

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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**To the Honorable Mayor and Members  
of Town Council  
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 financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the **Town of Carrboro, North Carolina** (the "Town") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 28, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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 a 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal controls, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

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## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 financial statements. 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*.

## Town of Carrboro, North Carolina's Response to Finding

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinions on the response.

## 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.

*Mauldin & Jenkins, LLC*

Raleigh, North Carolina  
April 28, 2025

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND STATE SINGLE AUDIT IMPLEMENTATION ACT**

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**To the Honorable Mayor and Members  
of Town Council  
Town of Carrboro, North Carolina**

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the **Town of Carrboro, North Carolina's** (the "Town") compliance with the types of compliance requirements identified as subject to audit in the *OMB 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 each of the Town's major federal programs for the year ended June 30, 2024. 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.

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 each major federal program for the year ended June 30, 2024.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Implementation Act*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

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### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the *State Single Audit Implementation Act* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Implementation Act*, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

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We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Raleigh, North Carolina  
April 28, 2025

**TOWN OF CARRBORO, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE AWARDS  
YEAR ENDED JUNE 30, 2024**

Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	State Number	Grant Number	Current Year Expenditures	
				Federal Expenditures (Direct and Pass-through)	State Expenditures
<b>Federal Grants</b>					
U.S Department of Transportation:					
Passed through the North Carolina Department of Transportation:					
Highway Planning and Construction					
Highway Planning and Construction (Federal Aid Highway Program):					
Morgan Creek Greenway	20.205		U-4726DE	\$ 7,813	\$ -
Greensboro Street Sidewalk	20.205		47643.1.1	30,957	-
Jones Creek Greenway	20.205		U-4726 DF	150,000	-
S. Greensboro Street S/W	20.205		EL-4828A	4,070	-
Total Highway Planning and Construction				<u>192,840</u>	<u>-</u>
Total passed through North Carolina Department of Transportation				<u>192,840</u>	<u>-</u>
Total U.S. Department of Transportation Assistance				<u>192,840</u>	<u>-</u>
U.S. Department of the Treasury:					
Direct Programs:					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds					
	21.027		NC0075	6,349,792	-
Total Coronavirus State and Local Fiscal Recovery Funds				<u>6,349,792</u>	<u>-</u>
Total U.S. Department of the Treasury Assistance				<u>6,349,792</u>	<u>-</u>
U.S. Environmental Protection Agency:					
Passed through North Carolina Department of Environmental Quality:					
Watershed Restoration					
	66.460			161,835	-
Total U.S. Environmental Protection Agency Assistance				<u>161,835</u>	<u>-</u>
<b>State Grants</b>					
North Carolina Department of Transportation:					
Powell Bill					
			DOT-4	-	276,911
Total North Carolina Department of Transportation Assistance				<u>-</u>	<u>276,911</u>
Total assistance				<u>\$ 6,704,467</u>	<u>\$ 276,911</u>

# TOWN OF CARRBORO, NORTH CAROLINA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS YEAR ENDED JUNE 30, 2024

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### **Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and State Awards (the "Schedule") includes the federal and state grant activity of the Town of Carrboro (the "Town") under the programs of the federal government and the State of North Carolina for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town it is not intended to and does not present the financial position, changes in net position, and, where applicable, cash flows thereof of the Town.

### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town of Carrboro has not elected to use the 10 percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

# TOWN OF CARRBORO, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2024

### SECTION I SUMMARY OF AUDITOR'S RESULTS

#### **Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:  
Material weakness(es) identified?

Yes  No

Significant deficiency(ies) identified?

Yes  None reported

Noncompliance material to financial statements noted?

Yes  No

#### **Federal Awards**

Internal control over major federal programs:  
Material weakness(es) identified?

Yes  No

Significant deficiency(ies) identified?

Yes  None reported

Type of auditor's report issued on compliance for major Federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a):

Yes  No

Identification of major federal programs:

Assistance Listing Number

21.027

Name of Federal Program or Cluster

Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

Yes  No

#### **State Awards**

There was not an audit of major state programs as the total expenditures of state awards did not exceed the \$500,000 threshold established by the State Single Audit Implementation Act for the fiscal year ended June 30, 2024.

# TOWN OF CARRBORO, NORTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2024

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### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

#### 2024-001 Restatement of Prior Year Balances

**Criteria:** Internal controls should be in place to ensure that financial statements properly present the financial position and results of the Town in accordance with generally accepted accounting principles.

**Condition:** Internal controls were not sufficient to timely detect material misstatements in the Town's financial statements for the year ended June 30, 2023.

**Context/Cause:** During our audit for the year ended June 30, 2024, material misstatements in the opening balances of the Town were identified and thus error corrections were required as follows:

- An adjustment of \$64,093 was made to the Governmental Activities to correct compensated absences balances to include FICA taxes.
- An adjustment of \$1,401 was made to the Stormwater Fund and Business-type Activities to correct compensated absences balances to include FICA taxes.
- An adjustment of \$41,284 was made to the General Fund and Governmental Activities to correct the balance for lease receivables and deferred inflows in accordance with GASB Statement No. 87, *Leases*.

**Effects:** As a result of the issues identified above, material audit adjustments were required to correct previously reported balances of the Town. The fund balance of the General Fund decreased by \$41,284, the net position of the Stormwater Fund and Business-type Activities decreased \$1,401 and the net position of the Governmental Activities decreased by \$105,377.

**Recommendation:** We recommend the Town carefully review the financial statement and the applicable reporting requirements under GAAP to ensure that all information and financial data is properly reported.

**Auditee's Response:** We concur with the finding.

### SECTION III FEDERAL AWARDS FINDINGS AND RESPONSES

None reported.

### SECTION IV STATE AWARDS FINDINGS AND RESPONSES

None reported.

# TOWN OF CARRBORO, NORTH CAROLINA

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2024

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### **2023-001: Financial Accounting Closing Procedures**

**Criteria:** The objective of effective internal controls over financial reporting is to prevent or detect and correct material misstatements (caused by error or fraud) in a timely manner and permit the timely preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Condition:** During the audit for the year ended June 30, 2023, errors were identified in the balances provided for certain accounts, including accounts receivable, deferred revenue, stormwater revenue, and lease related assets and liabilities.

**Current Status:** Corrected.



## **Finding 2024-001: Restatement of Prior Year Balances**

**Primary Contact Person:** Chaz Offenburg, Chief Financial Officer

### **Corrective Action:**

In the *Schedule of Findings and Questioned Costs* for the year ending June 30, 2024, the auditors identified material misstatements in the Town's opening balances, which required corrections to the errors.

The Finance Department recognizes the need to strengthen internal controls and review procedures related to year-end financial reporting to ensure that the Town's financial statements comply with Generally Accepted Accounting Principles (GAAP).

The following corrective actions will be implemented immediately to ensure accurate financial reporting and minimize the risk of future restatements:

- Develop and implement a detailed year-end reconciliation checklist to ensure that all components of compensated absences, including related payroll taxes, are accurately recorded.
- Revise internal procedures and provide training for accounting staff on proper year-end accruals for compensated absences in accordance with GAAP.
- Conduct an annual inventory and review of all lease agreements to identify and correctly classify leases under GASB 87.
- Implement a standardized compliance checklist to guide the review process and ensure consistent adherence to GASB 87 requirements.
- Establish a formal year-end financial statement review process, including a secondary review by a qualified staff member or an external consultant with GAAP expertise.
- Create and implement a pre-audit checklist specifically designed to verify and reconcile beginning balances for all major funds and activities prior to audit submission.

**Proposed Completion Date:** Immediately

