

December 5, 2018

Mr. Harley Will  
Finance Director  
Guilford County Finance Department  
201 South Greene Street  
Greensboro, NC 27402

Dear Mr. Will:

This letter of arrangement between Guilford County (the “County”) and Cherry Bekaert LLP (the “Firm” or “Cherry Bekaert”) sets forth the nature and scope of the services we will provide, the County’s required involvement and assistance in support of our services, the related fee arrangements, and other terms and conditions designed to assure that our professional services are performed to achieve the mutually agreed-upon objectives of the County and the Federal Transit Administration (“FTA”).

#### **SUMMARY OF SERVICES**

We will apply the agreed-upon procedures which the FTA has specified, listed in the attached Schedule A (the “schedule”), on the application of the requirements of the FTA by the County, as set forth in the FTA’s applicable National Transit Database (“NTD”) Uniform System of Accounts (“USOA”), for the fiscal year ended June 30, 2018. This engagement is solely to assist the County and FTA in determining conformance with the USOA requirements.

Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Because the agreed-upon procedures listed in the attached schedule do not constitute an examination, we will not express an opinion on the procedures as listed in the schedule. Our report will include a statement to that effect. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule.

We will issue a report upon completion of our engagement listing the procedures performed and our findings. If for any reason, we are unable to complete any of the procedures, we will describe in our report any restrictions on the performance of the procedures, or not issue a report and withdraw from the engagement. The report is intended solely for the use of the County and the FTA, and should not be used by anyone other than these specified parties. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

An agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations; however, we will communicate to you any known and suspected fraud and noncompliance with laws and regulations affecting the application of the requirements of the FTA, as set forth in its applicable NTD USOA, that come to our attention. In addition, if in connection with this engagement, matters come to our attention that contradict the application of the requirements of the FTA, as set forth in its applicable NTD USOA, we will disclose those matters in our report. Such disclosures, if any, may not necessarily include all matters that might have come to our attention had we performed additional procedures or an examination or review.

### **YOUR EXPECTATIONS**

The County recognizes that our professional standards require we be independent from you in our agreed-upon procedures and our accompanying report in order to ensure that our objectivity and professional skepticism have not been compromised. As a result, we cannot enter into a fiduciary relationship with you and you should not expect that we will act only with due regard to your interest in the performance of the agreed-upon procedures and you should not impose on us special confidence that we will conduct the agreed-upon procedures with only your interest in mind. Because of our obligation to be independent of you, no fiduciary relationship will be created by this engagement or agreed-upon procedures.

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

### **MANAGEMENT'S RESPONSIBILITIES RELATED TO AGREED-UPON PROCEDURES**

You are responsible for the presentation of the requirements of the FTA, as set forth in its applicable NTD USOA in accordance with the schedule, and for selecting the criteria and determining that such criteria are appropriate for your purposes. You are also responsible for, and agree to provide us with, a written assertion about the requirements of the FTA, as set forth in its applicable NTD USOA. In addition, you are responsible for providing us with (1) access to all information of which you are aware is relevant to the performance of the agreed-upon procedures on the subject matter, (2) additional information that we may request for the purpose of performing the agreed-upon procedures, and (3) unrestricted access to persons within the County from whom we determine it necessary to obtain evidence relating to performing those procedures.

At the conclusion of the engagement, the County's management will provide to us a representation letter that, among other things, (1) addresses management's responsibilities related to the engagement and confirms certain representations made during the engagement, including management's acknowledgement of its responsibility for the selection and presentation of the requirements of the FTA, as set forth in its applicable NTD USOA, in accordance with the schedule; (2) management's knowledge of fraud or suspected fraud affecting the County involving management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and (3) management's knowledge of any allegations of fraud or suspected fraud affecting the County, received in communications from employees or others.

Cherry Bekaert will rely on the County's management providing these representations to us, both in the planning and performance of the engagement, and in considering the fees that we will charge to perform the engagement.

**CONDITIONS SUPPORTING FEE**

As a result of our preliminary discussions, the County and the Firm have agreed to a fee, subject to the following conditions:

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

**FEES**

The following summarizes our fees for the services described above:

<u>Description of Services</u>	<u>Estimated Fee</u>
Agreed-upon procedures	\$ 4,000

Our fees will be billed periodically. Invoices are due on presentation. A service charge will be added to past due accounts equal to 1½% per month (18% annually) on the previous month's balance less payments received during the month, with a minimum charge of \$2.00 per month.

If the foregoing is in accordance with your understanding, please sign a copy of this letter in the space provided and return it to us. If you have any questions, please call Eddie Burke at (919) 782-1040.

Sincerely,

**CHERRY BEKAERT LLP**



ATTACHMENTS – Engagement Letter Terms and Conditions  
Schedule A

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**GUILFORD COUNTY**

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

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

**Cherry Bekaert LLP**

**Engagement Letter Terms and Conditions**

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In performing our agreed-upon procedures we will be aware of the possibility that illegal acts may have occurred. However, it should be recognized that our agreed-upon procedures will not include a detailed test of every transaction and provides no assurance that illegal acts generally will be detected, and only reasonable assurance that illegal acts having a direct and material effect on the determination of financial statement amounts will be detected. We will inform you with respect to errors and fraud, or illegal acts that come to our attention during the course of our agreed-upon procedures unless clearly inconsequential. In the event that we have to consult with the County's counsel or counsel of our choosing regarding any illegal acts we identify, additional fees incurred may be billed to the County. You agree to cooperate fully with any procedures we deem necessary to perform with respect to these matters.

Our agreed-upon procedures are designed to only provide negative assurance that the individual items selected for testing are in conformity with the criteria described above.

If, for any reason, we are unable to complete the agreed-upon procedures, we may decline to issue a report as a result of the engagement. Circumstances may arise in which it is necessary for us to modify our report or withdraw from the engagement. We will notify the appropriate party within your organization of our decision and discuss the reasons supporting our position.

**OTHER MATTERS**

**Access to working papers**

The working papers and related documentation for the engagement are the property of the Firm and constitute confidential information. We have a responsibility to retain the documentation for a period of time to satisfy legal or regulatory requirements for records retention. It is our policy to retain all workpapers and client information for seven years from the date of issuance of the report. It is our policy to retain emails and attachments to emails for a period of 12 months, except as required by any governmental regulation. Except as discussed below, any requests for access to our working papers will be discussed with you prior to making them available to requesting parties.

Our Firm, as well as all other major accounting firms, participates in a "peer review" program covering our examination and accounting practices as required by the American Institute of Certified Public Accountants. This program requires that once every three years we subject our quality assurance practices to an examination by another accounting firm. As part of the process, the other firm will review a sample of our work. It is possible that the work we perform for you may be selected by the other firm for their review. If it is, they are bound by professional standards to keep all information confidential. If you object to having the work we do for you reviewed by our peer reviewer, please notify us in writing.

**Electronic transmittals**

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

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**Subpoenas**

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

**Dispute resolution procedures**

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

**Waiver of Trial by Jury**

In the event the parties are unable to successfully mediate any dispute, controversy, or claim, the parties agree to WAIVE TRIAL BY JURY and agree that the court will hear any matter without a jury.

**Independent contractor**

Each party is an independent contractor with respect to the other and shall not be construed as having a trustee, joint venture, agency, or fiduciary relationship.

**No Third-Party Beneficiaries**

The parties do not intend to benefit any third-party by entering into this Agreement, and nothing contained in this Agreement confers any right or benefit upon any person or entity who or which is not signatory of this Agreement.

**TERMS AND CONDITIONS SUPPORTING FEE**

The estimated fees set forth in the attached engagement letter are based on anticipated full cooperation from your personnel, timely delivery of requested examination schedules and supporting information, timely communication of all significant information, the assumption that unexpected circumstances will not be encountered during the agreed-upon procedures, as well as working space and clerical assistance as mutually agreed upon and as is normal and reasonable in the circumstances. We strive to ensure that we have the right professionals scheduled on each engagement. As a result, sudden County requested scheduling changes or scheduling changes necessitated by the agreed information not being ready on the agreed upon dates can result in expensive downtime for our professionals. Any last minute schedule changes that result in downtime for our professionals could result in additional fees. Our estimated fee does not include assistance in bookkeeping or other accounting services not previously described. If for any reason the County is unable to provide such schedules, information, and assistance, the Firm and the County will mutually revise the fee to reflect additional services, if any, required of us to achieve these objectives.

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

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

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

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The procedures below relate to those procedures specified by the FTA

**1. Procedure: NTD Crosswalk**

- a. Obtain the Reduced Reporter Form RR-20 prepared by management for the year ended June 30, 2018.
- b. Obtain the reconciliation documentation management prepares (referred to as “the crosswalk”) to reconcile the chart of accounts, general ledger, and/or trial balance and other supporting documents such as Excel spreadsheets (collectively referred to as the accounting system) to Form RR-20.
- c. Inquire of management as to whether the crosswalk obtained in procedure 1(b) is supported by the accounting system.
- d. For a transit agency that is part of a larger reporting entity, inquire of management as to whether the crosswalk includes the full cost of providing transit service, including costs incurred by the larger reporting entity to specifically support the agency’s transit service.
- e. Inspect the crosswalk to determine that it incorporates NTD reporting using the applicable mode(s) and types of service identified in Form RR-20.

**2. Procedure: Accrual Accounting**

- a. Obtain the most recent audited financial statements that include the transit agency and inspect the notes to the financial statements to determine whether the accrual basis of accounting was used.
- b. Inquire of management as to whether the accrual basis of accounting has continued to be used since the last audited reporting period and that it is used for NTD reporting in the current period.
- c. If the notes to the financial statements indicate that an accrual basis of accounting is not being used, or the results of the inquiry to management in procedure 2(b) indicate the accrual basis of accounting is not being used in the current period, inspect the crosswalk to determine that the transit agency made adjustments to convert to an accrual basis for NTD reporting.

**3. Procedure: Sources of Revenue Expended**

- a. Trace and agree the two largest directly generated fund passenger fare revenue modes (all service types) from Form RR-20 to the accounting system.
- b. Trace and agree the largest source of funds expended (other than passenger fares) in the following major categories of funds from Form RR-20 to the accounting system: (1) Other Directly Generated Funds; (2) Revenue Accrued Through a PT Agreement; (3) Non-Federal Funds; and (4) Federal Funds.
- c. For each of the largest source of funds expended in 3(b), inspect the crosswalk to determine that it identifies, evaluates, and classifies financial transactions into categories of funds expended on operations and funds expended on capital (USOA Section 2) for the reporting year.

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**4. Procedure: Funds Expended**

- a. Trace and agree the aggregate of total funds expended for operations and total funds expended for capital from Form RR-20 to the accounting system using the crosswalk or other written expense documentation.
- b. For the two largest modes/type of services, trace and agree funds expended on operations and funds expended on capital from Form RR-20 to the crosswalk, or other written documentation of functional expenses.