

**A RESOLUTION ACCEPTING THE 2003-04 AUDIT REPORT**

**Resolution No. 70/2004-05**

WHEREAS, the Carrboro Board of Aldermen have received the annual 2003-04 Audit Report; and

WHEREAS, the Aldermen were informed by the Town's auditors, Dixon Hughes 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;

WHEREAS, the Aldermen were informed by town staff, that the Town's financial statements have been significantly improved and submitted to the Government Finance Officers' Association for recognition of excellence in financial reporting;

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

Section 1: Accept the annual 2003-04 Audit Report.



**DIXON HUGHES** PLLC

Certified Public Accountants and Advisors

September 10, 2004

To the Board of Aldermen  
Town of Carrboro, North Carolina

In planning and performing our audit of the financial statements of the Town of Carrboro for the year ended June 30, 2004, we considered issues of which the Board should be made aware. This letter does not affect our report dated September 10, 2004 on the financial statements of the Town of Carrboro.

All comments and recommendations from the prior year were satisfactorily addressed. During the current engagement we noted one item of which management and the Board should be made aware. We will review the status of this comment during our next audit engagement. We have already discussed this with management, and we will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comment is summarized as follows:

Residual Equity Transfers

During fiscal year ended June 30, 2004, the HOME Program Grant Match Fund and several completed individual capital projects were closed out. Prior to the GASB 34 reporting model, there was a distinction between "operating transfers" and "residual equity transfers." Previously, such transactions could be handled with a residual equity transfer for any remaining funds or deficits without requiring a budgeted transfer in either of the funds. Such transfers should now be budgeted as an "other financing source and use" in the respective funds.

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 Hughes PLLC  
Certified Public Accountants