

**A RESOLUTION ACCEPTING THE 2001-02 AUDIT REPORT**

**WHEREAS**, the Carrboro Board of Aldermen have received the annual 2001-02 Audit Report; and

**WHEREAS**, the Aldermen were informed by the Town's auditors, Dixon Odom PLLC that the Town's financial statements are free of material misstatement and that the audit tests conducted by the firm did not uncover any material weaknesses that are required to be reported under Government Auditing Standards;

**NOW THEREFORE, THE BOARD OF ALDERMEN OF THE TOWN OF CARRBORO:**

**Section 1:** Accept the annual 2001-02 Audit Report.

**DIXON ODOM PLLC**

Certified Public Accountants and Consultants

September 20, 2002

To the Board of Aldermen  
Town of Carrboro, North Carolina

We have audited the financial statements of the Town of Carrboro for the year ended June 30, 2002, and have issued our report thereon dated September 20, 2002. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated May 13, 2002, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Town of Carrboro. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Town of Carrboro's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

A member of  
Moore's Rowland International



An association of independent  
accounting firms throughout the world.

1829 Eastchester Drive  
P.O. Box 2646  
High Point, NC 27261-2646  
336-889-5156, Fax 336-889-6168

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Town of Carrboro are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2001/2002 fiscal year. We noted no transactions entered into by the Town of Carrboro during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

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. No significant accounting estimates were made.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Town of Carrboro's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Town of Carrboro, either individually or in the aggregate, indicate matters that could have a significant effect on the Town of Carrboro's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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.

Board of Aldermen  
Town of Carrboro, North Carolina  
September 20, 2002  
Page three

### **Consultations with Other Independent 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 governmental unit'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.

### **Issues Discussed Prior to Retention of Independent Auditors**

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 of Carrboro's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

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

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

*Dixon Odom PLLC*  
DIXON ODOM PLLC



# DIXON ODOM PLLC

Certified Public Accountants and Consultants

September 20, 2002

To the Board of Aldermen  
Town of Carrboro, North Carolina

In planning and performing our audit of the general purpose financial statements of the Town of Carrboro for the year ended June 30, 2002, we considered issues of which the Board should be made aware. This letter does not affect our report dated September 20, 2002 on the financial statements of the Town of Carrboro.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

## **GASB 34**

The adoption of Governmental Accounting Standards Board (GASB) Statement 34 represents one of the most comprehensive changes in financial reporting standards in the history of standards setting and, as a result, provides the setting for numerous implementation issues. The implementation of this Statement will be effective for the year ending June 30, 2004.

The Statement 34 model replaces the combined statements shown in the general purpose financial statements that the Board has been accustomed to seeing in the past. Under Statement 34, the scope and applicability of the changes required encompass a tremendous range of accounting issues. Examples of some of the significant changes include:

- A new requirement for the presentation of a management's discussion and analysis (MD&A) as required supplementary information,
- Significant presentation changes to include government-wide financial statements, including fund financial statements, and notes to the financial statements,
- Various issues related to measurement focus and basis of accounting,
- Treatment of capital assets,
- Classification and reporting issues affecting revenues, and
- Additional required supplementary information other than the MD&A.

A member of  
Moore Rowland International



An association of independent  
accounting firms throughout the world.

1829 Eastchester Drive  
P.O. Box 2646  
High Point, NC 27261-2646  
336-889-5156, Fax 336-889-6168

To the Board of Aldermen  
Town of Carrboro, North Carolina  
September 20, 2002  
Page two

As a result of the requirement to adopt GASB Statement 34, we want to make the Board aware that the Town's management and staff will need to allocate the necessary time and resources to properly plan for the transition and implementation of this comprehensive reporting model. We will be available to provide the necessary assistance to guide the Town of Carrboro through this process. In addition, the Board should consider, in its budgeting process, the increased expense required to provide the necessary consulting as well as the increased expense that will be encountered to conduct the audit for the year of implementation.

We appreciate the opportunity to present these comments for your consideration. We are prepared to discuss them at your convenience and to provide such assistance in their implementation as you may desire.

Dixon Odom PLLC  
Certified Public Accountants