, NC
Public Library of Charlotte
CoastalCare
Alliance Behavioral Healthcare
Asheboro City Schools
New Hanover County Schools
Johnston County Board of Education
Fayetteville Area Convention &
Visitors Bureau
Mecklenburg County EMS
Charlotte Firefighters

*Serves as either Engagement or
Concurring Reviewer Partner

First Section - Proposal to provide audit services
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Michelle Thompson, CPA – Concurring Review Partner

As concurring review partner for the District, Michelle has responsibility for assisting with the preliminary planning and risk assessment and for a second review of the financial statements and audit files. She will support and address any accounting and auditing and compliance issues as they arise.

Michelle is a licensed Certified Public Accountant in North and South Carolina and has been practicing public accounting since 1992. As the Firm's Managing Partner of Assurance and Advisory (A&A) Services, she directs, develops and evaluates personnel assigned to A&A, and is responsible for managing the revenue, utilization of resources, and direct cost associated with the delivery of A&A services to our clients. Prior to be appointed Managing Partner of A&A, Michelle led and developed the Firm's Risk Advisory Services (RAS) practice. The RAS practice focuses on internal audit, control and system related services to public, private and governmental entities.

Michelle has been with the Firm since 1998. Prior to joining the Firm, she was a manager with a national accounting firm. Michelle has been responsible for all aspects of audit work for a range of entities, from large SEC companies to small not-for-profit organizations. She has also been involved in several large merger and acquisition engagements.

She is a member of the American Institute of Certified Public Accountants (AICPA) and the North Carolina Association of Certified Public Accountants (NCACPA).

Michelle has more than 40 hours each year of relevant continuing education during the last three years, including the continuing education required by Government Auditing Standards (24 hours of government accounting and auditing credits).



Years of Experience: 25

Role on Engagement Team:
Concurring Review Partner

Education:
Master of Accountancy from the University of South Carolina

Bachelor of Science in Business Administration from the University of North Carolina at Chapel Hill

Relevant Client Experience:
Metropolitan Sewerage District of Buncombe County
Cleveland County Water Authority
Piedmont Triad Regional Water Authority
Public Works Commission of City of Fayetteville
Santee Cooper, SC
Mecklenburg County, NC
Guilford County, NC
Cumberland County, NC
Forsyth County, NC
Randolph County, NC
Durham County, NC
City of Asheville, NC
City of Durham, NC
City of Raleigh, NC
City of Charlotte, NC
City of Greensboro, NC
City of Winston-Salem, NC
City of Fayetteville, NC
Town of Cary, NC
Town of Wake Forest, NC
Town of Holly Springs, NC
Town of Fuquay-Varina, NC
Public Library of Charlotte
CoastalCare
Alliance Behavioral Healthcare
Asheboro City Schools
New Hanover County Schools
Johnston County Board of Education
Mecklenburg County EMS
Charlotte Firefighters

*Serves as either Engagement or Concurring Reviewer Partner

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Matthew Socha, CPA – Senior Manager

Matthew is a Certified Public Accountant with over 10 years of audit experience, serving two water and sewer clients over the last 5 years, which includes the District's audit. Continuing as the District's Audit Senior Manager, Matthew will be responsible for planning the audit, communicating the audit plan to client management, executing the audit plan, communicating status reports throughout the audit, reviewing the work of audit staff, and meeting and delivering the work product within the established deadlines.

Matthew has relevant experience including Metropolitan Sewerage District of Buncombe County and Cleveland County Water Authority. He also has extensive experience with Governmental Accounting Standards and Single Audits with his work with several North Carolina Community Colleges and Private and Public Colleges and Universities throughout the southeast.

Clients depend on Matthew for timely, practical guidance on many technical accounting and compliance issues such as implementation of new standards, compliance with federal and state laws and grant programs, single audit regulations, and more. He is a member of the American Institute of Certified Public Accountants (AICPA) and the North Carolina Association of Certified Public Accountants (NCACPA), as well as Charlotte Chamber Young Professionals Network.

Matthew has more than 40 hours each year of relevant continuing education during the last three years, including the continuing education required by Government Auditing Standards (24 hours of government accounting and auditing credits).



Years of Experience: 10+

Role on Engagement Team:
Audit Senior Manager

Education:
BBA in Accounting, University of Wisconsin School of Business

Relevant Client Experience:
Metropolitan Sewerage District of Buncombe County
Cleveland County Water
Charlotte Center City Partners
On Street Parking – City of Charlotte
Central Piedmont Community College
Catawba Valley Community College
McDowell Technical Community College
Catawba College
Clayton University
Charlotte Latin School
Charlotte Country Day School
Cannon School

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Scott Hotop, CISA, CTGA – IT Audit Senior Manager

Scott is an Information Technology Audit Senior Manager in Cherry Bekaert's Risk Advisory Group and the Financial Services Group. With the professional designations of Certified Information Systems Auditor (CISA) and Certified Technical Guideline Auditor (CTGA), he has more than 11 years of IT auditing, consulting and compliance experience, specifically for Financial Services companies. Scott has led and served on financial statement audits, IT risk assessments, IT general control reviews, application reviews and technical security assessments for both public and private organizations.

Scott was certified and has maintained his continuing educational requirements as a Certified TG-3 Auditor (CTGA) auditor since July 2008. Since that time, he has performed biennial PIN & Key Management assessments for financial institutions operating on interchange networks.

Scott also has prior experience with a Big 4 accounting firm as a senior auditor performing SSAE 16 (formerly SAS 70), SOX 404 and technical security assessments for various clients, including: Department of Defense – Defense Information Systems Agency (DoD-DISA), SunGard, General Dynamics, International City/County Management Association – Retirement Corporation (ICMA-RC), and Federal Home Loan Mortgage Corporation (Freddie Mac). Scott is an active member of Information Systems Audit and Control Association (ISACA).

Lauren Gates, CPA – Senior Accountant

Lauren Gates is a Certified Public Accountant with over four years of audit experience, including assisting with the District's audit. Continuing as the District's Audit Senior, Lauren will be responsible for the day-to-day conduct, supervision of staff in the field and frequent communication with management.

Lauren has relevant experience including Metropolitan Sewerage District of Buncombe County. She also has extensive experience with Governmental Accounting Standards and Single Audits with her work with several North Carolina Community Colleges, Private Colleges and Universities, and not-for-profit organizations throughout the southeast.

She is a member of the American Institute of Certified Public Accountants (AICPA) and the North Carolina Association of Certified Public Accountants (NCACPA).

Lauren has more than 40 hours each year of relevant continuing education during the last three years, including the continuing education required by Government Auditing Standards (24 hours of government accounting and auditing credits).



Years of Experience: 11+

Role on the Engagement Team:
IT Audit Senior Manager

Education:

Bachelor of Science in Accounting and Information Systems-Assurance Track at Virginia Polytechnic Institute and State University

Relevant Client Experience:

Cleveland County Water Authority
Piedmont Triad Regional Water Authority
Public Works Commission of City of Fayetteville, NC
Montgomery County, MD
City of Winston-Salem, NC
Forsyth County, NC
Town of Cary, NC

Years of Experience: 4+

Role on the Engagement Team:
Senior Accountant

Education:

Bachelor of Science in Accounting, Appalachian State University
Master of Accountancy, University of Tennessee

Relevant Client Experience:

Metropolitan Sewerage District of Buncombe County
Barton College
Brunswick Community College
Central Piedmont Community College
Charlotte Regional Realtor® Association
Child Care Resources
CPCC Foundation
Gardner-Webb University
Material Handling Industry
McDowell Technical Community College
Ronald McDonald House of Charlotte
SERC Reliability Company

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GFOA and NCGFOA Conferences Staff Participation

We value continuing education, training and active participation in industry related organizations. Our North Carolina practice, from partner to staff regularly attends GFOA, NCGFOA, AICPA, and NCACPA conferences on an annual basis. Furthermore, we also have a strong history with the NC Local Government Commission (LGC) because of the more than 30 clients we already serve that have the same reporting requirements as the District.

Professional Development Programs

At Cherry Bekaert, we consider the training of our professionals to be extremely important in order to best meet the evolving needs of our profession and provide the highest quality of service to our clients. We believe that in order to consistently offer our clients the most current information, continuing education of our personnel is a mission critical objective. It is the policy of Cherry Bekaert that all professional personnel comply with the continuing professional education requirements of the AICPA, the appropriate state boards of accountancy, the U.S. Government Accountability Office, and other regulatory agencies as applicable and that all professional staff maintain an adequate awareness and understanding of current developments in technical literature.

In our commitment to training, we require all client service professionals complete at least 20 hours of qualifying continuing professional education (CPE) every year and at least 120 hours every three years. In addition, all client service professionals who serve governmental entities are required to complete 80 hours of CPE every 2 years with at least 24 hours in subjects that directly relate to government auditing and/or the government environment. Each year, Cherry Bekaert requires its staff to attend internal and external training courses in technical and non-technical skills. Cherry Bekaert also holds annual seminars for staff, clients and non-clients in areas of specialization such as the not-for-profit and governmental industries. Key members of your engagement team also attend the NCGFOA's Annual Conference. Our professionals are also encouraged to use resources such as AICPA, GFOA, and NCACPA to fulfill required credit hours.

Some of the government specific courses offered by Cherry Bekaert to our employees include: risk assessment training; preliminary analytics for government audits; performing single audits; financial audit review including internal controls, financial statement disclosures and general auditing and completion procedures.

All of the District's engagement team members have met and will continue to meet continuing education requirements.

Integrated Team Specialists

We will evaluate the work of the District's external specialists, such as actuaries, utilized within the financial reporting process. The Firm's integrated specialists are fully integrated members of all engagement teams and bring the requisite knowledge to assist the team in assessing areas such as information technology or actuarial sciences and there related impact on the audit procedures and related financial statement opinions.

Additional Staff

In the North Carolina offices, the Firm has over 40 governmental auditors, ready to be part of the team that serves the District and whom are experienced with the issues facing the District through their own service to the District's peers throughout North Carolina. This critical mass and bench strength in Carolina, augmented by our firm's Government

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Services Group, provides the Firma wealth of deployable resources needed to ensure your engagement is performed on your schedule.

Each staff member at Cherry Bekaert is required to obtain at least 24 hours of continuing professional education every two years in the area of governmental accounting and at least 40 hours of continuing professional education each year. We provide additional training in areas of specialization such as the government services industry. Each year, we require our staff to attend internal and external training courses in technical and non-technical skills. We also hold annual seminars for staff, clients and non-clients in areas of specialization such as the not-for-profit and governmental industries.

Additionally, each engagement team member profiled earlier, and any other staff assigned to this engagement, will have the necessary experience in performing audits in accordance with the provisions of OMB Circular A-133 and the State Single Audit Implementation Act.

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Appendix A. Peer Review Report



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System Review Report

August 30, 2013

To the Partners of Cherry Bekaert LLP
And the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Cherry Bekaert LLP (the firm), applicable to non-SEC issuers in effect for the year ended April 30, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans, and examinations of service organizations [Service Organizations Control (SOC) 1 engagements].

In our opinion, the system of quality control for the accounting and auditing practice of Cherry Bekaert LLP, applicable to non-SEC issuers in effect for the year ended April 30, 2013, 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 LLP has received a peer review rating of *pass*.

EisnerAmper LLP
Iselin, NJ

New York | New Jersey | Pennsylvania | Cayman Islands
EisnerAmper is an independent member of PKF International Limited

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American Institute of CPAs
220 Leigh Farm Road
Durham, NC 27707-8110

November 14, 2013

Howard Joseph Kies, CPA
Cherry Bekaert LLP
200 S 10th St
Ste 900
Richmond, VA 23219

Dear Mr. Kies:

It is my pleasure to notify you that on November 13, 2013 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, 2016. 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,

A handwritten signature in cursive script that reads "Betty Jo Charles".

Betty Jo Charles
Chair, National Peer Review Committee
nprc@aicpa.org 919 402-4502

cc: Lewis Eddie Dutton;Lawrence S Gray

Firm Number: 10011816

Review Number 347649

Letter ID: 840713

T: 1.919.402.4502 | F: 1.919.402.4876 | nprc@aicpa.org

Appendix B. Statement of Policy and Procedures

Quality Control Policies and Procedures



The Firm's quality control policies and procedures for the five elements of quality control are presented on the following pages. All employees and members of the Firm are provided access via the intranet and are responsible for understanding, implementing, and adhering to these policies and procedures.

This Quality Control Document, the Firm's Statement of Philosophy, and the Accounting and Auditing Manual are included on the Firm's intranet site, available to all personnel. All personnel are made aware of such documents when they join the Firm. Any changes are communicated through the intranet as such changes are posted.

Any questions, concerns, or recommendations about our quality control system should be communicated to the Director of Accounting and Auditing.

I. INDEPENDENCE, INTEGRITY, AND OBJECTIVITY

It is the policy of Cherry Bekaert LLP (the "Firm") that all professional personnel be familiar with and adhere to the independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, the various State Boards of Accountancy, and State CPA Societies, the Government Accountability Office (GAO), the Department of Labor (DOL), the Securities and Exchange Commission (SEC), the Public Company Accounting Oversight Board (PCAOB), relevant statutes, and other regulatory agencies where applicable. In this regard, any transaction, event, circumstance, or action that would impair the Firm's independence or violates its integrity and objectivity policy, on a compilation, review, audit, or attestation (including forecast and projection) engagement is prohibited. Although not necessarily all-inclusive, the following are considered to be prohibited transactions:

- a. Investments by any partner or professional employee in a client's business.
- b. Investments by any partner or professional employee with a client, or with client personnel.
- c. Borrowing from or loans to a client, or client's personnel.
- d. Accepting cash or gifts from a client (with the exception of noncash token Christmas gifts of nominal value).
- e. Certain family relationships between professional personnel and client personnel. (Consult the Director of Accounting and Auditing for ruling on these).

Notwithstanding the preceding policy and list of prohibited transactions, at the Director of Accounting and Auditing's discretion, certain prohibitions can be waived if it is deemed to be in the best interest of the Firm. However, in so doing, the engagement service performed for the client must be limited to that allowed by AICPA professional literature, the applicable State Boards of Accountancy, State CPA Societies, SEC, relevant statutes and other regulatory agencies where applicable.

The independence, integrity, and objectivity rules, regulations, interpretations, and rulings of the AICPA, the various State Boards of Accountancy, and State CPA Societies, relevant statutes, and regulatory agencies are made available to Firm personnel through the Firm's intranet site, web-based resource material, the respective authorities' web-site, or other appropriate means.

The procedures listed below are followed to ensure compliance with this policy:

Metropolitan Sewerage District of Buncombe County, North Carolina

- All professional personnel are required to sign an independence certificate when hired (and annually thereafter) that acknowledges (1) their familiarity with the Firm's independence, integrity, and objectivity policy and procedures, (2) their understanding of the policies and procedures applicability to his or her activities and those of his or her spouse and close relatives and (3) their compliance with the requirements of the Firm's independence policies since the prior certification.
- All professional personnel are required to notify the Director of Accounting and Auditing of any potential prohibited transaction or violation of an independence, integrity, or objectivity rule as soon as they become aware of such a situation. To acknowledge that responsibility, all professional personnel are required when hired (and annually thereafter) to sign an independence certificate and to list situations they know of that could impair our Firm's independence or that violate its integrity and objectivity policy.
- All professional personnel are required to complete a self-study course on independence, integrity and objectivity when hired, and complete additional training on independence periodically thereafter as provided by the Firm.
- Engagement management has the responsibility to inform the Director of Accounting and Auditing or his designee in a timely manner when an entity is to be added to the restricted entity list. The restricted entity list is made available to all personnel through the Firm's intranet web site or other appropriate means.
- All professional personnel are required to review appropriate restricted entity lists annually and as updated for possible violations.
- Prior to acquiring any security in an entity, obtaining a loan from an entity, or opening or modifying a brokerage account with an entity, professionals required to comply with restrictions should review the restricted entity list to determine whether the entity is included thereon. This review is also required for similar activities by the professional's spouse or dependents.
- If the Firm is engaged as principal auditor and another Firm is engaged to audit a subsidiary, branch, division, governmental component unit, or to perform procedures on an element or account grouping within a client's financial statement, the engagement team is required to obtain a written representation regarding the other Firm's independence with respect to our client.
- Engagement management has the primary responsibility for determining if there are unpaid fees on any of their clients that would impair the Firm's independence.
- Engagement management has the responsibility to identify all nonattest services performed for an attest service client (including services performed by entities closely aligned through common ownership) and for determining if such nonattest services impair the Firm's independence with respect to that client.
- The Director of Accounting and Auditing or his designee is responsible for obtaining the independence certificates and for resolving questions relating to independence, integrity, and objectivity matters and is available to provide guidance. In so doing, the Director of Accounting and Auditing should, when necessary, consult with the AICPA or State CPA Societies for assistance in interpreting independence, integrity, and objectivity rules. Documentation of the resolution of an independence, integrity, and objectivity matter should be filed in the client's workpaper files.
- To ensure that independence is properly considered at the engagement level, the work programs and standard forms used by the Firm contain steps that require a determination of independence on each new and recurring client. For public companies, this determination includes a review of the shareholder lists to determine whether covered persons have ownership or other investments in the entity.
- At least annually, a review is conducted of the Firm's independence, integrity, and objectivity policy and procedures to determine if they are appropriate and operating effectively. This review is normally accomplished in coordination with the annual inspection. Changes, if necessary, to the system are made based on the results of the review.

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II. PERSONNEL MANAGEMENT

A. Hiring

It is the policy of the Firm that hiring decisions for our professional staff be based on an objective evaluation of our personnel needs, that hires possess the appropriate characteristics to perform competently, and that new employees be adequately informed of the Firm's policies and procedures.

The procedures listed below are followed to ensure compliance with this policy:

1. Periodically, the Partners in Charge in consultation with the Human Resources Partner assess the personnel needs of our professional staff by considering, among other things, criteria such as our current clientele, anticipated growth, personnel turnover, individual advancement, current staff workload, quality of life, and retirement.
2. In fulfilling our hiring plans, we seek to employ individuals with high levels of intelligence, integrity, motivation, and aptitude. In this regard, we normally hire college graduates whose academic training will enable them to take the CPA exam. However, we will hire paraprofessionals who do not possess a college degree, but whose accounting experience and personal qualifications indicate a likelihood of adequate abilities, for services consistent with their qualifications.
3. Determination of the techniques to be used to recruit potential hires and actual employment decisions will be made by the Human Resources Partner. Other personnel who are involved in the hiring process will be informed of the techniques to be used and trained in the appropriate interviewing techniques.
4. When evaluating a prospective employee, we consider, among other things, an individual's grade point average, college course concentration in accounting and related courses, personal achievements, work experience, and personal interests. We also conduct a background check on all candidates in addition to a personality assessment. The degree to which college transcripts, work references, background check results and other qualifications are investigated is left to the discretion of the Human Resources Partner. The Human Resources Partner approves all hiring decisions.
5. The Firm's personnel policies and procedures relevant to applicants and new employees are communicated to them.
6. At least annually, a review is conducted of our hiring policy and procedures to determine if they are appropriate and operating effectively. Changes, if necessary, to the system are made based on the results of the review.

B. Assigning of Personnel

It is the policy of the Firm that personnel be assigned to engagements in an objective manner to achieve a proper blend of competencies, supervision, staff utilization, staff on-the-job training, and client satisfaction. The procedures listed below are followed to ensure compliance with this policy.

Clients are approved by the engagement partner and a second partner in the local office and then sent to the Industry Assurance Leader and/or the Risk Management Committee for approval depending on certain characteristics of the engagement. During the client acceptance and continuance process, the Industry Assurance Leader, if applicable, or the Risk Management Committee Chair assess the competencies that partners (or other persons) who are responsible for supervision of attest engagements and signing (or authorizing other individuals to sign) attest engagement reports should possess. For all new engagements and continuing engagements meeting certain specified criteria, the engagement partner is approved by and the concurring reviewer is assigned by either the Industry Assurance Leader or the Risk Management Committee Chair.

For clients subject to SEC partner rotation requirements, the engagement partner is responsible for determining applicable partner rotation requirements are met. The Director of Accounting and Auditing monitors compliance with the rotation requirements through communication with engagement partners and by maintaining a database of SEC clients and assigned partner responsibilities.

Periodically, the Partner-in-Charge of each office assesses the staffing requirements of clients of the office and develops a partner and staff assignments plan. Any considerations that emerge from this assessment that affect the hiring plans of the Firm are communicated to those responsible for hiring. In making assignments, consideration is given to factors such as:

Metropolitan Sewerage District of Buncombe County, North Carolina

- The engagement type, size, and complexity.
- Special expertise and experience required by the engagement (familiarity with industry).
- New or emerging professional literature or regulations that may affect the engagement.
- Recent continuing education relevant to the service to be provided and, if applicable, the industry.
- The timing and length of the engagement
- The continuity and periodic rotation of the staff.
- Opportunities for on-the-job training.
- Previously demonstrated competencies (including consideration of the results of monitoring, inspections, peer reviews and recent evaluations).
- Personnel availability and the involvement of supervisory personnel.
- Situations where possible conflicts of interest, objectivity, or independence problems may exist.
- The degree of supervision required by each member.

The Firm recognizes that many modifications to the assignments schedule will be required because of changes in client circumstances that affect the competencies appropriate for the new client engagement, ongoing consideration of competencies possessed by partners and personnel assigned to particular engagements, addition or loss of clients, staff turnover, delays in the timing of work, or other unforeseen events. Modifications are made based on an informal meeting of engagement management affected by the changes and after a reconsideration of the planning factors discussed above. Any disputes regarding assignment of personnel are resolved by the Partner-in-Charge of the office. Members of the staff are informed verbally or through the office schedule of staffing changes and new assignments.

At least annually, a review is conducted of our policy and procedures for assigning of personnel, including the competencies and considerations discussed above, to determine if they are appropriate and operating effectively. Changes, if necessary, to the system are made based on the results of the review.

C. Professional Development

It is the policy of our Firm that all professional personnel comply with the continuing professional education requirements of the AICPA, the Center for Public Company Audit Firms of the AICPA Division for Firms, the appropriate State Boards of Accountancy, the U.S. General Accounting Office, and other regulatory agencies as applicable; that all professional staff maintain an adequate awareness and understanding of current developments in technical literature; and, that all professional staff assist in the training and development of staff members under their supervision. The procedures listed below are followed to ensure compliance with this policy:

1. Annually, the Manager of Training and Development in consultation with the CPE Committee assesses the Firm's continuing professional education (CPE) needs and plans our professional development (PD) program after considering, among other things, CPE activities that interest each professional; the number of hours needed by each professional to comply with the CPE rules governing our Firm; each professional's level of experience, client responsibilities, and prior CPE training; new or emerging technical literature; and the Firm's needs for specialists or experts in a particular industry or service area. Each member of the Firm's professional staff reports compliance with all professional development regulatory requirements to the Manager of Training and Development on an annual basis.
2. Only CPE alternatives that qualify for credit under the CPE rules that govern our Firm will be considered when planning our PD program. Such alternatives normally include seminars and conferences sponsored by the AICPA, state society, or other professional organizations; self-study courses; in-house seminars and programs; acting as an instructor or speaker; university or college courses; and published books, articles, and CPE courses.
3. Individuals who work on audits subject to the *Government Auditing Standards* must obtain at least 80 hours of CPE every two years. Individuals responsible for conducting substantial portions of the fieldwork, planning, directing, or reporting on audits subject to the *Government Auditing Standards* must obtain 24 of those hours in subjects related to the government environment or government auditing. At least 20 of the 80 hours must be obtained annually.
4. Professionals who devote at least 25% of their time to performing audit, review, or other attest engagements (excluding compilations), or who have partner, senior manager or manager – level responsibility for the overall supervision or review of any such engagements, must obtain at least 40% (eight hours in any one year and 48 hours every three years) of their required CPE in subjects related to accounting and auditing.

Metropolitan Sewerage District of Buncombe County, North Carolina

5. To comply with the documentation requirements of the AICPA, state boards of accountancy, and the U.S. General Accounting Office, and other regulatory agencies for CPE credit, the Firm maintains appropriate CPE records, as required by those entities.
6. Each professional in our Firm must recognize his or her responsibility to comply with applicable continuing professional education requirements to maintain technical competency. Accordingly, all professionals are encouraged to engage in self-development activities. To assist in this endeavor, the Firm circulates important news about new or emerging changes in professional literature or business activities. All professionals are encouraged to bring to the attention of the Director of Accounting and Auditing any news item that they believe should be circulated.
7. The Firm recognizes the importance of on-the-job training and has adopted, as a part of the Firm's engagement performance QC system, the use of work programs to assist professionals in performing their work. Also, as noted in the Firm's QC system for assigning personnel, professionals are assigned to work on a variety of jobs and under different supervisors (to the extent practical) to maximize on-the-job training. Personnel with supervisory responsibility are reminded to be constantly aware of situations where they can provide on-the-job training.
8. The Manager of Training and development reviews the summaries of evaluations of all in-house training programs to determine whether the programs are achieving their objectives and to recommend changes as necessary. The Manager of Training and Development also periodically interviews selected professional personnel regarding the effectiveness of training programs and makes improvements as needed.
9. At least annually, a review is conducted of our PD policy and procedures (including CPE documentation) to determine if they are appropriate and operating effectively. Changes, if necessary, to the system are made based on the results of the review.

D. Advancement

It is the policy of the Firm that advancement decisions for professional personnel be based on a timely and objective evaluation of individual performance and that the professional personnel selected for advancement should have the necessary qualifications to fulfill their assigned responsibilities. The procedures listed below are followed to ensure compliance with this policy:

1. Personnel classification levels are used to designate experience, to evaluate individual performance, and to establish criteria for promotion. The following personnel levels are used by the Firm:
 - a. Paraprofessionals and Interns
 - b. Staff Accountant
 - c. Senior Accountant
 - d. Manager
 - e. Senior Manager
 - f. Partner
2. Each Firm member is evaluated under the Firm's competency-based performance management system. These competencies include, but are not limited to the following:
 - a. Technical expertise
 - b. Business acumen
 - c. Communication
 - d. Leadership
 - e. Relationship management
3. Professional staff are evaluated two to three times per year by their supervisors using standard criteria. When a professional staff spends more than 80 hours on an engagement, completion of an engagement assessment form documenting their performance on the engagement is recommended. In addition, each professional staff receives an annual assessment of performance using standard criteria. Each assessment is reviewed by a Partner and then discussed with the professional staff in a counseling session. Comments and feedback obtained during these interviews, if any, are documented on the evaluation form by the evaluator and the form is routed to the individual's personnel file. All annual assessments are reviewed and approved by Human Resources.
4. Annually, each Partner is assessed by his/her Partner-in-Charge on performance in a standard set of competencies. These assessments are routed to the Firm Managing Partner, or designee, who in turn reviews them with each Partner. The Executive Board reviews the Managing Partner's performance.

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5. At least annually, and on a regular basis if necessary, Partners meet in the local office to discuss advancement and termination decisions. In considering advancement decisions, staff performance evaluations and progress within staff classifications are given great priority; however, economic conditions, such as profits and future growth potential, must also be considered in each decision. The Human Resources Partner approves all advancement and termination decisions prior to their communication to the professional staff.
 6. At least annually, a review is conducted of our performance management system to determine if it is appropriate and operating effectively. Changes, if necessary, to the system are made based on the results of the review.
-

III. ACCEPTANCE AND CONTINUANCE OF CLIENTS AND ENGAGEMENTS

It is the policy of the Firm that, for all compilation, review, audit, and other attestation engagements (including agreed-upon procedures and any prospective financial information engagements), the acceptability of the client and the engagement, be evaluated before the Firm agrees to provide professional services and that the Firm will accept only engagements that it believes can be completed with professional competence after considering the risk associated with providing professional services in the particular circumstances. The procedures listed below are followed to ensure compliance with this policy:

1. For each prospective client (or existing tax or MAS client) that requests for the first time a compilation, review, audit, or other attestation service, the Partner evaluating the prospective client or engagement is required to complete a "Prospective New Client Evaluation." For audits, agreed-upon procedure engagements, and prospective financial statement engagements, the completed form is reviewed by a second partner in the local office and routed to the Industry Assurance Leader, if applicable (or Risk Management Committee Chair if there is no Assurance Leader) who decides whether to approve the evaluating partner's recommendation of acceptance of the prospective client and who documents that conclusion on the form. Certain prospective clients will then be routed to the Risk Management Committee and also Firm Management for approval of acceptance based on the amount of estimated hours and fees for the engagement.
2. For existing clients, a continuance form is completed annually to reevaluate the acceptability of each client and engagement. Furthermore, the engagement work programs used by the Firm contain steps requiring the engagement team to consider whether the Firm should discontinue providing all or certain services to a client. In certain specified circumstances, the continuance of a client must be approved by the Industry Assurance Leader, if applicable (or Risk Management Committee Chair if there is no Assurance Leader) based on the characteristics of the engagement.

Reasons that might surface in either the Firm-wide or individual engagement review that would cause the Firm to consider discontinuing services include:

- a. Significant changes in the client, e.g., senior management, changes in the perceived integrity of management, financial stability, or the risk associated with the particular engagement,
 - b. Changes in the nature or scope of the engagement,
 - c. Significant changes in the composition of the Firm, e.g., a change in the Firm's professional expertise or the decision to discontinue client services in a particular industry,
 - d. Significant unpaid fees that may cause an independence problem or create doubt about the collectibility of future fees.
 - e. The Partner-in-charge of the Practice Unit is responsible for deciding whether to discontinue providing all or certain services to a client or whether steps can be taken to mitigate the risk of continued services, e.g., requiring a down payment on fees before work commences, pay-as-you-go billing arrangements, alternative engagement procedures, etc.
3. If situations occur after the commencement of an engagement and while work is in process that indicates the Firm should consider withdrawing from the engagement, the Risk Management Committee Chair should be notified of the circumstances. Circumstances that may cause the Firm to withdraw would include:
 - a. The client's unwillingness to make a material correction to the financial statements or accept a modified report or when a modification of the standard report will not adequately indicate the deficiencies in the financial statements taken as a whole.

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- b. Failure by the client to take remedial action with regard to an illegal act that might be discovered during the engagement.
- c. The discovery of facts after the engagement commences that may have caused the Firm to reject the engagement had those facts been known prior to starting the work, e.g., a significant risk of fraud.
- d. The client provides information that is incorrect, incomplete, or otherwise unsatisfactory and refuses to provide additional or revised information.
- e. The inability to apply the engagement procedures considered necessary, after appropriate consideration to the effects of scope limitations on the engagement.
- f. The client's refusal to provide a representation letter, if one is required by the nature of the engagement.
- g. Other information in a client-prepared document containing the Firm's attest report is materially inconsistent with the information in the report, and the client does not revise the information to eliminate the inconsistency.

The Director of Accounting and Auditing and Risk Management Committee Chair are consulted when the engagement team is evaluating considerations for determining whether to withdraw from an engagement. For SEC clients, when the client-auditor relationship is terminated, whether the Firm withdraws from a client or declines to stand for re-election as auditors, or the client dismisses the Firm, the engagement partner is responsible for reporting such a termination to the client and to the Office of the Chief Accountant of the SEC within five business days following the determination by the Firm that the relationship has ceased. The Director of Accounting and Auditing is to be provided a copy of such communication.

4. If, based on the facts and circumstances identified in performing Steps 2 and 3, the Director of Accounting and Auditing or Risk Management Committee Chair conclude that the Firm should discontinue providing all or certain services to a client or withdraw from a current engagement, the Director of Accounting and Auditing, Risk Management Committee Chair and engagement management should determine how the client should be informed about that decision. Furthermore, the Director of Accounting and Auditing and Risk Management Committee Chair should be in consideration about whether outside legal counsel should be consulted in making that decision. The engagement team will be notified by the engagement management of the name of any client to which services are discontinued.
5. Engagement management is responsible for ensuring that an engagement letter is obtained for each client. The engagement letter should document the Firm's understanding with the client regarding the nature, scope, and limitations of the services to be performed.
6. At least annually, a review is conducted of our acceptance and continuance policy and procedures to determine if they are appropriate and operating effectively. Changes, if necessary, to the system are made based on the results of the review.

IV. ENGAGEMENT PERFORMANCE

A. General requirements

It is the policy of our Firm that all compilation, review, audit and attestation (including forecast and projection) engagements be properly planned, performed, supervised, reviewed, documented, and reported upon in accordance with the requirements of professional standards, regulatory authorities, and the Firm. In this regard, the procedures listed below are followed by all personnel assigned to those engagements:

1. The Firm's system of engagement performance QC steps is documented in the Accounting and Auditing Manual.
2. The responsibilities of Partners and other members of our professional staff for implementing the Firm's QC steps are discussed in the Accounting and Auditing Manual.
3. The Firm uses numerous practice aids, including checklists, work programs, report examples, and other practice aids to implement its engagement performance QC steps. These practice aids are available to personnel on the Firm's intranet site.

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4. At least annually, a review is conducted of our engagement performance policy and procedures to determine if they are appropriate and operating effectively. This review is normally accomplished in coordination with the annual inspection. Changes, if necessary, to the system are made based on the results of the review.

Some of the significant policies contained in the Accounting and Auditing Manual relating to engagement performance are discussed below.

Independence – Detailed policies related to maintaining independence are provided in the Accounting and Auditing Manual. These policies, which are summarized in Part I of this document, are at least as restrictive as policies adopted by the AICPA, the various State Boards of Accountancy, and State CPA Societies, relevant statutes, and regulatory agencies where applicable. Engagement team members are required to consider any possible situations where independence may be impaired during the acceptance or continuance process and if any arise during the performance of the engagement. If any such situations are identified, the engagement team is required to consult with the Director of Accounting and Auditing or the designated partner responsible for independence matters.

Client or engagement acceptance and continuance – Detailed policies relating to client acceptance and continuance are contained in the Accounting and Auditing Manual. These policies are summarized in Part III of this document. Once approved, the understanding with the client with respect to the services to be performed for each engagement are required to be documented in writing through an engagement letter.

Audit evidence – Firm policies require compliance with professional standards concerning obtaining sufficient, competent evidential matter to support the audit opinion, or in other attestation engagements, the matters communicated in the report. The engagement team members are to comply with AICPA standards, and the standards of the PCAOB and the requirements of the SEC and other regulatory authorities as applicable, with respect to documentation and retention of evidential matter supporting the engagement team's conclusion.

Engagement review responsibilities – An engagement partner will accept responsibility for each engagement and will release the report only after he or she believes the assignment has been completed in full compliance with the code of professional conduct, generally accepted auditing or other standards and Firm policies. The engagement partner will obtain knowledge of the substantive content of the report and at least general knowledge of procedures performed. The engagement partner will have at least generally approved the audit, accounting and reporting judgments which did or might have had a material effect on the report.

In the case of all audit or review engagements, a preissuance review is required. The preissuance review is performed by an individual who has not had significant participation in the fieldwork of the engagement. For all SEC engagements, and other engagements as defined by Firm policies, the person performing the review (referred to as a concurring review) is assigned by the Industry Assurance Leader, if applicable, or the Risk Management Committee Chair. For all SEC engagements, the individual assigned is a partner. For non-SEC engagements, the preissuance review may be performed by a partner or senior manager who has not had significant participation in the fieldwork of the engagement. Senior managers may perform preissuance reviews only if they have been approved by the Director of Accounting and Auditing to perform preissuance reviews.

In addition to audit and review engagements, a concurring review is required when the auditors' report is reissued and professional standards require the performance of subsequent events procedures. The reviewer in these situations is appointed by the Director of Accounting and Auditing.

B. Consultation

It is the policy of our Firm that personnel refer to authoritative literature or other sources when appropriate. Our Firm also recognizes the need for a constant exchange of ideas and opinions about technical issues on all professional engagements, and it is our policy that all professional personnel seek consultation, on a timely basis, within or outside the Firm whenever they are uncertain about the answer to a technical question; the application of a professional procedure or standard; the application of a rule, regulation, or procedure of a tax or other regulatory agency; or the application of a Firm policy. The procedures listed below are followed to ensure compliance with this policy:

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1. The Firm provides ready access to an adequate and up-to-date reference library that includes materials related to clients served and that should be consulted to assist professional staff in their research of technical issues.
2. While the Firm recognizes that it is impossible to list all situations that might require referral to authoritative literature or other sources or that might require consultation, certain events have been identified as requiring consultation. Those events are defined in the Accounting and Auditing Manual.
3. When an issue arises that requires consultation, the issue should first be discussed by the members of the engagement team and a preliminary conclusion should be determined prior to seeking additional consultation.
4. The issue should be discussed with designated Industry Assurance Leader (or Technical reviewer for certain topics, collectively referred to as "Industry Assurance Leader"). If, in engagement management's opinion, the issue is resolved at this level of consultation, additional consultation is not necessary. However, documentation of the matter must be forwarded to the Industry Assurance Leader to ensure consistency in the application of US generally accepted accounting principles and auditing standards. If any member of the engagement team or other individuals who consulted on the issue disagree with the resolution, the procedure below should be followed.
5. If engagement management believes that additional consultation beyond that of the engagement team and the Industry Assurance Leader is necessary, the issue should be discussed with the Director of Accounting and Auditing. If, in the opinion of engagement management, the Industry Assurance Leader and the Director of Accounting and Auditing, the issue is resolved at this level of consultation, additional consultation is not necessary. However, if any member of the engagement team, the Industry Assurance Leader, the Director of Accounting and Auditing, or other individuals who consulted on the issue disagrees with the resolution, the procedure below should be followed.
6. If engagement management, the Industry Assurance Leader or the Director of Accounting and Auditing believe that additional consultation beyond that available within the Firm is necessary, consideration should be given to consulting with an outside specialist. Outside specialists include, but are not limited to, the AICPA technical information services and CPAs or tax attorneys in other Firms. Certain accounting, audit, examination, attestation, tax, or MAS engagements may require the Firm to consult with non-accounting specialists such as actuaries, appraisers, attorneys, engineers, and geologists. The Firm should follow the guidance in AICPA Professional Standards at AU Section 336 when such consultations are necessary. If, the opinion of engagement management, the Industry Assurance Leader and the Director of Accounting and Auditing, the issue is resolved, additional consultation is not necessary. However, if any member of the engagement team, the Industry Assurance Leader, the Director of Accounting and Auditing, or other individual in the Firm who consulted on the engagement disagrees with the resolution, the procedure below should be followed.
7. If differences of opinion exist within the Firm as to the resolution of a consultation issue, the Director of Accounting and Auditing, in consultation with the Firm Managing Partner will resolve any disputes as to the proper course of action taken by the Firm on the issue in question. Any party to the consultation who disagrees with the conclusion has the option of preparing a memorandum and filing it in the workpapers. For audits of SEC clients, documentation of any such disagreement is required.
8. All technical research and consultations that are unusual, controversial, or complex and material in nature should be documented in a memorandum to the workpapers.

At least annually, a review is conducted of our consultation policy and procedures to determine if they are appropriate and operating effectively. This review is normally accomplished in coordination with the annual inspection. Changes, if necessary, to the system are made based on the results of the review.

V. MONITORING

It is the policy of our Firm that our quality control system be monitored on an ongoing basis to provide the Firm with reasonable assurance that the policies and procedures established by the Firm for each of the other elements (including activities) of quality control are suitably designed and are being effectively applied. Monitoring procedures as they relate to the other elements (and activities) are included in the quality control procedures for each of the other elements. As an integral part of the monitoring process, our quality control system is inspected annually to determine whether the Firm has complied with its stated quality control policies and procedures. The procedures listed below are followed to ensure compliance with this policy.

1. Annually, the Firm managing partner, or his designee, selects an individual (inspector) to coordinate the inspection of the Firm's quality control system. The inspector and his team should possess adequate technical knowledge and

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experience and, when practical, should not be directly involved in the administration, supervision, or performance of the QC procedures or engagements each will inspect.

2. The inspector, in consultation with the Director of Accounting and Auditing, is responsible for determining the scope of the inspection, developing the inspection procedures, and performing the inspection. The Firm managing partner can require at his discretion that the inspection scope and procedures be approved by him before the inspection commences. The inspector should follow the guidelines listed below when determining the scope and designing the inspection procedures:
 - a. The inspection should be completed timely.
 - b. The inspector and his team will use the appropriate Monitoring Programs. The inspection will cover all of the Firm's stated quality control procedures and, will include a representative sample of administrative files, personnel files, engagement workpapers, and other evidential matter. The engagement reviews will include a cross-section of the Firm's engagements. The criteria for engagement selection may include, but is not limited to, the following:
 - i. Specialized, complex, and high-risk engagements (for example, employee benefit plans, Government Auditing Standards audits, financial institutions, security brokers and dealers, and SEC clients).
 - ii. First-year engagements.
 - iii. A cross-section of engagements based on the level of service performed (e.g., audit, review, compilation, and other attest).
 - iv. A cross-section of engagements from various partners and management level personnel having accounting and auditing responsibilities.
 - c. The inspection procedures should include inspection, observation, and inquiries to determine whether:
 - i. Checklists, forms, programs, or other documentation required by the Firm's QC system have been properly completed.
 - ii. Administrative and personnel policies have been complied with.
 - iii. Procedures performed on engagements are in accordance with both the requirements of authoritative literature and Firm policies.
 - iv. The engagement workpapers provide adequate evidence to support conclusions, opinions, and presentations resulting from that engagement.
 - v. The financial statements, reports, and other presentations resulting from the engagements conform to the measurement, presentation, and disclosure requirements of authoritative literature.
 - d. The inspection scope, and procedures, and findings will be documented in the work program.
3. At the conclusion of the inspection, the inspector is responsible for (a) discussing the results of the review with the supervisory personnel responsible for each of the engagements selected for review and (b) summarizing the deficiencies noted for each engagement reviewed. Once identified, the deficiencies are summarized and evaluated to determine whether:
 - a. Existing quality control policies and procedures should be modified.
 - b. Additional emphasis should be placed on specific industries or areas for future engagements.
 - c. The scope of the inspection, the findings, and the recommendations are then reported to the managing partner.
 - d. In addition to the Firm's annual inspection program, the Firm is subject every three years to a peer review in accordance with the requirements of the Center for Public Company Accounting Firms of the AICPA. The Director of Accounting and Auditing is responsible for scheduling and coordinating that review.
4. Based on the inspection report and, if appropriate, the peer review report, letter of comments, letter of response, and exit conference with the peer reviewer, the Firm Managing Partner and Director of Accounting and Auditing determine any corrective actions that should be pursued to improve, amend, or rectify the QC system.
5. The Partners meet annually or when needed on an interim basis and discuss the results of the inspection and the monitoring of all of the quality control elements (and activities) and the corrective actions determined to be needed.
6. The Director of Accounting and Auditing is responsible for monitoring and documenting the implementation of, and compliance with, any corrective actions.

Appendix C. Insurance Coverage



VERIFICATION OF INSURANCE

ISSUED TO: Parties at Interest

We, the undersigned Insurance Brokers, hereby verify that Nautilus Insurance Company, Catlin Specialty Insurance Company and Pioneer North American PL have issued the following described Professional Liability Insurance, which is in force as of the date thereof-

PROFESSIONAL LIABILITY INSURANCE

NAME OF INSURED: Cherry Bekaert LLP and others as more fully described in the Policy.

POLICY NUMBERS: PAP_1000004_P-6, APLQ-691352-1014, IM1403376

PERIOD OF INSURANCE: October 30, 2014 to October 30, 2015, 12:01 a.m. both days

SUM INSURED: \$10,000,000 Each claim and In the aggregate including costs, charges and expenses

SUBJECT TO ALL TERMS, CONDITIONS AND LIMITATIONS OF THE POLICY

This document is furnished to you as a matter of information only and is not insurance coverage. Only the formal policy and applicable endorsements offer a comprehensive review of the coverage in place. The issuance of this document does not make the person or organization to whom it is issued an additional insured, nor does it modify in any manner the contract of insurance between the Insured and the Insurer. Any amendment, change or extension of such contract can only be effected by specific endorsement attached thereto. Should the above described Policy be cancelled before the expiration date thereof, notice will be delivered in accordance with the policy provisions.

Issued at Chicago, Illinois

Lemme Insurance Group, Inc.

Date: October 31, 2014

Per: 
Cathy Kuehl
Vice President

First Section - Proposal to provide audit services Metropolitan Sewerage District of Buncombe County, North Carolina



CERTIFICATE OF LIABILITY INSURANCE

CHERR-2 OP ID: 9C

DATE (MM/DD/YYYY) 10/29/2014
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THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Scott Insurance (Rich) 1700 Bayberry Court Ste. 200 Richmond, VA 23226 Nancy Ahrens-Richmond	CONTACT NAME: Cherice Tracy PHONE (A/C No, Ext): 804-545-2200 FAX (A/C No): 804-545-2201 E-MAIL ADDRESS: ctracy@scottins.com														
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 70%;">INSURER(S) AFFORDING COVERAGE</th> <th style="width: 30%;">NAIC #</th> </tr> <tr> <td>INSURER A : Great Northern Ins Co (A++)</td> <td style="text-align: center;">20303</td> </tr> <tr> <td>INSURER B : CINCINNATI INS CO (A+)</td> <td style="text-align: center;">10677</td> </tr> <tr> <td>INSURER C : Chubb Indemnity Ins Co (A++)</td> <td style="text-align: center;">12777</td> </tr> <tr> <td>INSURER D :</td> <td></td> </tr> <tr> <td>INSURER E :</td> <td></td> </tr> <tr> <td>INSURER F :</td> <td></td> </tr> </table>		INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A : Great Northern Ins Co (A++)	20303	INSURER B : CINCINNATI INS CO (A+)	10677	INSURER C : Chubb Indemnity Ins Co (A++)	12777	INSURER D :		INSURER E :		INSURER F :	
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INSURER D :															
INSURER E :															
INSURER F :															
INSURED Cherry Bekaert LLP CBH Wealth Management, LLC Cherry Bekaert-Chernoff Diamon Cherry Bekaert International, Ray Christopher PO Box 27327 Richmond, VA 23261-7327															

COVERAGES CERTIFICATE NUMBER: **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WWD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input checked="" type="checkbox"/> PROJECT <input checked="" type="checkbox"/> LOC OTHER:			3589-47-97 RIC	10/01/2014	10/01/2015	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ INCL IN GA \$
A	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS			(14)7356-41-52	10/01/2014	10/01/2015	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
B	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$ 0			EUP0281005	10/01/2014	10/01/2015	EACH OCCURRENCE \$ 10,000,000 AGGREGATE \$ 10,000,000 \$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/ MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N	N/A	(14)7171-66-16	10/01/2014	10/01/2015	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTHER E.L. EACH ACCIDENT \$ 500,000 E.L. DISEASE - EA EMPLOYEE \$ 500,000 E.L. DISEASE - POLICY LIMIT \$ 500,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
For Information Only

CERTIFICATE HOLDER <div style="text-align: center; border: 1px solid black; padding: 5px;">SAMPLEC</div>	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE <div style="text-align: center;"> </div>
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Metropolitan Sewerage District of Buncombe County

BOARD INFORMATIONAL ITEM

Meeting Date: September 16, 2015

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 July 31, 2015

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 July 31, 2015 were \$46,108,203. The detailed listing of accounts is available upon request. The average rate of return for all investments is 0.448%. 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 July 31, 2015 do not reflect contractual commitments or encumbrances against said funds. Shown below are the total investments as of July 31, 2015 reduced by contractual commitments, bond funds, and District reserve funds. The balance available for future capital outlay is (\$3,430,224).

Total Cash & Investments as of 07/31/2015		46,108,203
Less:		
Budgeted Commitments (Required to pay remaining FY16 budgeted expenditures from unrestricted cash)		
Construction Funds	(21,014,055)	
Operations & Maintenance Fund	<u>(14,803,544)</u>	
		(35,817,599)
Bond Restricted Funds		
Bond Service (Funds held by trustee):		
Funds in Principal & Interest Accounts	(3,123)	
FY16 Principal & Interest Due	<u>(8,982,119)</u>	
		(8,985,242)
District Reserve Funds		
Fleet Replacement	(569,152)	
WWTP Replacement	(427,119)	
Maintenance Reserve	<u>(913,306)</u>	
		(1,909,577)
District Insurance Funds		
General Liability	(152,598)	
Worker's Compensation	(100,097)	
Post-Retirement Benefit	(1,337,271)	
Self-Funded Employee Medical	<u>(1,236,043)</u>	
		<u>(2,826,009)</u>
Designated for Capital Outlay		<u><u>(3,430,224)</u></u>

Staff Recommendation

None. Information Only.

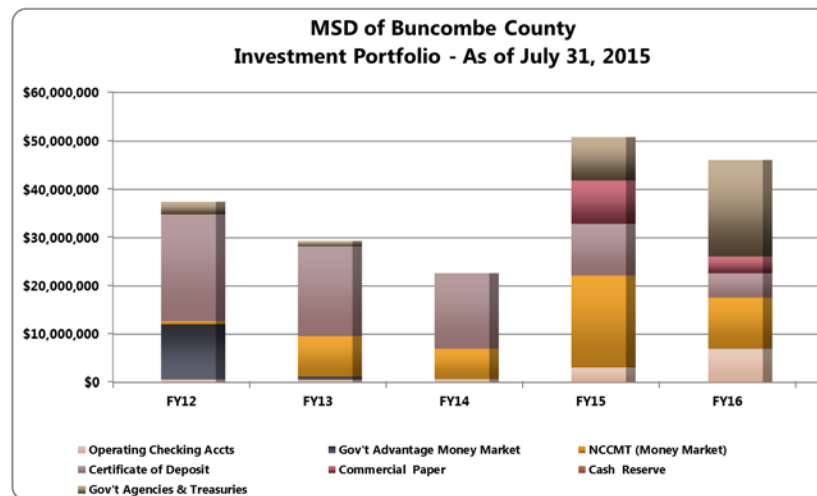
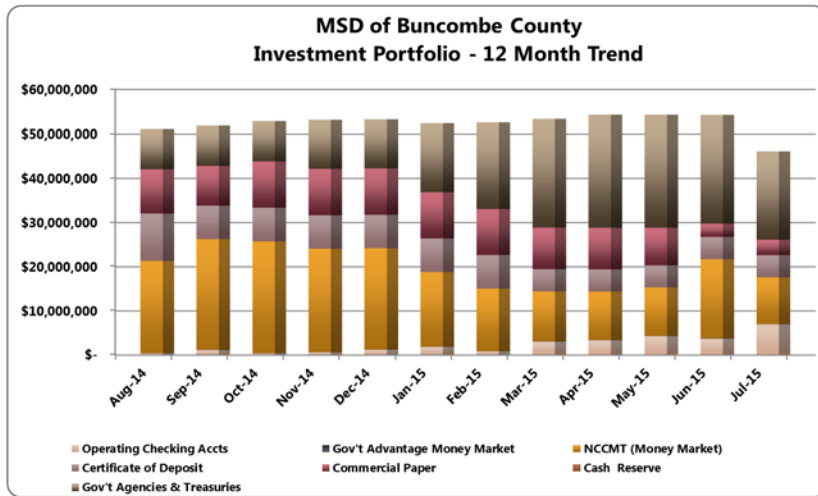
Action Taken

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	Cash Reserve	Gov't Agencies & Treasuries	Total
Held with Bond Trustee	\$ -	\$ -	\$ 3,123	\$ -	\$ -	\$ -	\$ -	\$ 3,123
Held by MSD	6,979,827	46,664	10,559,655	5,026,796	3,499,297	-	19,992,841	46,105,080
	\$ 6,979,827	\$ 46,664	\$ 10,562,778	\$ 5,026,796	\$ 3,499,297	\$ -	\$ 19,992,841	\$ 46,108,203

Investment Policy Asset Allocation	Maximum Percent	Actual Percent	
U.S. Government Treasuries, Agencies and Instrumentalities	100%	43.36%	No significant changes in the investment portfolio as to makeup or total amount.
Bankers' Acceptances	20%	0.00%	
Certificates of Deposit	100%	10.90%	The District's YTM of .52% is exceeding the YTM benchmarks of the 6 month T-Bill and NCCMT Cash Portfolio.
Commercial Paper	20%	7.59%	
North Carolina Capital Management Trust	100%	22.91%	
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		15.14%	
Gov't Advantage Money Market		0.10%	



Board Meeting:

September 16, 2015

Subject:

Cash Commitment/Investment Report-Month Ended July 31, 2015

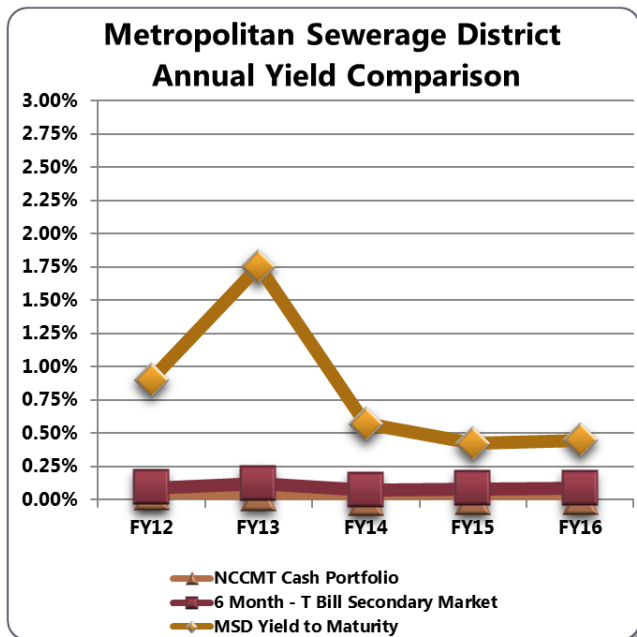
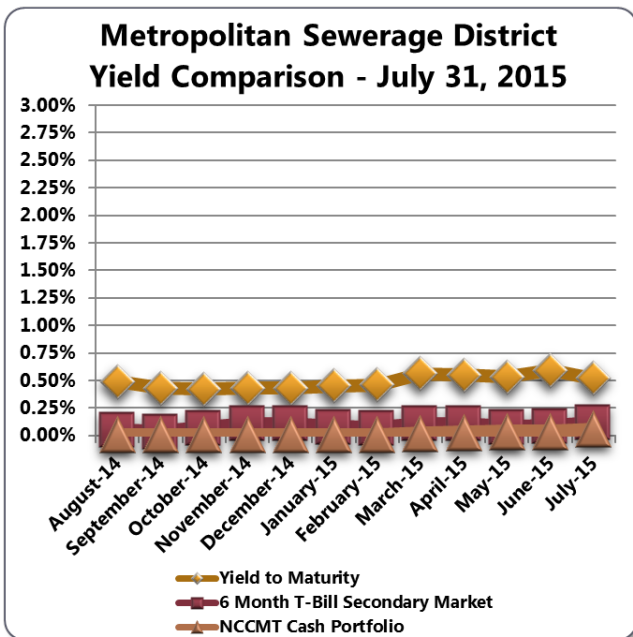
Page -3-

**METROPOLITAN SEWERAGE DISTRICT
INVESTMENT MANAGERS' REPORT
At July 31, 2015**

	Original		Interest Receivable
	Cost	Market	
Beginning Balance	\$ 41,059,536	\$ 41,059,536	\$ 425,144
Capital Contributed (Withdrawn)	(3,891,963)	(3,891,963)	
Realized Income	13,841	13,841	(12,259)
Unrealized/Accrued Income		-	16,388
Ending Balance	<u>\$ 37,181,414</u>	<u>\$ 37,181,414</u>	<u>\$ 429,273</u>

	Original Cost	Income
Cash Equivalents <91 Days	\$ 12,165,926	\$ 5,880
Securities/CD's 91 to 365 Days	17,017,648	8,225
Securities/CD's > 1 Year	7,997,840	3,865
	<u>\$ 37,181,414</u>	<u>\$ 17,970</u>

<u>Month End Portfolio Information</u>	
Weighted Average Maturity	352
Yield to Maturity	0.52%
6 Month T-Bill Secondary Market	0.12%
NCCMT Cash Portfolio	0.06%



Board Meeting:

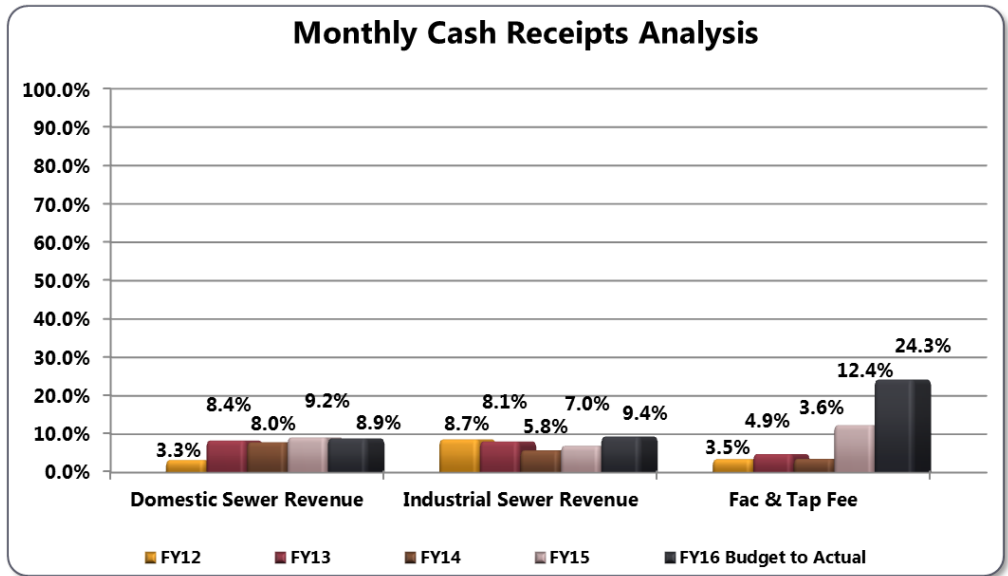
September 16, 2015

Subject:

Cash Commitment/Investment Report-Month Ended July 31, 2015

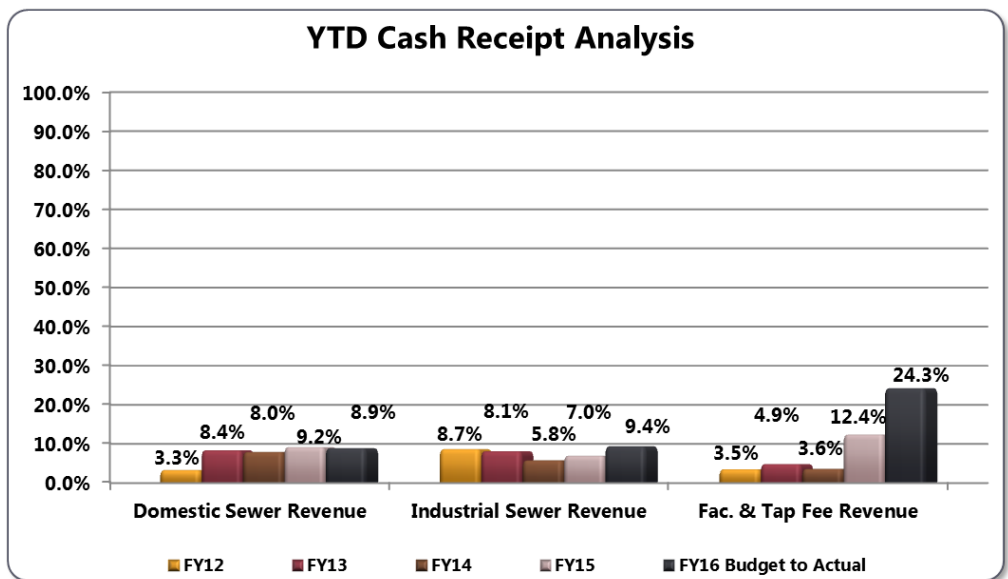
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**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF CASH RECEIPTS
As of July 31, 2015**



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 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 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:

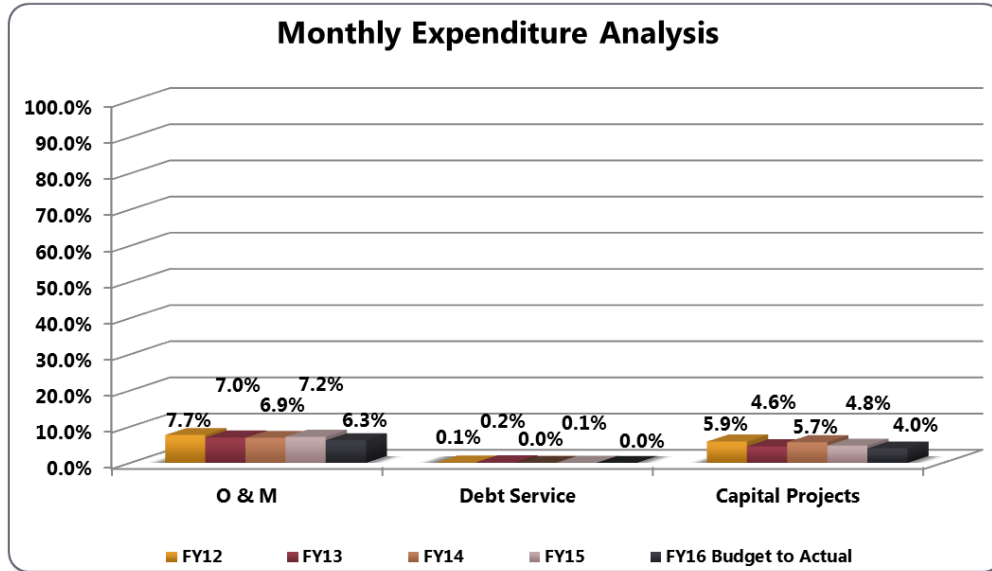
September 16, 2015

Subject:

Cash Commitment/Investment Report-Month Ended July 31, 2015

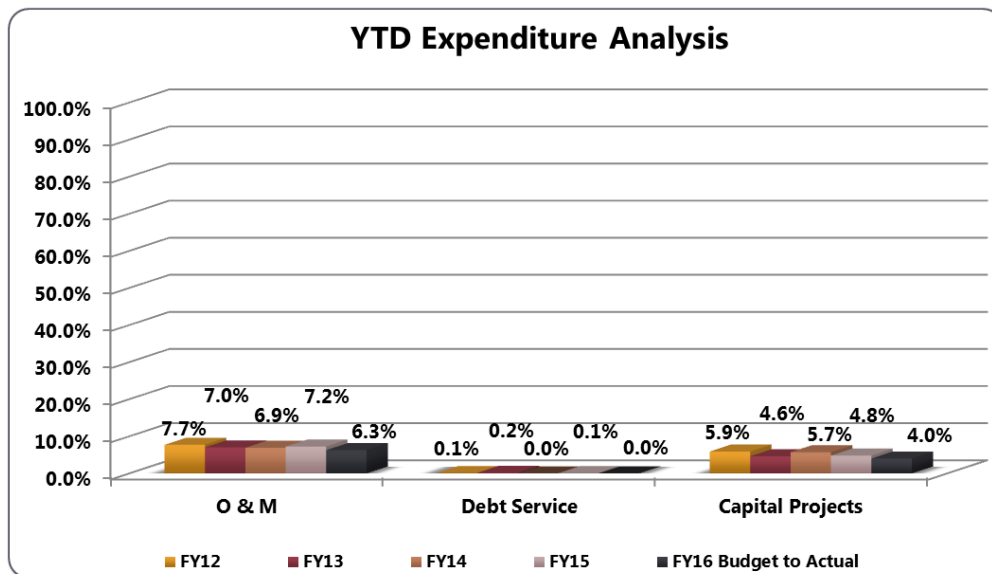
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**METROPOLITAN SEWERAGE DISTRICT
ANALYSIS OF EXPENDITURES
As of July 31, 2015**



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:

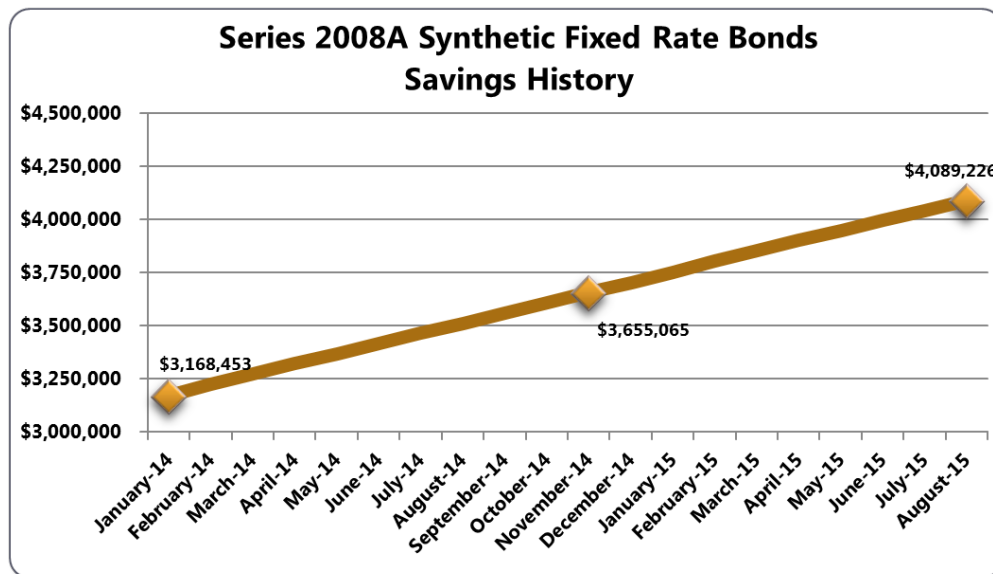
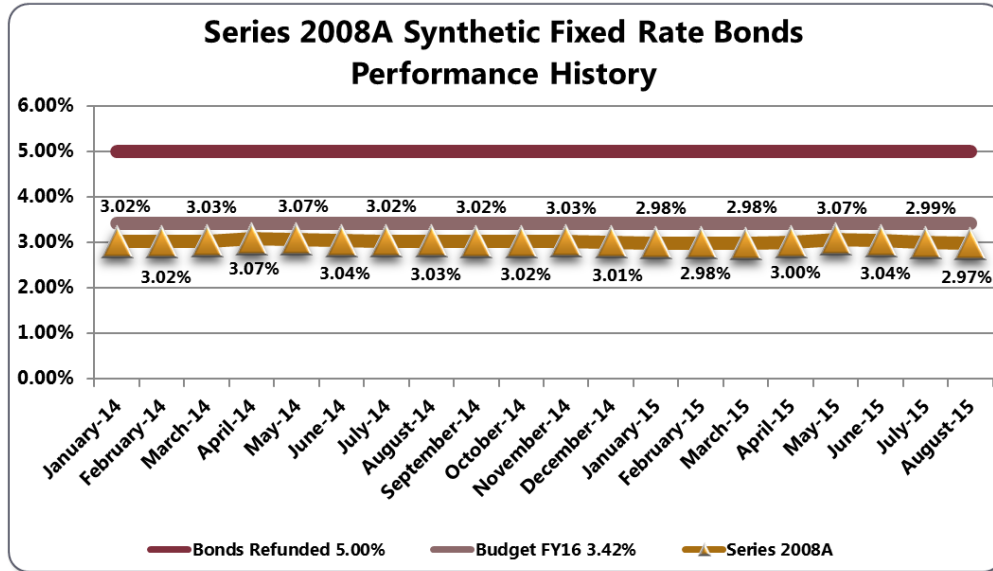
September 16, 2015

Subject:

Cash Commitment/Investment Report-Month Ended July 31, 2015

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METROPOLITAN SEWERAGE DISTRICT
VARIABLE DEBT SERVICE REPORT
As of August 31, 2015



Series 2008A:

- Savings to date on the Series 2008A Synthetic Fixed Rate Bonds is \$4,089,226 as compared to 4/1/2008 fixed rate of 4.85%.
- Assuming that the rate on the Series 2008A Bonds continues at the current all-in rate of 3.9475%, MSD will achieve cash savings of \$4,670,000 over the life of the bonds.
- MSD would pay \$4,761,502 to terminate the existing Bank of America Swap Agreement.

STATUS REPORTS

MSD System Services In-House Construction
FY 15-16 PROJECTS

PROJECT NAME		ESTIMATED FOOTAGE	ESTIMATED PROJECT DATES	WO#	CREW	COMPLETION DATE	ACTUAL FOOTAGE	Notes
Deanwood Circle Phase 2	Asheville	618	5/14/15 - 7/1/15	225521	631	7/1/2015	618	complete
590 Haywood Rd	W. Asheville	178	7/16/2015	225966	631	7/16/2015	180	complete
Rathfarnham Circle	Arden	520	7/5/15 - 8/1/15	212218	631	7/23/2015	522	complete
26 Claxton Place	Asheville	121	7/29/2015	224709	631	7/29/2015	121	complete
418 Cedar Lane	Royal Pines	815	7/8/15 - 8/7/15	220605	647	8/6/2015	862	complete
Locust Court Rehab	Royal Pines	100	8/10/15-8/14/15	223590	647	8/17/2015	98	complete
Mount Claire Sewer Rehabilitation	Asheville	656	8/3/15-8/21/15	216742	631	8/21/2015	664	complete
New Salem Road Rehabilitation	Swannanoa	50	8/17/15-8/21/15	226294	647	8/18/2015	34	complete
4 Hawthorne Lane	Montford/Asheville	178	8/24/15 - 9/2/15	226596	631	9/2/2015	178	complete
355 Lakeshore Drive	N. Asheville	300	8/19/15 - 9/5/15	225006	647			In construction
Covington Street Improvements	W. Asheville	295	9/8/15-9/11/15	200349	631			In construction
83 Grayclyn Rd	Asheville	380	9/8/15-10/1/15	220546	647			Ready for construction
Panola Street	Asheville	360	9/14/15 - 10/1/15	225178	631			Ready for construction
Hendersonville Rd @ Mills Gap Road	S. Asheville	200	FY 15-16	225237	647			ready for construction
School Road at Cranford Road	W. Asheville	360	FY 15-16	224943	TBA			ready for construction, MSD Project 2014084
Winnfred Street	W. Asheville	420	FY 15-16	208234	TBA			ready for construction
Sareva Place	N. Asheville	863	FY 15-16	20330	TBA			ready for construction
Starnes Avenue at Broadway Street	Asheville	400	FY 15-16	208325	TBA			ready for construction
Robindale Ave	Asheville	520	FY 15-16	45877	TBA			ready for construction
18 Crestland Road	Asheville	270	FY 15-16	46826	TBA			ready for construction
Carjen Avenue	N. Asheville	918	FY 15-16	20331	TBA			ready for construction
Hunt Hill Place	Asheville	786	FY 15-16	46650	TBA			ready for construction
111 Compton Drive	Asheville	360	FY 15-16	470614	TBA			In design
School Road at Woodland	W. Asheville	350	FY 15-16	224993	TBA			In design
149 Weston Rd	Arden	210	FY 15-16	225004	TBA			In design
Asheville County Club Phase 1	N. Asheville	1665	FY 15-16	225191	TBA			In design
Asheville Country Club Phase 2	N. Asheville	4030	FY 15-16	225192	TBA			In design
Christian Creek	Swannanoa	7000	FY 15-16	225200	TBA			In design
Spears Avenue Rehabilitation	Asheville	300	FY 15-16	225197	TBA			In design
Seventh St	Black Mountain	200	FY 15-16	225198	TBA			In design
Biltmore Avenue at Bryson Street	Asheville	200	FY 15-16	225195	TBA			In design



CONSTRUCTION TOTALS BY DATE COMPLETED - Monthly

From 7/1/2015 to 7/31/2015

	Dig Ups	Emergency Dig Ups	Dig Up ML Ftg	Dig Up SL Ftg	Manhole Repairs	Taps Installed	ROW Ftg	IRS Rehab Ftg *	Const Rehab Ftg *	D-R Rehab Ftg *	Manhole Installs	Bursting Rehab Ftg *	Total Rehab Ftg *
July 2015	31	7	87	489	32	12	0	91	1116	408	13	1,057	2672
Grand Totals	31	7	87	489	32	12	0	91	1116	408	13	1,057	2672

* Used to calculate Total Rehab Footage



PIPELINE MAINTENANCE TOTALS BY DATE COMPLETED - Monthly

July 01, 2015 to July 31, 2015

	Main Line Wash Footage	Service Line Wash Footage	Rod Line Footage	Cleaned Footage	CCTV Footage	Smoke Footage	SL-RAT Footage
2015							
July	98,340	1,112	3,630	101,970	35,280	18,250	7,999
Grand Total:	98,340	1,112	3,630	101,970	35,280	18,250	7,999
Avg Per Month:	98,340	1,112	3,630	101,970	35,280	18,250	7,999



CUSTOMER SERVICE REQUESTS

Monthly - All Crews

CREW	MONTH	JOBS	AVERAGE RESPONSE TIME	AVERAGE TIME SPENT
DAY 1ST RESPONDER				
	July, 2015	80	32	38
		80	32	38
NIGHT 1ST RESPONDER				
	July, 2015	14	19	25
		14	19	25
ON-CALL CREW *				
	July, 2015	28	39	46
		28	39	46
Grand Totals:		122	32	39

* On-Call Crew Hours: 10:30pm-7:30am Monday-Friday, Weekends, and Holidays

CAPITAL IMPROVEMENT PROGRAM

STATUS REPORT SUMMARY

September 9, 2015

PROJECT	LOCATION OF PROJECT	CONTRACTOR	AWARD DATE	NOTICE TO PROCEED	ESTIMATED COMPLETION DATE	*CONTRACT AMOUNT	*COMPLETION STATUS (WORK)	COMMENTS
BROADVIEW AVENUE	Oakley	Buckeye Bridge	7/16/2014	9/8/2014	9/11/2015	\$1,127,961.19	98%	Project is ready for pre-final inspection.
CLAYTON ROAD PUMP STATION	Skyland	J.S. Haren Company	11/19/2014	2/23/2015	10/18/2015	\$192,500.00	50%	Contractor working on pump station piping. Startup is expected this week.
HILLIARD AVENUE @ ASTON PARK	Asheville	Buckeye Bridge, LLC	8/19/2015	TBD	TBD	\$542,732.50	0%	Contracts have been received. Preconstruction meeting to be scheduled soon.
MELODY CIRCLE	Swannanoa	Terry Brothers	7/15/2015	8/3/2015	1/30/2016	\$954,087.50	20%	Project is progressing on schedule.
SHADOWLAWN DRIVE PHASE I	Asheville	Buchanan & Sons	12/17/2014	1/26/2015	9/18/2015	\$923,946.00	98%	Project is ready for pre-final inspection.
WRF - INCINERATOR SYSTEM REHABILITATION AND EMISSIONS UPGRADES	Woodfin	Haren Construction Company	2/18/2015	3/25/2015	2/23/2016	\$4,624,000.00	3%	Foundation work for Venturi Scrubber complete. Erection of supporting framework has begun.
WRF - INFLUENT PUMP STATION REHABILITATION: AFD REPLACEMENT	Woodfin	M.B. Haynes	8/19/2015	TBD	TBD	\$428,370.00	0%	Contracts have been received. A preconstruction meeting is scheduled for September 17th.

***Updated to reflect approved Change Orders and Time Extensions**

Planning & Development Project Status Report

Active Projects

September 16, 2015

#	Project Name	Project Number	Work Location	Units	LF	Pre-Construction Conference Date	Comments
1	Governor's Western Residence	2014100	Buncombe Co.	Comm.	636	7/22/2015	Installing
2	Greenwood Park Phase 1	2014067	Weaverville	7	283	9/1/2015	Pre-con held, ready for construction
3	Rivermill Lofts Relocation	2014125	Asheville	254	314	8/21/2015	Pre-con held, ready for construction
4	Givens Gerber Park	2014065	Buncombe Co.	260	357	8/7/2015	Installing
5	Hawthorne South	2014130	Asheville	250	400	8/7/2015	Testing
6	Ingles - Smokey Park Highway	2013135	Asheville	Comm.	1,289	4/11/2014	Waiting on final inspection
7	Conestee	2014149	Asheville	7	113	8/7/2015	Pre-con held, ready for construction
8	Audubon Apts. Phase 2	2014027	Buncombe Co.	86	16	5/27/2015	Waiting on final inspection
9	Hunt Hill Apartments	2013111	Asheville	180	1,729	3/5/2014	Waiting on final inspection
10	Rosebriar	2007005	Black Mountain	12	309	8/28/2014	Waiting on final inspection
11	Ventana	2014085	Woodfin	100	5,430	8/12/2014	Waiting on final inspection
12	Montreat Sports Complex	2015102	Montreat	Comm.	630	8/7/2015	Testing
13	Dilworth Apartments	2015001	Asheville	168	950	8/3/2015	Installing
14	Isaac Dickson School Relocation	2013033	Asheville	School	504	1/13/2014	Waiting on final inspection
15	A.B. Tech Fernihurst Relocation	2014061	Asheville	School	697	4/8/2014	Under Construction - on hold
16	Roberts Farm Phase 1	2015056	Black Mountain	250	1,165	7/29/2015	Installing
17	First Baptist Relocation	2015032	Asheville	Comm.	333	7/21/2015	Waiting on final inspection
18	Biltmore Lake Block "I"	2014128	Buncombe Co.	19	1,676	3/31/2015	Installing
19	Creekside Cottages	2014095	Buncombe Co.	7	504	3/12/2015	Installing
20	Crossings at Beaverdam	2014150	Woodfin	Comm.	119	2/18/2015	Waiting on final inspection
21	Creekside Village Phase 2	2014088	Weaverville	145	2,051	8/7/2015	Installing
22	Busbee Mountain	2007181	Asheville	9	580	9/29/2014	Testing
23	Country Inn & Suites - Westgate	2014089	Asheville	Comm.	204	1/22/2015	Waiting on final inspection
24	Burk Street - Phase III	2014079	Asheville	7	111	11/20/2014	Testing
25	Dillingham Woods	2014048	Asheville	27	375	3/4/2015	Installing
26	790 Riceville Road	2014078	Asheville	8	1,620	3/3/2015	Testing
27	Ramble Block "E"	2015030	Buncombe Co.	22	1,357	7/29/2015	Waiting to test
28	Haw Creek - Waters Road	2014086	Asheville	20	643	7/28/2015	Installing
29	Asheville Middle School	2013125	Asheville	School	214	9/30/2014	Waiting on final inspection
30	Robinhood Relocation	2013107	Asheville	5	230	7/23/2015	Pre-con held, ready for construction
31	Lakeside Meadows	2013067	Weaverville	25	1,096	1/16/2015	Waiting on final inspection
32	Crest Mountain Phase 3B	2013041	Woodfin	69	1,329	10/15/2013	Waiting on final inspection
33	Evolve Mountain View	2013105	Asheville	148	347	10/21/2014	Waiting on final inspection
34	26 Carl Alwin Place	2014091	Buncombe Co.	Comm.	246	5/1/2015	Waiting on final inspection
			TOTAL	2,085	27,857		