

TOWN OF FROID
STATE OF MONTANA

REVIEW REPORT AND SCHEDULES

YEAR ENDED JUNE 30, 2014

TOWN OF FROID
STATE OF MONTANA
JUNE 30, 2014

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES.....3-6

SCHEDULES

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Schedule A.1: Statement of Net Position.....7

Schedule A.2: Statement of Activities.....8

FUND FINANCIAL STATEMENTS

Schedule B.1: Balance Sheet – Governmental Funds and Reconciliations to the Statement of Net Position.....9

Schedule B.2: Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....10

Schedule B.3: Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balance of the Governmental Funds to the Statement of Activities.....11

Schedule B.4: Statement of Net Position – Proprietary Funds.....12

Schedule B.5: Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....13

Schedule B.6: Statement of Cash Flows – Proprietary Funds.....14

Schedule B.7: Statement of Net Position – Fiduciary Funds.....15

SCHEDULE C: SCHEDULE OF FINDINGS.....16

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mayor and Town Council
Town of Froid
Froid, Montana 59226

We have performed the procedures enumerated below, which were agreed to by the Town of Froid, 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 2014-2

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 Froid, 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 20, 2014

TOWN OF FROID, 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	\$ 77,966	\$ 10,767	\$ 88,733
Receivables:			
Taxes Real and Personal/Assessments	3,976		3,976
Other		19,020	19,020
Total Current Assets	<u>81,942</u>	<u>29,787</u>	<u>111,729</u>
Noncurrent Assets			
Land	2,607	5,946	8,553
Capital Assets	590,927	2,366,016	2,956,943
Less: Accumulated Depreciation	<u>(140,584)</u>	<u>(979,255)</u>	<u>(1,119,839)</u>
Total Noncurrent Assets	<u>452,950</u>	<u>1,392,707</u>	<u>1,845,657</u>
Total Assets	<u>534,892</u>	<u>1,422,494</u>	<u>1,957,386</u>
 LIABILITIES			
Current Liabilities			
Long-Term Liabilities - Current Portion		8,140	8,140
Total Current Liabilities	<u>-</u>	<u>8,140</u>	<u>8,140</u>
Noncurrent Liabilities			
Compensated Absences	531	2,730	3,261
Long-Term Liabilities, Net of Current Portion		191,214	191,214
Total Noncurrent Liabilities	<u>531</u>	<u>193,944</u>	<u>194,475</u>
Total Liabilities	<u>531</u>	<u>202,084</u>	<u>202,615</u>
 NET ASSETS			
Invested in Capital Assets, Net of Related Debt	452,950	1,193,353	1,646,303
Bond Indenture Requirements		2,000	2,000
Unrestricted	81,411	25,057	106,468
Total Net Assets	<u>\$ 534,361</u>	<u>\$ 1,220,410</u>	<u>\$ 1,754,771</u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF FROID, 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
nary Government:							
Governmental Activities							
General Government	\$ 41,902	\$ 980			\$ (40,922)		\$ (40,922)
Public Safety	7,286				(7,286)		(7,286)
Public Works	25,330		\$ 10,000		(15,329)		(15,329)
Public Health							
Culture and Recreation	17,389	2,520			(14,869)		(14,869)
Miscellaneous	10				(10)		(10)
Total Governmental activities	<u>91,917</u>	<u>3,500</u>	<u>10,000</u>	<u>-</u>	<u>(78,416)</u>	<u>-</u>	<u>(78,416)</u>
Business-Type Activities							
Water	113,060	85,703				(27,357)	(27,357)
Sewer	40,012	28,580				(11,432)	(11,432)
Solid Waste/Garbage	47,641	46,325				(1,316)	(1,316)
Total Business-Type Activities	<u>200,713</u>	<u>160,608</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,105)</u>	<u>(40,105)</u>
Total Government	<u>\$ 292,630</u>	<u>\$ 164,108</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ (78,416)</u>	<u>\$ (40,105)</u>	<u>\$ (118,521)</u>
General Revenues							
Property Taxes					34,387		34,387
Unrestricted Federal/State shared Revenues					37,902		37,902
Unrestricted investement earnings					348		348
Miscellaneous					600		600
Total General Revenues					<u>73,237</u>	<u>-</u>	<u>73,237</u>
Change in Net Position					(5,179)	(40,105)	(45,284)
Net Position - Beginning of Year					<u>539,540</u>	<u>1,260,515</u>	<u>1,800,055</u>
Net Position - End of Year					<u>\$ 534,361</u>	<u>\$ 1,220,410</u>	<u>\$ 1,754,771</u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

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

	General Fund	Gas Tax Fund	Other Governmental Funds	Total Governmental funds
ASSETS				
Cash and Investments	\$ 77,966			\$ 77,966
Receivables:				-
Taxes Real and Personal	3,976			3,976
Total Assets	\$ 81,942	\$ -	\$ -	\$ 81,942
 LIABILITIES AND FUND BALANCES				
Liabilities				
Deferred Revenues	\$ 3,976			\$ 3,976
Total Liabilities	3,976	-	-	3,976
 Fund Balance				
Unreserved Fund Balance				
General Fund	77,966			77,966
Special Revenue Fund				-
Total Fund Balance	77,966	-	-	77,966
 Total Liabilities and Fund Balance	\$ 81,942	\$ -	\$ -	\$ 81,942

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

Total Fund Balance - Governmental Funds	77,966
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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 \$590,927 and accumulated depreciation is \$ 140,584.	452,950
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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.	3,976
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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.	(531)
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Total Net Position - Governmental Activities	\$ 534,361
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SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF FROID, 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	Gas Tax	Other Governmental Funds	Total Governmental Funds
Taxes/Assessments	\$ 33,330			\$ 33,330
Intergovernmental	37,903	\$ 10,000		47,903
Miscellaneous	4,100			4,100
Investment Earnings	349			349
Total Revenues	<u>75,682</u>	<u>10,000</u>	<u>-</u>	<u>85,682</u>
EXPENDITURES				
General Government	41,371			41,371
Public Safety	7,286			7,286
Public Works	14,205	10,000		24,205
Culture and recreation	7,069			7,069
Miscellaneous	10			10
Total Expenditures	<u>69,941</u>	<u>10,000</u>	<u>-</u>	<u>79,941</u>
Net Change in Fund Balance	5,741			5,741
Fund Balance, Beginning of Year	72,225			72,225
Fund Balance, End of Year	<u>\$ 77,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,966</u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF FROID, 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	\$ 5,741
Amount reported for governmental activities in the statement of activities are different because:	
Capital assets are depreciated over their useful lives in the statement of activities.	(11,445)
Current property taxes receivable are collectible in the future, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.	1,057
Compensated absences are not due and payable in the current period and, therefore, are not reported as ;liabilities in the governmental funds until they are paid. The net change in compensated absences is a decrease for the year of \$	<u>(531)</u>
Change in Net Position in Governmental Activities	<u><u>\$ (5,178)</u></u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF FROID, 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	\$ 2,589	\$ 6,307	\$ 1,871	\$ 10,767
Receivables:				-
Other	9,927	3,680	5,413	19,020
Total Current Assets	<u>12,516</u>	<u>9,987</u>	<u>7,284</u>	<u>29,787</u>
Noncurrent Assets				
Land	2,270	3,676		5,946
Capital Assets	1,308,383	1,057,633		2,366,016
Less: Accumulated Depreciation	(557,693)	(421,562)		(979,255)
Total Noncurrent Assets	<u>752,960</u>	<u>639,747</u>	<u>-</u>	<u>1,392,707</u>
Total Assets	<u><u>765,476</u></u>	<u><u>649,734</u></u>	<u><u>7,284</u></u>	<u><u>1,422,494</u></u>
LIABILITIES				
Current Liabilities				
Long-Term Liabilities - Current	5,140	3,000		8,140
Total Current Liabilities	<u>5,140</u>	<u>3,000</u>	<u>-</u>	<u>8,140</u>
Noncurrent Liabilities				
Compensated Absences	1,365	1,365		2,730
Long-Term Liabilities, Net of Current	160,113	31,100		191,213
Total Noncurrent Liabilities	<u>161,478</u>	<u>32,465</u>	<u>-</u>	<u>193,943</u>
Total Liabilities	<u>166,618</u>	<u>35,465</u>	<u>-</u>	<u>202,083</u>
NET POSITION				
Net Investment in Capital Assets	587,706	605,647		1,193,353
Restricted	2,000			2,000
Unrestricted	9,151	8,622	7,284	25,057
Total Net Position	<u><u>\$ 598,857</u></u>	<u><u>\$ 614,269</u></u>	<u><u>\$ 7,284</u></u>	<u><u>\$ 1,220,410</u></u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF FROID, 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	\$ 85,703	\$ 28,580	\$ 46,325	\$ 160,608
Miscellaneous				
Total Operating Revenues	<u>85,703</u>	<u>28,580</u>	<u>46,325</u>	<u>160,608</u>
 Operating Expenses				
Personnel Services	23,061	11,922		34,983
Supplies	40,739	621	100	41,460
Purchased Services	9,145	5,267	47,542	61,954
Depreciation	32,582	21,202		53,784
Total Operating Expenses	<u>105,527</u>	<u>39,012</u>	<u>47,642</u>	<u>192,181</u>
Operating Income (Loss)	<u>(19,824)</u>	<u>(10,432)</u>	<u>(1,317)</u>	<u>(31,573)</u>
 Non-Operating Revenues (Expenses)				
Debt Service Interest Expense	(7,543)	(1,000)		(8,543)
Special Items	10			10
Total Non-Operating Revenues(Expenses)	<u>(7,533)</u>	<u>(1,000)</u>	<u>-</u>	<u>(8,533)</u>
Change in Net Position	(27,357)	(11,432)	(1,317)	(40,106)
Total Net Position - July 1, 2013	<u>626,215</u>	<u>625,702</u>	<u>8,599</u>	<u>1,260,516</u>
Total Net Position - June 30, 2014	<u>\$ 598,858</u>	<u>\$ 614,270</u>	<u>\$ 7,282</u>	<u>\$ 1,220,410</u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

TOWN OF FROID, 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	\$ 84,986	\$ 27,722	\$ 45,537	\$ 158,245
Cash Paid to Suppliers	(49,884)	(5,888)	(47,640)	(103,412)
Cash paid to Employees	(22,152)	(11,013)	-	(33,165)
Net Cash Provided by Operating Activities	<u>12,950</u>	<u>10,821</u>	<u>(2,103)</u>	<u>21,668</u>
Cash flows from Capital and Related Financing Activities:				
Principle on Debt	(4,337)	(3,000)	-	(7,337)
Interest paid on Debt	(7,543)	(1,000)	-	(8,543)
Net Cash Used by Capital and Related Financing Activities	<u>(11,880)</u>	<u>(4,000)</u>	<u>-</u>	<u>(15,880)</u>
Cash flows from Investing Activities:				
Interest on earnings	10	-	-	10
Net Cash provided from Investing Activities	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,080	6,821	(2,103)	5,798
Cash and Cash Equivalents, Beginning of Year	<u>1,510</u>	<u>(514)</u>	<u>3,974</u>	<u>4,970</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,590</u>	<u>\$ 6,307</u>	<u>\$ 1,871</u>	<u>\$ 10,768</u>
Reconciliation of Operating Income to Net Cash Provided(Used) by Operating Activities:				
Operating Income(Loss)	(19,824)	(10,433)	(1,315)	(31,572)
Depreciation	32,582	21,202	-	53,784
(Increase)Decrease in Accounts Payable	(717)	(858)	(788)	(2,363)
(Increase)Decrease in Compensated Absence:	909	909	-	1,818
Net Cash Provided by Operating Activities	<u>\$ 12,950</u>	<u>\$ 10,820</u>	<u>\$ (2,103)</u>	<u>\$ 21,667</u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

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

	Agency Funds
ASSETS	
Current Assets	
Cash and Cash Equivalents (Note C)	<u>\$ 2,755</u>
Total Assets	<u>2,755</u>
 LIABILITIES	
Warrants Payable	<u>2,755</u>
Total Liabilities	<u>2,755</u>
 NET POSITION	
Held in Trust	<u><u>\$ -</u></u>

SEE ACCOMPANYING AGREED-UPON PROCEDURES REPORT

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

FINDING #2014-01 – CAPITAL ASSETS

Records of the capital assets were not complete. 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. Inventory has been taken but not for all capital assets owned by the Town. 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

Governing board does not receive monthly reports showing actual vs budget amounts for revenues or expenditures on a monthly basis. Bank reconciliations are not being presented to the board in their monthly packets.

Recommendation

A report should be presented to the Board for review on a monthly basis that details out the revenues and expenditures monthly activity and year to date activity that is compared to the approved budget amount. 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.