

May 14, 2021

Town Council and Management
Town of Carrboro
301 West Main Street
Carrboro, NC 27510

We are pleased to confirm our understanding of the services we are to provide for the Town of Carrboro (the "Town").

We will examine the Town's employee census data and related underlying payroll records to determine the employee census data provided to the Local Government Employees' Retirement System ("LGERS") for the year ended December 31, 2020 is materially correct based on the criteria set forth in the LGERS' Employer Manual (revised January 2019).

Our examination will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Accordingly, it will include examining, on a test basis, your records and other procedures to obtain evidence necessary to enable us to express our opinion. We will issue a written report upon completion of our examination. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the examination or are unable to form or have not formed an opinion, we may decline to express an opinion or may withdraw from this engagement.

Because of the inherent limitations of an examination engagement, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the examination is properly planned and performed in accordance with the attestation standards.

Our report to be submitted is not intended to be a legal opinion on the Town's compliance.

Our report is intended solely for the information and use of the Town's management, the North Carolina Department of State Treasurer, and the North Carolina Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

We will plan and perform the examination to obtain reasonable assurance about whether the Town's employee census data and related underlying payroll records is materially correct, based criteria set forth in the LGERS' Employer Manual (revised January 2019). Our engagement will not include a detailed inspection of every employee and cannot be relied on to disclose all material errors, fraud, or other violations of laws or regulations, that may exist. However, we will inform you of any material errors or fraud that comes to our attention. We will also inform you of any other violations of laws or regulations that come to our attention, unless clearly inconsequential.

Our examination will include obtaining an understanding of internal controls used by the Town sufficient to assess the risks of material misstatement of eligible employee census information submitted to the Department of State Treasurer's Retirement Systems Division (the "State") and to design the nature, timing, and extent of further substantive procedures, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over employee census information submitted to the State. Accordingly, we will express no such opinion. This examination is not designed to provide assurance on internal control or to identify deficiencies in internal control.

We understand that you will provide us with the information required for our examination and that you are responsible for the accuracy and completeness of that information.

At the conclusion of the engagement, we will require a representation letter from management that will include, among other items, management's assertion as to the completeness and accuracy of the employee census data reported to the State for the year ended December 31, 2020.

Management is responsible for making all employee census data and related payroll information available to us and for the accuracy and completeness of that information. Management is also responsible for providing us with access to all information of which management is aware that is relevant to the LGERS. You also agree to provide us with any additional information that we may request from management for the purpose of this examination as well as unrestricted access to any person within the Town from whom we determine it necessary to obtain additional evidence. Your responsibilities include adjusting employee census data that may have been previously submitted in error.

Management is responsible for assuming all management responsibilities and for overseeing all management functions; for designating an individual with suitable skill, knowledge, and/or experience to oversee this examination and for evaluating the adequacy and results of this examination and accepting responsibility for them.

John Frank is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. We expect to begin our examination in June 2021 and issue our report by the required October 1, 2021 deadline specified by the Office of the State Auditor.

Our fees for this engagement will be billed at our standard hourly rates plus all out-of-pocket expenses, not to exceed a maximum fee of \$8,500.

Our invoices for this engagement are subject to approval by the Fiscal Management Section of the State Treasurer's Office and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. If the need for additional procedures arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their responsibility for the sufficiency of procedures.

Sincerely,

Dixon Hughes Goodman LLP

DIXON HUGHES GOODMAN LLP

Accepted and Agreed:

This letter correctly sets forth the understanding of the ***Town of Carrboro***.

By: _____ Date: _____
Lydia Lavelle, Mayor

This instrument has been pre-audited in the manner required by the Local Government Budget and Fiscal Control Act.

Arche McAdoo, Finance Officer