



## Legislation Text

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**File #:** 18-10, **Version:** 1

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**TITLE:**

Comprehensive Annual Financial Report (CAFR) and Independent Audit for Fiscal Year Ended June 30, 2018

**PURPOSE:** The purpose of this presentation is for the Town’s independent auditor, Dixon Hughes Goodman LLP, to present and deliver to the Board of Aldermen the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018.

**DEPARTMENT:** Finance

**CONTACT INFORMATION:** Arche McAdoo, 918-7439

**INFORMATION:** The Town is required to produce annually a Comprehensive Annual Financial Report that includes financial statements that have been audited by an independent certified public accounting firm. This report is submitted to the North Carolina Local Government Commission (LGC) and presented to the Board of Aldermen each year. In January the CAFR, along with other financial information, will be filed with the Municipal Securities Rulemaking Board as part of the continuing disclosure requirements related to the Town’s issuance of \$4.6 million General Obligation Sidewalk and Greenways Bonds, Series 2013.

The Carrboro Tourism Development Authority (CTDA) established by the Board in March 2013 is a public authority under the Local Government Budget and Fiscal Control Act. The CTDA is required to produce its own independent audited financial statements. The accounting rules, however, require that the Town show the CTDA as a “component unit” in Town financial statements.

Attachment B is the Comprehensive Annual Financial Report (CAFR) and Independent Auditors’ Report for the year ended June 30, 2018. The Report to the Board of Aldermen, as required “Communication with Those Charged with Governance”, will be presented by from Dixon Hughes Goodman, LLP at the meeting.

The opinion of the Independent Auditors is that the *“financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Carrboro as of June 30, 2018, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.”*

A management letter was issued by the auditors to address two incidents, that were considered to be immaterial, where expenditures exceeded the authorized appropriation in governance support and debt service functions by \$11,348 and \$16,204, respectively, as disclosed in Note 2 of the financial statements.

“The over-expenditures in governance support occurred due to payments made to the CTDA for occupancy

taxes collected and remitted, as required by contract, in excess of initially budgeted amounts. The over-expenditure in debt service occurred due to the close out of escrow accounts that had unexpended debt proceeds that were used to pay down principal balances on outstanding installment purchase obligations during fiscal year 2018, as required by the installment purchase agreement and past Town practices.”

Additionally, prior years expenditures made in the Bond Fund exceeded authorized appropriations for the Davie Road Sidewalk by \$22,004; however, there are no records indicating that an amendment had been made for the project. Management will be submitting a project amendment for the Bond Fund to correct this over-expenditure and will evaluate the process for re-opening closed capital projects.

Last year state and federal expenditures were below the threshold requiring an independent single audit. For fiscal year ending June 30, 2018, we did meet requirements for an independent single audit, with the Powell Bill being the only major program which required testing. One instance of noncompliance was noted in The Independent Auditors’ Single Audit Report. This issue of noncompliance was due to the fact that the Town did not use actual labor and equipment costs for Powell Bill charges. Labor rates were estimated as opposed to using the actual labor rate; and equipment rates were charged using outdated FEMA rates rather than NCDOT rates. To correct this noncompliance issue, Finance Officer will provide to the Public Works Department a list of all employees and their hourly rate; and Public Works Director will update all equipment schedules to be consistent with NCDOT standard hourly rates. These actions are to be completed by February 1, 2019. Thereafter, these labor and equipment schedules will be reviewed and updated as necessary during the annual budget development process.

**FISCAL & STAFF IMPACT:** None.

**RECOMMENDATION:** That the Board approve the attached Resolution A accepting the CAFR for fiscal year ended June 30, 2018.