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certified public accountants

Mayor and Members of the Town Board  
Town of Pittsboro  
Pittsboro, North Carolina

In planning and performing our audit of the financial statements of the Town of Pittsboro, North Carolina, as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Pittsboro's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control that we consider to be a significant deficiency and a material weakness.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

In an organization such as the Town of Pittsboro, North Carolina, with a limited number of personnel for certain functions, there are inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among Town personnel. However, we do not recommend the hiring of additional staff solely to improve internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the above mentioned deficiency constitutes a material weakness.

The matter noted is only one that came to our attention, and had our procedures in internal control related matters been more extensive, other matters might have been noted. No opinion is being expressed regarding the internal control taken as a whole.

In connection with our audit of the financial statements for the year ended June 30, 2012, we have some suggestions regarding matters which we do not consider to be material weaknesses but which may need your attention. The required auditor communication is also included.

1. All fixed assets (including those under \$5,000) need to be entered and maintained on the fixed asset program.
2. Sales tax refunds should be submitted in a timely manner.

**Required auditor's communications:**

<u>Items to be communicated</u>	<u>Auditor's response</u>
<p><b>The auditor's responsibility under generally accepted auditing standards.</b> The auditor should communicate the level of responsibility assumed for the internal control, illegal acts, fraud and other matters under generally accepted auditing standards.</p>	<p>See engagement letter.</p>
<p><b>Significant accounting policies and unusual transactions.</b> The auditor should determine that the Members of the Town Board are informed about the initial selection of and changes in significant accounting policies as well as the methods used to account for significant unusual transactions.</p>	<p>There were no changes to existing policies.</p>
<p><b>Management judgments and accounting estimates.</b> The Members of the Town Board should be informed about the process used by management in forming particularly sensitive accounting estimates and about the basis of the auditor's conclusions regarding the reasonableness of these estimates.</p>	<p>The process of formulating estimates is described in the notes to the financial statements. The estimates appear to be logically developed and reasonable with regard to the Town.</p>

**Required auditor's communications (continued):**

<u>Items to be communicated</u>	<u>Auditor's response</u>
<b>Other information in documents containing audited financial statements.</b>	
The Members of the Town Board should be informed as to the auditor's responsibility for information in a document containing audited financial statements, as well as of any procedures performed and the results.	See report letter.
<b>Disagreement with management.</b>	
Disagreements with management, whether satisfactorily resolved, about matters that could be significant to the entity's financial statements or the auditor's report should be communicated to the Members of the Town Board.	There were no such disagreements.
<b>Consultation with other accountants.</b>	
When the auditor is aware that management has consulted with other accountants about significant accounting or auditing matters, the auditor's views about the subject of the consultation should be communicated to the Members of the Town Board.	To our knowledge management made no such consultations.
<b>Significant audit adjustments.</b>	
All significant adjustments arising from the audit should be communicated to the Members of the Town Board.	There were no significant audit adjustments.
<b>Major issues discussed with management prior to retention.</b>	
Any major issues that were discussed with management in connection with our initial or recurring retention should be communicated to the Members of the Town Board.	There were none.

**Required auditor's communications (continued):**

<u>Items to be communicated</u>	<u>Auditor's response</u>
<b>Difficulties encountered in performing the audit.</b> Serious difficulties encountered in dealing with management that related to the performance of the audit are required to be brought to the attention of the Members of the Town Board.	There were none.

This report is intended solely for the information and use of the governing board and management. It is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Ward + Foust, CPAs, PA

February 7, 2013