

**Report to the
Board of Aldermen**

Town of Carrboro, North Carolina

October 29, 2015



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Communication with Those Charged with Governance

October 29, 2015

Board of Aldermen
Town of Carrboro, North Carolina

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carrboro (the "Town") for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 30, 2015. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note I to the financial statements. The Town adopted Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. The adoption of GASB Statement 68 and Statement 71 did have an impact on beginning net position as described in Note VI to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for doubtful accounts is based on historical collection experience and collateral.

Management's estimate of depreciable lives is based on the expected useful lives of individual capital assets.

Management's estimate of postretirement benefits and other postemployment benefits are based on actuarial assumptions and projections that are provided by third parties based on information provided by management.

We evaluated the key factors and assumptions used in determining that the estimates above are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any material misstatements as a result of our audit procedures and there are no uncorrected misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter included in the Appendix.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance, and Other Postemployment Benefits Schedules of Funding Progress and Schedules of Employer Contributions, and the Local Government Employees' Retirement System Schedules of Proportionate Share of the Net Pension Asset and Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund financial statements, budgetary schedules, and other schedules which accompany the financial statements, but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



We were not engaged to report on the introductory and statistical sections which accompany the financial statements, but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

RESTRICTION ON USE

This information is intended solely for the use of the Board of Aldermen and management of the Town, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Dixon Hughes Goodman LLP

**High Point, North Carolina
October 29, 2015**



Appendix

Management Representation Letter



TOWN OF CARRBORO

NORTH CAROLINA

WWW.TOWNOFCARRBORO.ORG

October 29, 2015

Dixon Hughes Goodman LLP
1829 Eastchester Drive
High Point, North Carolina 27265

We are providing this letter in connection with your audit of the financial statements of the Town of Carrboro (the "Town"), which comprise the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of June 30, 2015, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 29, 2015, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 30, 2015 for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates are reasonable.

6. Related-party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP
7. We have evaluated subsequent events through the date of this letter, which is the date the financial statements were available to be issued. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements, except as made known to you and disclosed in the notes to the financial statements.
8. You have recommended adjusting journal entries for the current year that have been posted to the Town's accounts. We are in agreement with and approve of those adjustments. We are not aware of any uncorrected misstatements and omitted disclosures noted by you during your audit.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the Town is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board of Aldermen or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and state awards.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud affecting the Town involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Town's financial statements received in communications from employees, former employees, analysts, regulators, or others.

16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of the entity's related parties and all related-party relationships and transactions of which we are aware.

Government-Specific

19. We have made available to you all financial records and related data, and all audit or relevant monitoring reports, if any, received from funding sources.
20. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
21. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that you have reported to us.
22. We have a process to track the status of audit findings and recommendations.
23. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives, and whether related recommendations have been implemented.
24. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
25. The Town has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
26. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
27. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance, except as made known to you and disclosed in the notes to the financial statements.

28. As part of your audit, you assisted with preparation of the financial statements and related notes, and the schedule of expenditures of federal and state awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, and the schedule of expenditures of federal and state awards.
29. The Town has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the notes to the financial statements.
30. The Town has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
31. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
32. The financial statements include all component units, as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
33. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
34. All funds that meet the quantitative criteria in GASB Statements No. 34 and 37 for presentation as major are identified and presented as such, and all other funds that are presented as major are particularly important to financial statement users.
35. With respect to the implementation of GASB Statement No. 68:
 - a. We have reported all eligible employees to the Local Governmental Employees' Retirement System ("LGERS") via the Online Retirement Benefits Integrated Technology ("ORBIT") System.
 - b. The census data for all eligible employees reported to LGERS via ORBIT is complete and accurate as of December 31, 2013 (the measurement date for the net pension asset reported at June 30, 2015).
 - c. We are responsible for the Town's compliance with requirements as established in the Retirement System's Handbook.
 - d. We are in agreement with the Town's proportionate share of net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense as determined by the "GASB 68 Implementation Year Journal Entry Template" posted on the North Carolina Department of State Treasurer's website.
36. Components of net position (net investment in capital assets, restricted, and unrestricted), and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) and equity amounts are properly classified and, if applicable, approved.
37. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

38. Provisions for uncollectible receivables have been properly identified and recorded.
39. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
40. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
41. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
42. Deposits and investment securities and derivative instruments are properly classified as to risk, and are properly disclosed.
43. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
44. We have appropriately disclosed the Town's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available, and have determined that net position is properly recognized under the policy.
45. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) that are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
46. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
47. With respect to the individual fund statements, budgetary schedules and other schedules:
 - a. We acknowledge our responsibility for presenting the individual fund statements, budgetary schedules and other schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the individual fund statements, budgetary schedules and other schedules, including their form and content, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the individual fund statements, budgetary schedules and other schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the individual fund statements, budgetary schedules and other schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
48. We have evaluated the Town's ability to continue as a going concern and have included appropriate disclosures, as necessary, in the financial statements.

We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

TOWN OF CARRBORO, NORTH CAROLINA



David Andrews
Town Manager



Arche McAdoo
Finance Director