

Proposal to provide audit services

City of High Point, North Carolina

January 28, 2015

First Section – Relevant Company Experience

Your guide forward

Prepared by:

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 **Cherry BekaertTM**
CPAs & Advisors



January 28, 2015

Mr. Jeffery A. Moore, CPA, CGMA
Financial Services Director
City of High Point
211 S. Hamilton Street
Suite 214
High Point, NC 27260

RE: RFP for Audit Services

Dear Mr. Moore and City Council Members:

Cherry Bekaert LLP ("Cherry Bekaert" or the "Firm") would be honored to serve the City of High Point, North Carolina ("City") as its independent auditors and would be privileged to forge a valued partnership with the City. The City would be a flagship client for the North Carolina practice and our Firm. Our proposal will demonstrate and confirm that Cherry Bekaert possess the institutional knowledge, resources, personnel, and commitment to the City, the State of North Carolina and the public sector as a whole by providing high quality audit and attest services, both today and in the future.

Understanding of the Engagement

We understand that the City is requesting audit services to include both financial and compliance audits as outlined in the Request for Proposal (RFP). We understand that the City is requesting these services for the fiscal years ending June 30, 2015, 2016, 2017 and 2018. To facilitate your review of our qualifications, as requested within the RFP, our proposal has been arranged in order using the numbering system employed within the RFP to make for easy review and cross-reference.

Our Continued Commitment to the Public Sector

Cherry Bekaert serves over 120 local governments, authorities and agencies. In fact, public sector audits and consulting services comprise the largest industry segment among our client base, representing more than 25 percent of our Firm's total service complement. Specifically, our North Carolina practice audits many governments in the state including the Cities of Charlotte, Fayetteville, Asheville, Winston-Salem, Durham, Raleigh, and Greensboro, as well as the Counties of Mecklenburg, Durham, Guilford, Forsyth, and Cumberland. This background with the leading governmental entities in the state correlates to a proven audit approach that is effective and efficient, comprehensive and compliant.

No Surprises

We understand the importance of conducting an audit free from surprises. If selected, we commit 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 City to address any matters and develop the appropriate action plan. The City can rely on Cherry Bekaert, not only by reputation but also through our history of service to the City.

Summary of Costs

We understand and appreciate your desire for professional service providers who are not only highly qualified, but who are also cost-conscious and cost-effective, especially in today's environment. We are mindful that cost, along with quality, is always a consideration in selecting a professional services firm. Accordingly, we have structured our fee based on our strong desire to build a long-term relationship with the City. Our fees are generally based on the time required to complete the work at our established billing rates, plus reasonable out-of-pocket expenses, while also taking into account factors such as the complexity of the work, the skill required, time limits, the experience and abilities of our personnel, and the value of the services rendered.

If material changes in the City's scope (e.g., new component units, material changes in GAAP, new North Carolina compliance requirements) should occur, we would like the opportunity to discuss a reasonable fee modification with the City at such time and obtain your agreement on any increase in the fee before proceeding.

Why Cherry Bekaert is the Best Auditor for the City of High Point

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 City 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
- ▶ Minimal 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 City's operations, Goals and Challenges

We are excited about the opportunity to serve the City of High Point and are confident that you will find us fully capable of meeting your current and future needs. We strongly believe that our experience and qualifications ***allows only Cherry Bekaert to be the firm to assist the City.*** 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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First Section

1. Indicate the number of people by level located within the local office that will handle the audit. Briefly describe their roles and professional experience in governmental auditing.

Firm Resources

Headquartered in Richmond, Virginia, Cherry Bekaert has practice offices in Virginia, North and South Carolina, Georgia, and Florida. The 850-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 City will enjoy the benefits of:

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

Mid Carolina Practice

Our Mid Carolina service practice unit has 17 partners and a total of over 105 employees, serving clients through our Raleigh, Durham, Asheboro and Fayetteville offices in addition to the resources present in our other North Carolina offices. We manage audit engagements for over 30 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. 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. This ability to bring the best talent from any Firm office is a key reason why Cherry Bekaert is a leading audit services firm in North Carolina, currently numerous governments, in addition to numerous other state departments and other governmental entities.

The Raleigh office will be responsible for the proposed services, bringing the combined resources of over 12 partners, 16 senior managers/managers and over 75 service professionals to the full service of the City. With this critical mass of personnel and North Carolina client base, the service team members assigned to serve the City all have significant experience auditing governmental entities. Below is the breakdown of anticipated staff by level for the City's engagement:

Partner	Eddie Burke (Raleigh office)	Over 34 years of experience
Concurring Review Partner	Michelle Thompson(Raleigh office)	Over 25 years of experience
IT Principal	Neal Beggan(Washington office)	Over 15 years of experience

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Audit Manager	Justin Parks (Asheboro office)	Over 6 years of experience
IT Manager	Scott Hotop (Raleigh office)	Over 9 years of experience
Senior Accountant	Katie Jones (Asheboro office)	Over 8 years of experience

2. Identify your firm's current audit engagement of all North Carolina municipalities and counties having populations in excess of 50,000 and indicate which accounts have been served within the last three years.

Experience Serving Local Governments

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 government entities.

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 with a population in excess of 50,000 include the following entities:

Local Government	Services	Served Since
City of Asheville	Audit, GFOA, Single Audit, Consulting	2012
City of Charlotte	Audit, GFOA, Single Audit, Consulting	2004
City of Fayetteville	Audit, GFOA, Single Audit, Consulting	1998
City of Greensboro	Audit, GFOA, Single Audit, AUP	1997
City of Raleigh	Audit, GFOA, Single Audit, AUP	2002
City of Winston-Salem	Audit, GFOA, Single Audit, AUP	2008
Cumberland County	Audit, GFOA, Single Audit, AUP, Consulting	1987
Durham County	Audit, GFOA, Single Audit	1997
Forsyth County	Audit, GFOA, Single Audit	2009
Guilford County	Audit, GFOA, Single Audit	2000

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Local Government	Services	Served Since
Mecklenburg County	Audit, GFOA, Single Audit, Agreed Upon Procedures (AUP)	2004
Monroe County, FL*	Audit, GFOA, Single Audit	2005
NC Education Lottery	Audit, GFOA, Consulting	2007
NC Turnpike Authority	Audit	2009
Randolph County	Audit, GFOA, Single Audit	2005
RDU Airport Authority	Audit, GFOA, Single Audit	1993
Santee Cooper, SC*	Audit, Single Audit, Comfort Letters	2006
Town of Cary	Audit, GFOA, Single Audit, AUP, Consulting	2002
New Hanover County Schools	Audit, GFOA, Single Audit	2007
Asheboro City Schools	Audit, GFOA, Single Audit	1989
Johnston County Schools	Audit, GFOA, Single Audit	2009
Cumberland County Schools	Audit, GFOA, Single Audit	2012
City of Richmond, VA*	Audit, GFOA, Single Audit, AUP	2011

*Client served by Eddie Burke, not located in the state of North Carolina

3. Indicate the experience of the local office in providing additional services to government clients by listing the name of each government, the type(s) of service performed, and the year(s) of engagement.

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
- ▶ 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

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

Government Entity	Non-traditional Services Provided
City/County of Durham Convention Center, NC	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
Various Large State and Local Governments in NC, VA and FL	Cherry Bekaert preforms 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
City of Durham and Town of Cary, NC	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
Mecklenburg County, NC - MeckLINK	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

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Government Entity	Non-traditional Services Provided
Town of Smithfield, NC	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
City of Winston-Salem, NC	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
Town of Cary, NC (and Town of Morrisville)	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
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

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Government Entity	Non-traditional Services Provided
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
Town of Cary, NC	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
Cumberland County, NC	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
Virginia Department of Transportation, Richmond, VA	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

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4. Describe the experience, knowledge and training which your firm and assigned office have in performing examinations in accordance with the provisions of the Federal and State Single Audit Acts, as well as, but not limited to provisions contained in the United States General Accounting office publication, "Government Auditing Standard" (the yellow book). Provide a copy of the firm's Statement of Policy and Procedures.

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, including extensive knowledge and training in performing examinations in accordance with the provisions of the Federal and State Single Audit Acts, as well as, provisions contained in the United States General Accounting office publication, "Government Auditing Standard" (the Yellow Book).

We regularly have training on governmental topics and ensure that all engagement partners, managers and staff who will have some responsibility for planning directing or performing field work for government clients qualify under the continuing education requirements of the Yellow Book. Members of the City's proposed engagement team will continue to maintain their continuing education requirements as required by the Yellow Book for the length of the engagement contract.

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.

Our Firm Statement of Policy and Procedures is included as **Appendix A**.

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5. Describe your audit organization's participation in AICPA-sponsored or comparable quality control programs (peer review). Has the local office peer review included a review of the quality of any government audits? The firm is required to submit its most recent external quality control review report. Please provide information regarding any peer review deficiencies and/or desk or field reviews of your governmental audits by federal or State agencies (This information may be included under separate cover due to the confidential nature of some matters.)

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 B**. 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. The most recent peer review included government clients as part of the review process.

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

6. Describe the professional experience in similar governmental audits of each senior and higher level person assigned to the audit, the years on each job, and his/her position while on each audit. Indicate the percentages of time each senior and higher level personnel will be on site. Describe the professional experience of assigned individuals in auditing relevant government organizations, programs, activities, or functions (e.g., utilities: in particular grant compliance (esp. HUD), electric, mass transit, and landfills).

Our Engagement Team for the City has decades of experience in the Government sector, including experience working with utilities, grant compliance, including HUD, electric, mass transit, and landfills, and many others with local governments. Their qualifications, client work and percentages of time can be found on pages 15-21.

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7. Comment on your ability to assist City personnel in continuing to receive the GFOA Certificate of Achievement for Excellence in Financial Reporting.

We strongly believe in this program and our role helping the City continue 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 City's engagement team are very familiar with the requirements of the GFOA certificate program.

Specifically, all members of the City's engagement team have helped cities, counties, towns, and other local government organizations, including the City, prepare their Comprehensive Annual Financial Report 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 City
- ▶ 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 Comprehensive Annual Financial Report (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 some of the largest clients listed on pages 7-8. Specifically, our proposed engagement manager prepares the CAFRs at the City of Asheville and Cumberland County Schools, which both receive the GFOA's Certificate of Achievement for Excellence in Financial Reporting.

8. Describe the relevant educational background of each individual assigned to the proposed audit, senior level and higher. This should include seminars and courses attended within the past three years, especially those courses in governmental accounting and auditing.

9. Describe any specialized skills, training, or background in public finance of assigned individuals. This may include participation in State or national professional organizations, speaker or instructor roles in conferences or seminars, or authorship of articles and books. Please specifically include the number of GFOA and NCGFOA conferences participated in or attended in the last three years.

10. Describe your firm's personnel development program and your continuing professional education requirements. Identify specialized programs in the area of local government accounting and auditing.

Cherry Bekaert has a strong commitment to education. In accordance with the North Carolina Association of Certified Public Accountants, each of our CPAs attends at least 40 hours of continuing education each year. In addition, Cherry Bekaert also conducts a number of seminars, including our annual Government Seminar held in the spring.

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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 City.

A full list of each team member's CPE, including continuing education courses for GFOA, NCGFOA, AICPA, and NCACPA can be found in **Appendix C**.

Engagement Team Qualifications and Experience

We believe that our commitment to building a long-term relationship with the City is demonstrated by the strength of the engagement team we have selected to serve you, a team with dedicated government oriented members with the extensive experience the City deserves. Your engagement team will provide proactive service and valued business advice, assisting you in navigating day-to-day as well as addressing issues as they arise.

On-Site Representation

As evidence by our commitment to every client, we have a high level of partner, manager and senior involvement, as well as a high level of client attentiveness, continuity of service professionals, and high level of expertise on a year round basis. Also reflected in Section 2 of the proposal, the on-site percentages for Partners would be 10%, Manager 30%, IT Manager 1% and Staff/Senior Accountants 59%.

The following pages contain full biographies of the primary members of your service team. This best-in-class team will be easily accessible and provide the City with consistent and in-depth attention.

First Section – Relevant Company Experience
Proposal to provide audit services
City of High Point, 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 County's requirements, and delivered in a timely manner. 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.

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:*
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
Cleveland County Water (NC)
Metropolitan Sewerage District of
Buncombe County
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
Tourism Development Authority of
Guilford County
Tourism Development Authority of
Randolph County
Tourism Development Authority of
Forsyth County
Mecklenburg County EMS
Charlotte Firefighters

*Serves as either Engagement or
Concurring Reviewer Partner

First Section – Relevant Company Experience
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Michelle Thompson, CPA – Concurring Review Partner

As concurring review partner for the City, 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 Services, she directs, develops and evaluates personnel assigned to assurance, and is responsible for managing the revenue, utilization of resources, and direct cost associated with the delivery of assurance services to our clients. Prior to be appointed Managing Partner of Assurance, 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.

She serves as a member of our Government Contracting group, assisting commercial enterprises to successfully conduct business with the federal government. Additionally, Michelle is a member of the Government Services Group, where she focuses on product and service development. She has led the Firm's consulting efforts around new governmental accounting standards and was a primary developer of several suites of fraud and internal control services.

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: 20+

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:*

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
Cleveland County Water (NC)
Metropolitan Sewerage District of
Buncombe County
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
Tourism Development Authority of
Guilford County
Tourism Development Authority of
Randolph County
Tourism Development Authority of
Forsyth County
Mecklenburg County EMS
Charlotte Firefighters

*Serves as either Engagement or
Concurring Reviewer Partner

First Section – Relevant Company Experience
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Neal Beggan, CISA, CRISC, CRMA – Principal

Neal is a Principal in the Risk Advisory Services (RAS) Group of Cherry Bekaert. With the professional designation as a Certified Information Systems Auditor (CISA), he has over 15 years of IT audit, consulting and compliance experience including planning, managing and performing information technology reviews for compliance with Sarbanes-Oxley (SOX) 404, FISCAM, FFMIA, JFMIP, OMB A-123, OMB A-130 and SSAE 16 requirements to Federal, state, and local governments, as well as private sector businesses.

Prior to joining Cherry Bekaert, Neal worked at an international accounting and management firm as an IT manager where he was responsible for managing Sarbanes-Oxley 404 assistance projects for accelerated and non-accelerated filers across numerous industries. He provided end-to-end project management for clients to ensure compliance with Sarbanes-Oxley 404 requirements, performed walkthroughs, testing and remediation for IT entity level controls, IT general controls and IT application controls, assisted in the design and implementation of baseline IT processes and controls and streamlined IT control processes, reducing the number of key controls, and improving the efficiency of testing the controls.

Neal is a Certified Information Systems Auditor (CISA) and an Information Systems Audit Control Association (ISACA).



Years of Experience: 15+

Role on Engagement Team:
IT Principal

Education:
Bachelor of Business Administration, Finance
with a concentration in Computer Information
Systems (CIS), James Madison University

Relevant Client Experience:
Mecklenburg County, NC
Forsyth County, NC
City of Fayetteville, NC
RDU Airport Authority, NC
Piedmont Triad Regional Water Authority, NC
Cumberland County Board of Education, NC
Montgomery County, VA
Prince William County, VA
Loudoun County, VA
City of Portsmouth, VA
York County, VA
City of Charlottesville, VA
City of Hampton, VA
City of North Port, FL
Orange County, FL

First Section – Relevant Company Experience
Proposal to provide audit services
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Neal Beggan, CISA, CRISC, CRMA – Principal

Neal is a Principal in the Risk Advisory Services (RAS) Group of Cherry Bekaert. With the professional designation as a Certified Information Systems Auditor (CISA), he has over 15 years of IT audit, consulting and compliance experience including planning, managing and performing information technology reviews for compliance with Sarbanes-Oxley (SOX) 404, FISCAM, FFMIA, JFMIP, OMB A-123, OMB A-130 and SSAE 16 requirements to Federal, state, and local governments, as well as private sector businesses.

Prior to joining Cherry Bekaert, Neal worked at an international accounting and management firm as an IT manager where he was responsible for managing Sarbanes-Oxley 404 assistance projects for accelerated and non-accelerated filers across numerous industries. He provided end-to-end project management for clients to ensure compliance with Sarbanes-Oxley 404 requirements, performed walkthroughs, testing and remediation for IT entity level controls, IT general controls and IT application controls, assisted in the design and implementation of baseline IT processes and controls and streamlined IT control processes, reducing the number of key controls, and improving the efficiency of testing the controls.

Neal is a Certified Information Systems Auditor (CISA) and an Information Systems Audit Control Association (ISACA).



Years of Experience: 15+

Role on Engagement Team:
IT Principal

Education:
Bachelor of Business Administration, Finance
with a concentration in Computer Information
Systems (CIS), James Madison University

Relevant Client Experience:
Mecklenburg County, NC
Forsyth County, NC
City of Fayetteville, NC
RDU Airport Authority, NC
Piedmont Triad Regional Water Authority, NC
Cumberland County Board of Education, NC
Montgomery County, VA
Prince William County, VA
Loudoun County, VA
City of Portsmouth, VA
York County, VA
City of Charlottesville, VA
City of Hampton, VA
City of North Port, FL
Orange County, FL

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Justin Parks, CPA – Audit Manager

As Audit Manager, Justin is a licensed Certified Public Accountant with over six years of experience with clients in governmental entities, public agencies and not-for-profit organizations. He brings to this engagement a strong understanding and experience in all phases of financial auditing including engagement planning, performance of audit tests and report writing. He has experience with federal and state compliance audits and federal single audits, including HUD and federal and state transit programs.

He has very experienced in documenting, evaluating and identifying areas of improvement in internal controls and process, assistance with GFOA certification, single auditing in accordance with A-133 and assisting in the drafting of financial statements for local government organizations.

Justin served as engagement manager on the Town of Smithfield consulting project. During this time, Cherry Bekaert served as the interim finance director of Town of Smithfield for a period of several months. Justin 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, he supervised and managed the compliance and financial portions of a major capital project with multiple funding sources.

Justin 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).



Role on Engagement Team:
Audit Manager

Education:
Bachelor of Science in
Accounting and Finance from
University of North Carolina at
Greensboro

Masters of Science in Accounting
from University of North Carolina
at Greensboro

Relevant Client Experience:
City of Asheville, NC
City of Winston-Salem, NC
Town Smithfield, NC
Guilford County, NC
Forsyth County, NC
Randolph County, NC
Monroe County, FL
New Hanover Board of Education
Asheboro City Schools
Cumberland County Schools
Johnston County Schools

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Scott Hotop, CISA, CTGA – IT Audit Manager

Scott is an Information Technology Audit 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 9 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).

Scott 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: 9+

Role on the Engagement Team:
IT Audit Manager

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

Relevant Client Experience:

Mecklenburg County, NC
Durham County, NC
Wake County, NC
Forsyth County, NC
City of Winston-Salem, NC
City of Greensboro, NC
City of Durham, NC
Forsyth County, NC
Town of Cary, NC
Durham Convention Center
Asheboro City Schools
Johnston County Board of Education
Montgomery County, MD
Monroe County, FL

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Katie Jones, CPA, Senior Accountant

Katie has 8 years of experience with clients in governmental, school boards, manufacturing, and retail industries. She brings to this engagement a strong understanding and experience in all phases of financial auditing including engagement planning, performance of audit tests and report writing. She also has experience with federal and state compliance audits and federal single audits.

Katie has experience in documenting, evaluating and identifying areas of improvement in internal controls and process, assistance with GFOA certification, single auditing in accordance with A-133 and assisting in the drafting of financial statements for local government organizations.

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

Katie 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: 8+

Role on the Engagement Team:
Senior Accountant

Education:
Bachelor of Science in Accounting,
Methodist College

Relevant Client Experience:
City of Winston-Salem, NC
Guilford County, NC
Randolph County, NC
Piedmont Triad Water Authority, NC
Asheboro City Schools
Johnston County Board of Education
Monroe County, FL

Integrated Team Specialists

We will evaluate the work of the City'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 their related impact on the audit procedures and related financial statement opinions.

Additional Staff

In the Mid Carolina offices, the Firm has over 35 governmental auditors, ready to be part of the team that serves the City and whom are experienced with the issues facing the City through their own service to the City's peers throughout North Carolina. This critical mass and bench strength in North Carolina, augmented by our firm's Government Services Group, provides the Firm a 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.

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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.

Engagement Team Continuity

We believe knowledge, efficiency and effectiveness are optimized over time in a client relationship. We, therefore, strive to maintain continuity in partners and key professionals from beginning to end of an engagement and from year to year.

As a practice in the mentoring and development of our staff, we normally experience a progression of staff responsibility during the years of service on the engagement. For many of our tenured clients, we have professionals that began as staff accountants and progressed to serve as managers and senior managers on that engagement.

We reassign staff to jobs for continuous years, allowing their knowledge of the client to increase the efficiency of our team. Staff continuity benefits both the City and the Firm — you gain the support of professionals who truly understand your environment; we gain professionals with industry-specific expertise. Periodically, we will introduce new staff to a particular client.

Staff Continuity and Turnover

We are very aware of the importance of staff continuity on an engagement and realize the benefit this has on efficiency. We schedule our engagement teams to maintain consistent personnel with clients to ensure these valuable relationships are maintained. Although all public accounting firms experience turnover, we pride ourselves on low staff turnover.

We believe knowledge, efficiency and effectiveness are optimized over time in a client relationship. We strive to maintain continuity in partners and other key professionals from the beginning to the end of an engagement and from year to year.

We assign staff to jobs for continuous years, allowing their knowledge of the client to increase the efficiency of our team. Staff continuity will benefit the City - you gain the support of professionals who truly understand your environment. We will periodically introduce new staff to a particular client. Bringing fresh talent and insight to the engagement team provides new ideas, while maintaining team continuity creates efficiency and reduces the learning curve for new team members.

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11. Describe your firm's capability and experience in providing management consulting services to local government units.

In addition to the management consulting services provided on pages 8-11, our deep knowledge of the City's business operations allows us to critically evaluate the City and provide resources and assistance in all areas of the engagement. Details about other consulting services to consider:

- ▶ Implementation of the new GASB Statements
- ▶ Pre-/Post- Implementation Services
- ▶ Procurement-to-Pay Services

Implementation of new GASB Statements

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

- ▶ Statement No. 67 - Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25
- ▶ 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

Pre-Post Implementation Services

Cherry Bekaert's Risk Advisory Services (RAS) Group provides seasoned partner and manager-level personnel who possess the unique skillsets required to assess an organization's ERP system implementation and evaluate the organization's implementation strategy, process design, execution, and related controls. We can provide business risk advisory services to an organization in assessing the organization's business risks and control processes related to the ERP implementation project. We recommend plans for making improvements to the organization's control processes and assist in implementing these improvements to meet the organization objectives. We can also provide information to assist the organization's management with making their decisions to go-live date of the new system and identify process improvement opportunities and control gaps leveraging on process and information technology knowledge.

Procurement-to-Pay Services – Risk and Cash Management

Through the RAS Group, our experience shows that most organizations miss opportunities, miss objectives, and incur errors and losses for three main reasons: 1. Blindsided by unforeseen circumstances, 2. Known risk areas were not appropriately managed and 3. Internal controls failed through poor design and/or execution. To improve the City's bottom line and better manage potential risks, Cherry Bekaert can assist the City in the creation of a control maturity initiative for the Procurement to Payment ("P2P") business cycle. This initiative can help the City leverage their system of internal controls to better manage risk, enable growth and promote sustainability.

If additional consulting services are required and/or desired by the City, we will utilize our risk advisory, IT and other consulting specialists, many of whom are located in the North Carolina practice and throughout the Firm.

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12. Provide a tentative schedule for completing the audit. Please provide a sample audit timeline that indicates the approach and length of time required to conduct interim and final fieldwork.

The following schedule contains our planned timing and sequence for the audit of the City, 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 City's staff. We have read the audit timeline details provided in the RFP and we fully commit to expediting the audit to meet the deadlines and time requirements of the City.

Preliminary Audit Timeline for the City	May/June	July	Aug.	Sept.	Oct.	Nov.
Phase I – Orientation and Planning						
Entrance conference with City Manager						
Strategy meeting with the City's management						
Review prior year's information						
Review and document the City'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 Single Audit compliance testing						
Perform year end cut-off procedures						
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 City personnel						
Phase IV – Report Preparation and Audit Completion						
Prepare management letters						
Exit Conference with City Manager and review financial statements with the City management						
Complete audit report and financial statements						

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Preliminary Audit Timeline for the City	May/June	July	Aug.	Sept.	Oct.	Nov.
Conduct post-audit conference						
Present report and management letter to the City						

13. Briefly comment on the assistance expected from City staff. Please provide a sample PBC (Prepared by Client) list for a municipality.

We realize the City of High Point's accounting staff's time should be utilized in an efficient manner. We have planned our audit approach to keep our requests organized and limited. After we have completed our initial planning meeting and documented internal controls, we will meet with the City's staff to go over a preliminary list of schedules to be prepared for testing. Our requests generally include trial balances and year-end reports, reconciliations and subsidiary ledgers, the retrieval of documentation to support account balances and a preliminary schedule of expenditures of federal and state awards.

Therefore, assistance from the City's staff will enable us to perform the audit in an effective and efficient manner. Our fees have been determined based upon the savings associated with the City's accounting staff's assistance and help. More detailed information is provided in Section 2.

A sample PBC List is provided as **Appendix D**.

14. Describe liability insurance coverage arrangements.

The Firm maintains adequate insurance coverage to meet the needs of the City. 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 E**.

15. 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 serve the City.

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16. Provide names, addresses, and telephone numbers of personnel of current and prior governmental audit clients who may be contacted for reference.

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 Asheville, NC (current client)

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

City of Greensboro, NC (current client)

Richard Lusk, Finance Director
P.O. Box 3136
Greensboro, NC 27402
rlusk@traid.rr.com
336.373.2094

City of Raleigh, NC (current client)

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

Town of Cary (current client)

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

Town of Wake Forest (new client in 2014)

Aileen Staples, Finance Director
301 S. Brooks Street
Wake Forest, NC 27587
astaples@wakeforestnc.gov
919.435.9461

City of Winston-Salem, NC (current client)

Lisa Saunders, Chief Financial Director
101 N. Main Street
Winston-Salem, NC 27101
lisas@cityofws.org
336.747.6911

City of Charlotte, NC (current client)

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

City of Fayetteville, NC (current client)

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

Town of Fuquay-Varina current client)

Carla Morgan, Finance Director
401 Old Honeycutt Road
Fuquay-Varina, NC 27526
chmorgan@fuquay-varina.org
919.552.1439

Wake County, NC (prior client)

Susan McCullen, Deputy Finance Director
337 S. Salisbury St.
Raleigh, NC 27601
smccullen@wakegov.com
919.865.6141

Appendix A. 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:

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- 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 hirees 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

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the Firm are communicated to those responsible for hiring. In making assignments, consideration is given to factors such as:

- 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

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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.

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.

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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.
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 collectability 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.

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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.
 - 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:

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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.
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

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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:

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

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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 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.

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Appendix B. 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

EisnerAmper LLP
Iselin, NJ

New York New Jersey Pennsylvania Cayman Islands
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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

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*Appendix C. Full List of CPE Records for Engagement Team**

***All engagement team members meet or exceed the requirement of 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).**

Eddie Burke

GFOA 108th Annual Conference- Day 2
GFOA 108th Annual Conference- Day 1
NCGFOA Spring Conference
NC Government Finance Officers Association
2013 Annual Summer Conference - NCGFOA
2013 Spring Conference Day 1, 2, 3 - NCGFOA
GASB 67 Webinar
HIPAA Awareness and Authorized User Training
2014 Local Government Conference
2014 Edu/Gov/NFP Conference-Common Reporting & Auditing Deficiencies
2014 Edu/Gov/NFP Conference-Single Audit Workpapers
2014 Edu/Gov/NFP Conference-Research Skills
2014 Edu/Gov/NFP Conference-Top Risks Facing Not-For-Profits & Governments
2014 Edu/Gov/NFP Conference-Comparison of ICOC v Compliance
2014 Edu/Gov/NFP Conference-Testing Internal Controls over Compliance
2014 Edu/Gov/NFP Conference-Testing & Compliance
2014 Edu/Gov/NFP Conference-Advanced Contribution & Endowment Accounting
2014 Edu/Gov/NFP Conference-Common Problems in a Single Audit
2014 Edu/Gov/NFP Conf - NFP A&A Update
2014 Government Seminar - Greensboro, NC
Advanced Audit-Raleigh
Regional Government Training -2013 Raleigh
Single Audit BootCamp-Raleigh
Single Audit Bootcamp-Richmond
A&A Webcast- Sampling Theory and New Cherry Bekaert Tool
A&A Webcast Sampling Theory and New Cherry Bekaert Tool

Michelle Thompson

GASB 67 Webinar
HIPAA Awareness and Authorized User Training
2014 RAS Training-Day 2
2014 RAS Training-Day 1
Advanced Audit- Hampton Roads
Single Audit BootCamp-Raleigh
2012 Government Update - Rebroadcast
A&A Webcast - Sampling Theory and New Cherry Bekaert Tool - Rebroadcast
Clarity Standards - Engagement Letters/Client Acceptance - Rebroadcast
A&A Webcast Sampling Theory and New Cherry Bekaert Tool
Government Accounting and Auditing Update
Frequent Frauds Found in Governments
2011 Governmental and Nonprofit Annual Update: GASB Activities
2010 Quarterly Update - Gov/NFP #1 (Winter): SAS No. 117 and GASB Nos. 57 & 58
2011 Quarterly Update-Gov/NFP#2(Spring): GASB No. 60 to GASB No. 62
2010 Quarterly Update-Gov/NFP#3(Summer): SASs 118-120, Recent AICPA Q&As Related to NPOs and GASB 59
Advanced A&A Training- The CBH Way and Risk Assessment

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Neal Beggan

Spreadsheet Server for GL Training
System Development and Implementation Control Objectives
Revenue Recognition
Project Risk For ERP Implementations: A Material Change to the System of Internal Control
Audit U 2014- RAS- SOC 1 and SOC 2 Engagements
Audit U 2014- RAS- Internal Audit
Audit U 2014- RAS- Risk Assessments
Audit U 2014- RAS- Procurement to Payment
2014 RAS Training-Day 1
Project Risk Reviews - Purpose, Benefits, and a Walk Through of a Typical Project
RAS Retreat
Regional Government Training-2013 Richmond
Special Seminar-Auditor Role System Implementation
Introduction to IT Risks & Controls
A&A Webcast Sampling Theory and New Cherry Bekaert Tool
2012 Government Update
CBH A&A Update- A&A Tomorrow
2011 ITAG Retreat & Training
Racing Toward Audit Excellence ALGA Annual Conference

Justin Parks

2014 Annual Summer Conference- Day 2 - NCGFOA
2014 Annual Summer Conference- Day 1 - NCGFOA
Audit U 2014- Excel for Auditors- Elective
Audit U 2014- Data Extraction- Elective
Audit U 2014- Level 6- Uncorrected Misstatements & Control Deficiencies
Audit U 2014- Level 6- File Review & Documentation
Audit U 2014- Level 6- Risk Based Audit
Audit U 2014- Level 6- Results of Substantive Procedures
Government/Single Audit Bootcamp
2014 Edu/Gov/NFP Conference-Testing Internal Controls over Compliance
2014 Edu/Gov/NFP Conference-Testing & Compliance
2014 Edu/Gov/NFP Conference-GASB Update
2014 Edu/Gov/NFP Conference-Single Audit Workpapers
2014 Edu/Gov/NFP Conference-Research Skills
2014 Edu/Gov/NFP Conference-Alternative Investments
2014 Edu/Gov/NFP Conference-Common Problems in a Single Audit
2014 Edu/Gov/NFP Conf - NFP A&A Update
2014 Edu/Gov/NFP Conference-Advanced Contribution & Endowment Accounting
2014 Edu/Gov/NFP Conference-Common Reporting & Auditing Deficiencies
2014 Edu/Gov/NFP Conference-Top Risks Facing Not-For-Profits & Governments
2014 Government Seminar - Greensboro, NC
New Single Audit Requirements
Regional Government Training -2013 Raleigh
Single Audit BootCamp-Raleigh
A&A Webcast- Sampling Theory and New Cherry Bekaert Tool
A&A Webcast Sampling Theory and New Cherry Bekaert Tool
ITAG Update
2012 Government Update
CBH A&A Update- A&A Tomorrow
Clarity Standards- Local Learn (Asheboro)
2012 Regional Government Training
Everything You Need to Know About Single Audit
Senior Staff Audit Training- Level 4
Regional Government Training

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Scott Hotop

Audit U 2014- RAS- SOC 1 and SOC 2 Engagements
Audit U 2014- RAS- Risk Assessments
Audit U 2014- RAS- Internal Audit
Audit U 2014- RAS- Procurement to Payment
Audit U 2014- RAS Manager/Senior Manager- COSO
Audit U 2014- Manager/Senior Manager- Data Analytics & Fraud Testing in the Audit- AU-C 240
2014 Institute of Internal Auditors Mid-Atlantic District II Conference
2014 RAS Training-Day 1
A&A Webcast- Sampling Theory and New Cherry Bekaert Tool
A&A Webcast Sampling Theory and New Cherry Bekaert Tool

Katie Jones

GASB 67 Webinar
NC Local Government Auditing, Reporting & Review
2014 Edu/Gov/NFP Conference-Single Audit Workpapers
2014 Edu/Gov/NFP Conference-Research Skills
2014 Edu/Gov/NFP Conference-Alternative Investments
2014 Edu/Gov/NFP Conference-Common Problems in a Single Audit
2014 Edu/Gov/NFP Conference-Testing Internal Controls over Compliance
2014 Edu/Gov/NFP Conference-Testing & Compliance
2014 Edu/Gov/NFP Conference-GASB Update
2014 Edu/Gov/NFP Conf - NFP A&A Update
2014 Edu/Gov/NFP Conference-Advanced Contribution & Endowment Accounting
2014 Edu/Gov/NFP Conference-Common Reporting & Auditing Deficiencies
2014 Edu/Gov/NFP Conference-Top Risks Facing Not-For-Profits & Governments
New Single Audit Requirements
Government 101 - Webcast
Regional Government Training -2013 Raleigh
Single Audit BootCamp-Raleigh
A&A Webcast Sampling Theory and New Cherry Bekaert Tool

Appendix D. Sample PBC List

City of High Point, North Carolina
For fiscal year ending June 30, 2015
PBC List

General:

- Current year approved and budget
- Current year trial balance
- All internal auditors' reports, memos, and audit related documents pertaining to fiscal year under audit (including any monitoring reports received from granting, regulatory or any outside agency)
- Please complete the budget checklist provided by Cherry Bekaert
- A listing of all attorney's used during the current year and the type of services they performed (litigation, retainer, etc.). For any that performed litigation services, also, please provide their contact information.
- Copy of significant City policies (e.x. – Conflict of Interest, Investment, Debt, Purchasing, etc.)
- Copy of all debt agreements
- Copy of any agency or joint venture agreements
- Copy of any lease agreement
- Process narratives for the transaction cycles
- Revenue and debt confirmations as determined necessary

Cash:

- Listing of all bank accounts
- June 2015 bank statements and reconciliations
- July 2015 bank statements and reconciliations
- LGC 203 report and supporting documentation

Investments:

- Summary of all investments
- June 2015 investment statements and reconciliations
- July 2015 investment statements and reconciliations

Revenue and Receivables:

- Summary of all revenue sources and the receivables
- Explanation for the calculation of allowance for uncollectible accounts.
- Requests related to the utility testing will be tailored based on discussion with the City to determine what should be requested.
- Requests related to the tax revenue and receivable testing will be tailored based on discussion with the City to determine what should be requested.
- Listing of items making up the Due from Other Governments balance. Additional information may be requested.

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Capital Assets:

- Capital assets roll forward schedules
- Reconciliation of capital outlay to current year additions
- Supporting schedules for current year additions and disposals as well as ending balances (to include depreciation)
- Please note if there are any impaired fixed assets
- Please note if there have been any transfers between funds.
- Please note if there was any donated property and how that property was valued.
- Please provide detail for any capitalized interest.
- Please provide a detail list of all open projects in CIP at year end.

Expenses / AP:

- Listing of AP as of year end
- Listing of cash disbursements from July 1 through fieldwork

Payroll:

- Please provide supporting documentation for the last payroll in June – to include the payroll accrual.

Debt:

- Debt roll-forward schedule
- Listing of all debt covenants and detail of compliance
- Any applicable arbitrage rebate reports
- Compensated absences schedule - subledger
- Most current OPEB actuarial valuation and any other actuarial reports

Landfill:

- Requests related to the landfill will be tailored based on discussion with the City to determine what should be requested.

Fund Equities:

- Summary of fund balance and net position classifications
- Please note any new / additional fund balance restrictions in the current year, as well as, any restrictions from the prior year that do not apply to the current year.
- Calculation for general fund reserve by state statute
- Please note if there have been any postings to fund balance or net assets during the current year under audit
- Please provide net assets/fund balance and capital assets net of related debt schedules

Single Audit (general)

- Please provide a preliminary schedule of federal and state expenditures
- Please provide any monitoring reports related to this fiscal year

Single Audit (to be tailored to each major program):

- Please a process and control narrative for this program
- Please provide a copy of the related grant awards
- Please provide a list of grant expenditures
- Please provide applicable reporting related to the grant
- Please provide a list of related contracts
- Please provide detail of reimbursement or funding requests
- Please provide detail of program income and related accounting

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Appendix E. 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

Lemme Insurance Group, Inc. | 111 West Campbell Street | 16th Floor | Arlington Heights, IL 60005 | Tel: 847.385.6000 | www.lemme.com