

TOWN OF MEDICINE LAKE
STATE OF MONTANA

REVIEW REPORT AND SCHEDULES

YEAR ENDED JUNE 30, 2014

TOWN OF MEDICINE LAKE
STATE OF MONTANA
JUNE 30, 2014

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mayor and Town Council
TOWN OF MEDICINE LAKE
Medicine Lake, Montana 59247

We have performed the procedures enumerated below, which were agreed to by the Town of Medicine Lake, Montana, (the Government) and the State of Montana, solely to perform a financial review of the Government as of and for the year ended June 30, 2014, as required by Section 2-7-503, MCA. The Government's management is responsible for the financial statements, compliance with the specified requirements and internal control over compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the State of Montana, as required by Section 2-7-503, MCA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

- a. We obtained the Government's annual financial report required to be prepared by State law (MCA 7-6-611), and we determined whether:
- The financial statements internally balance and reconcile, and agree to the Government's underlying accounting records, and
 - Beginning net position and fund balance amounts reported on the government-wide and fund financial statements agree to related ending net position and fund balance amounts on prior-year financial statements.

We found no exceptions as a result of this procedure.

- b. We determined whether the Government performed reconciliations, on a monthly basis, of total cash and investments per the accounting records with deposits and investments held in financial institutions.

We found no exceptions as a result of this procedure.

- c. We determined whether the Government has a policy requiring that its receipts be deposited intact on a timely (at least weekly) basis with a financial institution, and verified that, for several selected weeks throughout the year, deposits were made per this policy.

We found no exceptions as a result of this procedure.

d. We determined whether the Government maintained documentation of capital assets and related schedules of depreciation, and that this documentation supports the amount of net capital assets and depreciation reported in the accounting records.

Findings resulting from these procedures are disclosed in findings number 2014-01

e. We determined whether the Government maintained documentation for all long-term liabilities recorded in the accounting records, including but not limited to bonds, notes and loans, capital leases, compensated absences, and judgments.

We found no exceptions as a result of this procedure.

f. We examined all general journal entries prepared during the year, and verified that:

- All adjustments to the fund balance and net position accounts, including prior period adjustments, were supported by explanatory documentation and approved by the governing body, and
- All transfers made were allowable under State Law.

We found no exceptions as a result of this procedure.

g. Through inquiry of members of the governing body received and through observation of supporting documentation, determined whether the governing body received and reviewed the following on a monthly basis:

- A report comparing budgeted revenues and budgeted appropriations with the year-to-date actual revenues and actual expenditures,
- A copy of the bank reconciliation for all deposit/investments,
- A report of cash balances, receipts and disbursements,
- Supporting documentation for all expenditures/expenses.

Findings resulting from these procedures are disclosed in findings number 2014-02

h. We identified all claims in excess of \$80,000, and determined whether a contracts for the purchase of vehicles, machinery, equipment, supplies, construction, repair or maintenance in excess of that amount were let to the lowest bidder after advertisements for bids, and we determined whether the bidding process was documented in the minutes of governing body meetings.

We found no exceptions as a result of this procedure.

i. We verified that:

- The final budget was adopted by resolution:
- The "Tax Levy Requirement Schedule" in the Government 's budget documentation was accurately prepared, and cash reserves were within the statutory limitations and no negative;
- If applicable, any amendments to the final budget were adopted as required; and

- Total expenditures for each governmental fund did not exceed the budgeted appropriations for the fund (i.e., final budget as legally amended).

Findings resulting from these procedures are disclosed in findings number 2014-03

j. We obtained the following documents and performed the following procedures related to property tax levies:

- A copy of the Government’s worksheet(s) for the “Determination of Tax Revenue and Mill Levy Limitations Under MCA 15-10-420,” for the current and prior year referred to as “Determination Worksheets”
- A copy of the Departments of Revenue’s 2013 Certified Taxable Valuation Form for the Government (hereafter refer to as “DOR Form”);
- The Government’s Budget Resolutions(s) for FY2014
- For the County’s agency fund for the government, a detailed ledger query or other detailed trial balance report for FY2014 period(hereafter referred to as “County Report”)
- Verify that all applicable elements from the DOR Form were transferred appropriately o the FY 2014 Determination Worksheet(s).
- Verify that the first line (prior year authorized revenue) of the FY2014 Determination Worksheet(s) was equal to the last line of the prior year’s Determination Worksheet (authorized tax revenue).
- Compare the “Authorized mill levy” from the FY2014 Determination Worksheet to the actual mills levied per the Budget Resolutions(s), and determine whether the Government complied with statutory lax levy limitations.
- If the actual mills levied exceeded the Determination Worksheets’ authority mill levy, verify that the excess represented additional levies authorized by voters, mills exempted by statute (MCA 15-10-420(9)), and/or mill authority carried forward from previous years, and verified that the Government had documentation to support these additional mills.
- Multiply the Government’s taxable valuation with the total mills levied, compare the results of this calculation with total property tax revenue recorded in the accounting records, and note an variances of 5% or greater.
- Verify that total taxes receivable in the Government’s accounting records agree to the total taxes receivable in the County Report.

We found no exceptions as a result of this procedure.

k. We obtained and reviewed documentation verifying that the governing body had at lease yearly discussed and assessed the potential for risks of fraud, abuse or error in the areas of this documentation for evidence of a plan of action designed to prevent or detect those identified risks.

Findings resulting from these procedures are disclosed in findings number 2014-04

l. For any single source of revenue that the Government received with specific terms/conditions for its receipts and use (e.g., grants, State allocations) and that represented 25% or greater of total revenues for the fiscal year, we reviewed the terms/conditions of that revenue source and verify that the Government complied with those terms/conditions.

We found no exceptions as a result of this procedure.

Accompanying are the following schedules:

Schedules A.1 and A.2 present the Government's government-wide Statement of Net Position and Statement of Activities as of and for the fiscal year ended June 30, 2014, in the format required by generally accepted accounting principles.

Schedules B.1 through B.7 present the Government's governmental, proprietary and fiduciary fund statements, as applicable, as of and for the fiscal year ended June 30, 2014, in the format required by generally accepted accounting principles.

Schedule C presents findings and recommendations resulting from performing the above agreed-upon procedures.

We were not engaged to, and did not conduct an examination or audit, the objective of which would be the expression of an opinion on the specified accounts and transactions, or on compliance or effectiveness of internal control over compliance. Accordingly, we do not express such an opinion. Had we performed procedures other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Town of Medicine Lake, Montana, and the State of Montana, and is not intended to be and should not be used by anyone other than these specified parties.

Sidney Tax Service, Incorporated
Valli Hauge, Certified Public Accountant

December 30, 2014

TOWN OF MEDICINE LAKE, MONTANA
SCHEDULE A.1
STATEMENT OF NET POSITIOIN
JUNE 30, 2014

ASSETS	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Current Assets			
Cash and Investments	\$ 66,612	\$ 189,010	\$ 255,622
Receivables:			
Taxes Real and Personal/Assessments	9,555		9,555
Other		12,470	12,470
Total Current Assets	<u>76,167</u>	<u>201,480</u>	<u>277,647</u>
Noncurrent Assets			
Land	751	1,275	2,026
Capital Assets	407,852	1,359,168	1,767,020
Less: Accumulated Depreciation	<u>(344,469)</u>	<u>(952,580)</u>	<u>(1,297,049)</u>
Total Noncurrent Assets	<u>64,134</u>	<u>407,863</u>	<u>471,997</u>
Total Assets	<u>140,301</u>	<u>609,343</u>	<u>749,644</u>
 LIABILITIES			
Current Liabilities			
Long-Term Liabilities - Current Portion		8,700	8,700
Accounts Payable		48,000	48,000
Total Current Liabilities	<u>-</u>	<u>56,700</u>	<u>56,700</u>
Noncurrent Liabilities			
Compensated Absences	11,190	3,730	14,920
Long-Term Liabilities, Net of Current Portion		444,204	444,204
Total Noncurrent Liabilities	<u>11,190</u>	<u>447,934</u>	<u>459,124</u>
Total Liabilities	<u>11,190</u>	<u>504,634</u>	<u>515,824</u>
 NET ASSETS			
Invested in Capital Assets, Net of Related Debt	64,134	(45,041)	19,093
Bond Indenture Requirements		30,144	30,144
Restricted	21,115		21,115
Unrestricted	43,862	119,606	163,468
Total Net Assets	<u>\$ 129,111</u>	<u>\$ 104,709</u>	<u>\$ 233,820</u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF MEDICINE LAKE, MONTANA
SCHEDULE A.2
STATEMETN OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities							
General Government	\$ 36,108				\$ (36,108)		\$ (36,108)
Public Safety	9,307	\$ 4,333	\$ 178		(4,796)		(4,796)
Public Works	73,700	608	11,404		(61,689)		(61,689)
Public Health	4,193	172			(4,021)		(4,021)
Culture and Recreation	21,475	25,727			4,252		4,252
Miscellaneous	-						-
Total Governmental activities	<u>144,783</u>	<u>30,840</u>	<u>11,582</u>	<u>-</u>	<u>(102,362)</u>	<u>-</u>	<u>(102,362)</u>
Business-Type Activities							
Water	107,395	99,285				(8,109)	(8,109)
Sewer	95,940	55,713				(40,228)	(40,228)
Solid Waste/Garbage	31,549	41,088				9,539	9,539
Total Business-Type Activities	<u>234,884</u>	<u>196,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38,798)</u>	<u>(38,798)</u>
Total Government	<u>\$ 379,667</u>	<u>\$ 226,926</u>	<u>\$ 11,582</u>	<u>\$ -</u>	<u>\$ (102,362)</u>	<u>\$ (38,798)</u>	<u>\$ (141,160)</u>
General Revenues							
Property Taxes					54,443		54,443
Local Option Tax					10,367		10,367
Licenses and Permits					50		50
Unrestricted Federal/State shared Revenues					37,760		37,760
Unrestricted investement earnings					166	46	212
Miscellaneous					1,800		1,800
Gain on Sale of capial asset					5,834		5,834
Total General Revenues					<u>110,420</u>	<u>46</u>	<u>110,466</u>
Change in Net Position					8,058	(38,752)	(30,694)
Net Position - Beginning of Year					121,053	151,207	272,260
Prior Period Adjustment						(7,747)	(7,747)
Net Position - End of Year					<u>\$ 129,111</u>	<u>\$ 104,708</u>	<u>\$ 233,819</u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF MEDICINE LAKE, MONTANA
 SCHEDULE B.1
 BALANCE SHEET – GOVERNMENTAL FUNDS
 JUNE 30, 2014

	General Fund	Sheridan Park	Gas Tax Fund	Other Governmental Funds	Total Governmental funds
ASSETS					
Cash and Investments	\$ 43,383	\$ 6,281	\$ 9,951	\$ 6,997	\$ 66,612
Receivables:					-
Taxes Real and Personal	7,759			1,796	9,555
Total Assets	\$ 51,142	\$ 6,281	\$ 9,951	\$ 8,793	\$ 76,167
 LIABILITIES AND FUND BALANCES					
Liabilities					
Deferred Revenues	\$ 7,759			\$ 1,796	\$ 9,555
Total Liabilities	7,759	-	-	1,796	9,555
 Fund Balance					
Unreserved Fund Balance					
General Fund	43,383				43,383
Special Revenue Fund		6,281	9,951	6,997	23,229
Total Fund Balance	43,383	6,281	9,951	6,997	66,612
 Total Liabilities and Fund Balance	\$ 51,142	\$ 6,281	\$ 9,951	\$ 8,793	\$ 76,167

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:

	Total Fund Balance - Governmental Funds	66,612
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in government funds. The cost of the assets is \$407,853 and accumulated depreciation is \$344,469.	64,134
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Property taxes and special assessments receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and, therefore, are deferred in the governmental funds.	9,555
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Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(11,190)
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	Total Net Position - Governmental Activities	\$ 129,111
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SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF MEDICINE LAKE, MONTANA
SCHEDULE B.2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

REVENUES	General Fund	Sheridan Park	Gas Tax	Other Governmental Funds	Total Governmental Funds
Taxes/Assessments	\$ 51,578			\$ 9,467	\$ 61,045
Licenses and Permits	50				50
Intergovernmental	37,760		\$ 11,404	178	49,342
Charges for Services	2,397	\$ 4,781			7,178
Miscellaneous	6,741	18,721			25,462
Investment Earnings	165				165
Total Revenues	<u>98,691</u>	<u>23,502</u>	<u>11,404</u>	<u>9,645</u>	<u>143,242</u>
EXPENDITURES					
General Government	32,099			3,609	35,708
Public Safety	9,307				9,307
Public Works	49,793		5,980	7,460	63,233
Public Health	4,193				4,193
Culture and recreation		19,745			19,745
Capital Outlay	15,413				15,413
Total Expenditures	<u>110,805</u>	<u>19,745</u>	<u>5,980</u>	<u>11,069</u>	<u>147,599</u>
Excess of Revenues	(12,114)	3,757	5,424	(1,424)	(4,357)
Other Financing Sources (Uses)					
Sale of Capital Assets	5,834				5,834
Transfers In (Out)	(1,641)			1,641	-
Net Change in Fund Balance	<u>(7,921)</u>	<u>3,757</u>	<u>5,424</u>	<u>217</u>	<u>1,477</u>
Fund Balance, Beginning of Year	51,304	2,524	4,527	6,780	65,135
Fund Balance, End of Year	<u>\$ 43,383</u>	<u>\$ 6,281</u>	<u>\$ 9,951</u>	<u>\$ 6,997</u>	<u>\$ 66,612</u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF MEDICINE LAKE, MONTANA
SCHEDULE B.3
RECONCILIATION OF THE STATEMETN OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMETN OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Total net change in fund balance - governmental funds	\$ 1,476
Amount reported for governmental activities in the statement of activities are different because:	
Capital assets purchased	15,413
Capital assets are depreciated over their useful lives in the statement of activities.	(11,703)
Gain on the disposal of capital assets	5,834
Proceeds from the sale of capital assets	(5,834)
Long-term receivables	3,766
Accrued Compensated Absences	<u>(894)</u>
Change in Net Position in Governmental Activities	<u>\$ 8,058</u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF MEDICINE LAKE, MONTANA
SCHEDULE B.4
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2014

	Business - Type Activities Enterprise Funds			
	Water	Sewer	Solid Waste	Total
ASSETS				
Current Assets				
Cash and Investments	\$ 16,454	\$ 114,027	\$ 28,385	\$ 158,866
Receivables:				-
Other	5,200	4,203	3,067	12,470
Total Current Assets	<u>21,654</u>	<u>118,230</u>	<u>31,452</u>	<u>171,336</u>
Noncurrent Assets				
Cash and Investments	22,105	8,039		30,144
Land		1,275		1,275
Capital Assets	1,139,881	219,286		1,359,167
Less: Accumulated Depreciation	<u>(839,673)</u>	<u>(112,907)</u>		<u>(952,580)</u>
Total Noncurrent Assets	<u>322,313</u>	<u>115,693</u>	<u>-</u>	<u>438,006</u>
Total Assets	<u><u>343,967</u></u>	<u><u>233,923</u></u>	<u><u>31,452</u></u>	<u><u>609,342</u></u>
LIABILITIES				
Current Liabilities				
Accounts Payable		48,000		48,000
Long-Term Liabilities - Current	6,050	2,650		8,700
Total Current Liabilities	<u>6,050</u>	<u>50,650</u>	<u>-</u>	<u>56,700</u>
Noncurrent Liabilities				
Compensated Absences	1,492	1,492	746	3,730
Long-Term Liabilities, Net of Current	301,535	142,669		444,204
Total Noncurrent Liabilities	<u>303,027</u>	<u>144,161</u>	<u>746</u>	<u>447,934</u>
Total Liabilities	<u>309,077</u>	<u>194,811</u>	<u>746</u>	<u>504,634</u>
NET POSITION				
Net Investment in Capital Assets	(7,377)	(37,664)		(45,041)
Debt Payments	22,106	8,038		30,144
Unrestricted	<u>20,162</u>	<u>68,738</u>	<u>30,706</u>	<u>119,606</u>
Total Net Position	<u><u>\$ 34,891</u></u>	<u><u>\$ 39,112</u></u>	<u><u>\$ 30,706</u></u>	<u><u>\$ 104,709</u></u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF MEDICINE LAKE, MONTANA
SCHEDULE B.5
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities			Total
	Enterprise Funds			
	Water	Sewer	Solid Waste	
Operating Revenues				
Charges for Services	\$ 98,025	\$ 55,713	\$ 41,088	\$ 194,826
Miscellaneous	1,260			1,260.00
Total Operating Revenues	<u>99,285</u>	<u>55,713</u>	<u>41,088</u>	<u>196,086</u>
 Operating Expenses				
Personnel Services	19,645	13,678	60	33,383
Purchased Services	60,623	73,818	31,489	165,930
Depreciation	13,136	4,974		18,110
Total Operating Expenses	<u>93,404</u>	<u>92,470</u>	<u>31,549</u>	<u>217,423</u>
Operating Income (Loss)	<u>5,881</u>	<u>(36,757)</u>	<u>9,539</u>	<u>(21,337)</u>
 Non-Operating Revenues (Expenses)				
Debt Service Interest Expense	(13,991)	(3,470)		(17,461)
Interest Revenue	38	8		46
Total Non-Operating Revenues(Expenses)	<u>(13,953)</u>	<u>(3,462)</u>	<u>-</u>	<u>(17,415)</u>
 Change in Net Position	(8,072)	(40,219)	9,539	(38,752)
 Total Net Position - July 1, 2013	<u>52,111</u>	<u>78,967</u>	<u>20,130</u>	<u>151,208</u>
Prior period Adjustment	(9,150)	365	1,037	(7,748)
Total Net Position - July 1, 2013 - restated	42,961	79,332	21,167	143,460
 Total Net Position - June 30, 2014	<u>\$ 34,889</u>	<u>\$ 39,113</u>	<u>\$ 30,706</u>	<u>\$ 104,708</u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF MEDICINE LAKE, MONTANA
SCHEDULE B.6
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Funds			Total
	Water	Sewer	Solid Waste	
Cash flows from Operating Activities:				
Cash Received from customers	\$ 99,056	\$ 55,907	\$ 41,164	\$ 196,127
Cash Paid to Suppliers	(60,623)	(25,818)	(31,489)	(117,930)
Cash paid to Employees	(19,526)	(13,559)		(33,085)
Net Cash Provided by Operating Activities	<u>18,907</u>	<u>16,530</u>	<u>9,675</u>	<u>45,112</u>
Cash flows from Capital and Related Financing Activities:				
Proceeds from debt		40,000		40,000
Principle on Debt	(6,049)	(2,650)		(8,699)
Interest paid on Debt	(13,991)	(3,470)		(17,461)
Net Cash Used by Capital and Related Financing Activities	<u>(20,040)</u>	<u>33,880</u>	<u>-</u>	<u>13,840</u>
Cash flows from Investing Activities:				
Prior Period Adjustment	(1,294)	(53)	(1,235)	(2,582)
Interest on earnings	38	8		46
Net Cash provided from Investing Activities	<u>(1,256)</u>	<u>(45)</u>	<u>(1,235)</u>	<u>(2,536)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,389)	50,365	8,440	56,416
Cash and Cash Equivalents, Beginning of Year	<u>40,948</u>	<u>71,701</u>	<u>19,944</u>	<u>132,593</u>
Cash and Cash Equivalents, End of Year	<u>\$ 38,559</u>	<u>\$ 122,066</u>	<u>\$ 28,384</u>	<u>\$ 189,009</u>
Reconciliation of Operating Income to Net Cash Provided(Used) by Operating Activities:				
Operating Income(Loss)	5,881	(36,758)	9,539	(21,338)
Depreciation	13,135	4,974		18,109
(Increase)Decrease in Accounts Receivable	(229)	194	76	41
(Increase)Decrease in Accounts Payable		48,000		48,000
(Increase)Decrease in Compensated Absence	119	119	60	298
Net Cash Provided by Operating Activities	<u>\$ 18,906</u>	<u>\$ 16,529</u>	<u>\$ 9,675</u>	<u>\$ 45,110</u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF MEDICINE LAKE, MONTANA
SCHEDULE B.7
STATEMETN OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose
ASSETS	
Current Assets	
Cash and Cash Equivalents	<u>\$ 14,867</u>
Total Assets	<u>14,867</u>
LIABILITIES	
Warrants Payable	<u> </u>
Total Liabilities	<u>-</u>
NET POSITION	
Held in Trust	<u><u>\$ 14,867.00</u></u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF MEDICINE LAKE, MONTANA
SCHEDULE B.8
STATEMETN OF CHANGES IN FIDUCIARY NET POSITION

	Trust Funds
Revenue	
Miscellaneous Revenue	\$ 291
Investment Earnings	<u>22</u>
Total Revenue	<u>313</u>
Change in Net Position	<u>313</u>
Total Net Position - July 1, 2013	14,554
Total Net Position - June 30, 2014	<u>\$ 14,867</u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF MEDICINE LAKE, MONTANA
SCHEDULE C
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

FINDING #2014-01 – CAPITAL ASSETS

Records of the capital assets were not complete, listing has not been updated for a few years. Necessary documentation to support the historical cost of the capital assets has not been accumulated for all recorded capital assets. There is no listing of individual items included in the totals for each category of assets. Depreciation expenses has been recorded in the Town's enterprise funds, but may not be accurate, as some of the assets may not be recorded.

Recommendation

An inventory of capital assets should be taken to identify all assets which should be included as the property of the Town, and biannually thereafter to keep the records complete. The assets identified in the inventory should be valued at their historical cost where records are available and estimated historical cost where no records exist. All items meeting the capitalization policy should be recorded in the governmental capital assets for those purchased by the governmental funds, and in the individual fund for assets acquired by the enterprise funds. All capital assets should be depreciated in accordance with their useful lives. The capital asset records should include, to the extent possible, the funding source (i.e., federal), date of acquisition, location, identifying number, and date of method of disposal (if applicable).

FINDING #2014-02 – BOARD SUPERVISION

The Town currently does not have computerized records. This makes it difficult to verify approved budgets amounts and compare approved budgets to actual expenditures and year-to-date amounts. Governing board does not receive monthly reports showing actual vs budget amounts for revenues or expenditures. Bank reconciliations are not being presented to the board in their monthly packets.

Recommendation

We recommend at a minimum the Town use excel or applicable programs to track year-to-date revenues and expenditures. The program should be able to track revenues and expenditures and compare those current expenditures to available budget amounts. This report should be presented to the Board for review on a monthly basis. The board should also receive a copy of the bank reconciliations for all accounts to verify balances in accounts and monthly activity.

FINDING #2014-03 – BUDGET

The prepared budget of the Town is not in balance for some funds. The prepared budget has some funds expenditures in excess of the estimated income for the fiscal period.

Recommendation

When preparing the annual budget the Town needs to make sure all fund budgets are accurately prepared and cash reserves are within the statutory limitations and no negative balances exist. Each fund budget should be self-balancing and expenses should not be in excess of estimated income for the fiscal period.

FINDING #2014-04 – RISK ASSESSMENTS

The governing body of the Town has not discussed and assessed the potential risks for fraud, abuse or error in the areas of overall and accounting systems of the Government. The Town does not have a documented plan of action designed to prevent or detect these risks.

Recommendation

The governing body of the Town should discuss and assess the potential of risks of fraud, abuse or error in the areas of overall operations and accounting systems of the Town and document the discussion. The Town should document a plan of action designed to prevent these risks; if applicable, internal control policies should be put in place.