

SUPPLEMENTARY INFORMATION:

COMPLIANCE SECTION

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DIXON HUGHES GOODMAN^{LLP}
Certified Public Accountants and Advisors

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS**

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Carrboro, North Carolina

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carrboro, North Carolina as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Carrboro's basic financial statements, and have issued our report thereon dated January 14, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Carrboro's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dixon Hughes Goodman LLP

January 14, 2014



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

**REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
IN ACCORDANCE WITH OMB CIRCULAR A-133; AND THE
STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Carrboro, North Carolina

Report on Compliance for The Major Federal Program

We have audited the Town of Carrboro, North Carolina's (the Town) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2013. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on the Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

January 14, 2014



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

**REPORT ON COMPLIANCE FOR THE MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
IN ACCORDANCE WITH OMB CIRCULAR A-133; AND THE
STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Carrboro, North Carolina

Report on Compliance for the Major State Program

We have audited Town of Carrboro, North Carolina's (the Town), compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on its major state program for the year ended June 30, 2013. The Town's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of the Town's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; applicable sections of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination on the Town of Carrboro's compliance.

Opinion on the Major State Program

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

January 14, 2014

**TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to federal awards? _____ Yes X No

Type of auditors' report issued on compliance for the major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major federal program:

| CFDA Number | Name of Federal Program or Cluster |
|-------------|---|
| 20.205 | Highway Planning and Construction (Federal-Aid Highway Program) |

**TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

Schedule 13
Page 2 of 3

I. Summary of Auditors' Results (Continued)

Federal Awards (Continued)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ Yes X No

State Awards

Internal control over major state programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to State awards? _____ Yes X No

Type of auditors' report issued on compliance for major state program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 and the State Single Audit Implementation Act? _____ Yes X No

Identification of major state program(s):

| State Number | Name of Program |
|--------------|-----------------|
| DOT 4 | Powell Bill |

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2013

Schedule 13
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II. Financial Statement Findings

There were no findings related to the financial statements for the fiscal year ended June 30, 2013.

III. Federal Awards Findings and Questioned Costs

There were no findings related to federal awards for the fiscal year ended June 30, 2013.

IV. State Awards Findings and Questioned Costs

There were no findings related to state awards for the fiscal year ended June 30, 2013.

TOWN OF CARRBORO, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2013

Schedule 14

There were no prior year audit findings.

TOWN OF CARRBORO, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2013

Schedule 15

| <u>Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Grant ID/ Project Award Number</u> | <u>Federal and Pass-Through Expenditures</u> | <u>State Expenditures</u> |
|--|------------------------------------|---|--|-------------------------------|
| FEDERAL AWARDS | | | | |
| <i>U.S. Department of Homeland Security</i> | | | | |
| Fire Fighters Program Grant | 97.044 | EMW-2011-FO-02907 | \$ 59,117 | \$ - |
| Total U.S. Department of Homeland Security | | | <u>59,117</u> | <u>-</u> |
| <i>U.S. Department of Energy</i> | | | | |
| Passed through N.C. State Energy Office: Southeast Energy Efficiency Alliance- AARA funding | 81.128 | DE-EE0003575 | 110,612 | - |
| Total U.S. Department of Energy | | | <u>110,612</u> | <u>-</u> |
| <i>U.S. Environmental Protection Agency</i> | | | | |
| Passed through N.C. Department of Environment and Natural Resources Division of Water Quality: Grant 319 - watershed restoration | 66.460 | 2870 | 38,882 | - |
| Total U.S. Environmental Protection Agency | | | <u>38,882</u> | <u>-</u> |
| <i>U.S. Department of Commerce</i> | | | | |
| Passed through N.C. Department of Commerce Robeson Street Sewer Grant | 14.228 | 11-C-2342 | 18,353 | - |
| Total U.S. Department of Commerce | | | <u>18,353</u> | <u>-</u> |
| <i>U.S. Department of Transportation</i> | | | | |
| Passed through N.C. Department of Transportation Safe route to school | 20.205-7 | 40924.3.30 | 224,481 | - |
| STP-DA funding | | | | |
| Passed through N.C. Department of Transportation | | | | |
| Morgan Creek Greenway | 20.205-2 | 402451.1 | 14,364 | - |
| Wilson Park Multi-Use Path | 20.205 | U-4726DC | 280 | - |
| Rogers Road | 20.205-1 | 36268 | 13,581 | - |
| Bolin Creek Greenway | 20.205-1 | 36268.1.26 | 25,015 | - |
| Total U.S. Department of Transportation | | | <u>277,721</u> | <u>-</u> |
| Total federal awards | | | <u>504,685</u> | <u>-</u> |
| STATE AWARDS | | | | |
| <i>N.C. Department of Environmental and Natural Resources</i> | | | | |
| NC Recreational Trails Program | | 3383 | - | 75,000 |
| <i>N.C. Department of Transportation</i> | | | | |
| Powell Bill | | 32570 | - | 477,977 |
| Total N.C. Department of Transportation | | | <u>-</u> | <u>477,977</u> |
| Total state awards | | | <u>-</u> | <u>552,977</u> |
| TOTAL ASSISTANCE | | | <u>\$ 504,685</u> | <u>\$ 552,977</u> |

Note to the Schedule of Expenditures of Federal and State Awards

Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Town of Carrboro, North Carolina, and is presented on the modified accrual basis of accounting. The information in this schedule is in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act.