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October 31, 2018

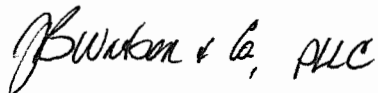
To the Honorable Mayor and
Members of the Town Council
Town of Indian Trail, North Carolina

In planning and performing our audit of the basic financial statements of Town of Indian Trail, North Carolina as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, 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.

During our audit, however, we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated October 31, 2018, contains our communication of significant deficiencies or material weaknesses in the Town's internal control. This letter does not affect our report dated October 31, 2018, on the basic financial statements of Town of Indian Trail, North Carolina.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully submitted,



J. B. Watson & Co., P.L.L.C.

Excess of expenditures over appropriations

As disclosed in Note 2 in the financial statements, the project-to-date expenditures as of June 30, 2018, exceeded the authorized appropriations made by the governing board in the Town's Unionville-Indian Trail Road and Sardis Road Intersection Improvement Capital Project Fund for design fees. The project ordinance was amended subsequent to year-end to account for the increase in design cost. We encourage the Board to implement review procedures to insure compliance with board approved appropriations (including project funds) in the future.

Deficit fund balance

As disclosed in Note 2 in the financial statements, the Municipal Complex Capital Project Fund had a deficit fund balance at June 30, 2018. The deficit resulted from expenditures being incurred and paid by the Town in previous years for real estate purchase and design fees not related to the current municipal complex. The entire deficit amount has been appropriated in the 2018/2019 budget through transfers from the General Fund and the Capital Reserve and Debt Service Fund. Management should monitor project funds closely to ensure better cash and fund balance management in the future.

We have discussed the above comments in detail with various Town personnel and management. We encourage the Board to follow up on these recommendations and their feasibility with management. We are available to assist with the implementation of these recommendations should the Board deem necessary.

End of Memo