



December 29, 2014

To the Honorable Mayor and  
Town Council of  
Newton, Utah

In accordance with *Utah Code 51-2a-201*, we have performed the procedures enumerated below, which were agreed to by Newton Town (the Town) and the Office of the Utah State Auditor, solely to assist them with respect to the Town's accounting records and whether the Online Financial Survey agrees with its accounting records and in evaluating the Town's compliance with applicable state laws, rules, and requirements for the year ended June 30, 2014. The Town's management is responsible for the Town's accounting records, the accuracy and completeness of the Online Financial Survey, and compliance with applicable state laws.

This agreed-upon procedures engagement was conducted in accordance with the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (which standards incorporate by reference the American Institute of Certified Public Accountants statements on standards for attestation engagements). The sufficiency of these procedures is solely the responsibility of those parties specified in this report. 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.

### **Agreed-Upon Procedures Related to the Amounts Reported to the Office of the Utah State Auditor**

The procedures that we performed and our findings are summarized as follows:

<b>Procedures</b>	<b>Result</b>
<b>GENERAL</b>	
1. We determined whether the entity's financial information has been submitted via the Online Financial Survey to the OSA's Online Reporting System, and obtained a copy of the generated financial reports.	We noted no exceptions as a result of these procedures.
2. We agreed amounts reported in the financial reports to the entity's general ledger.	See finding 2014-1 below.
3. We determined whether the change in assets and liabilities agrees to income or loss reported on the Online Financial Survey.	See finding 2014-3 below.

Procedures	Result
4. We determined whether the design and implementation of the entity's internal controls over receipts, disbursements, and safeguarding of assets would prevent or detect and correct material misstatements on a timely basis.	See finding 2014-4 below.
5. We inquired with the those charged with governance, the chief administrative officer, and the chief financial officer of any instances indicating fraud, illegal acts, or noncompliance, and determined whether the entity has taken appropriate action, including implementing controls to minimize the risk that the fraud, illegal acts, or noncompliance will reoccur.	We noted no exceptions as a result of these procedures.
<b>MEETINGS</b>	
6. We reviewed the governing board's meeting minutes for the period covering the engagement through the date of the engagement, as well as 4 months previous to the period. For all financial transactions discussed in the minutes exceeding 5% of total revenues, and a sample of the lesser of 10% or three less significant financial transactions discussed, we traced the transactions to the entity's accounting records to determine whether the transactions were properly recorded and reported.	We noted no exceptions as a result of these procedures.
7. We selected and obtained the agenda and meeting minutes for two public meetings held during the engagement year and performed the following:	
a. We determined whether the public body did not take any final actions on a topic in the meeting unless the topic was listed under an agenda item.	We noted no exceptions as a result of these procedures.
b. If a portion of the meeting was closed the public, we determined whether the reason for holding the closed meeting was documented in the meeting minutes before the meeting was closed and that the matter for the closed meeting was permitted under UCA Section 52-4-205.	We noted no exceptions as a result of these procedures.

Procedures	Result
<p><b>REVENUES</b></p> <p>8. We compared each revenue account on the Online Financial Survey to the corresponding prior period amounts. For changes greater than 10% of total revenues and 15% of the individual line item from the prior year or for changes inconsistent with the overall financial report or the governing board's meeting minutes, we determined whether the change agrees to adequate supporting documentation and is reasonable and proper.</p>	<p>There were no variances over the specified amounts which were unexplained.</p>
<p><b>DISBURSEMENTS</b></p> <p>9. We compared each expense account on the Online Financial Survey to the corresponding prior period amounts. For changes greater than 10% of total expenses and 15% of the individual line item from the prior year or for changes inconsistent with the overall financial report or the governing board's meeting minutes, we determined whether the change agrees to adequate supporting documentation and is reasonable and proper.</p>	<p>There were no variances over the specified amounts which were unexplained.</p>
<p>10. We determined whether the entity has a written purchasing policy that establishes a competitive procurement process, and safeguards against bias or conflicts of interest.</p>	<p>We noted no exceptions as a result of these procedures.</p>
<p>11. Through inquiry with management and scanning receipt records, we determined what restricted revenue is received by the entity (grant funds, impact fees, B&amp;C road funds, etc.). We selected the lesser of 10% or 5 disbursements from restricted funds and determined whether the disbursements were in compliance with restrictions placed on the funds.</p>	<p>We noted no exceptions as a result of these procedures.</p>
<p>12. We inquired with the chief administrative officer and the chief financial officer whether there are disbursements to related parties. Also, we scanned disbursement records for disbursements to related parties. We determined who has credit cards or purchasing cards issued by the entity. We selected the lesser of 25 disbursements or 10% of disbursements ensuring that the selection includes disbursements to related parties, as well as credit card or purchase card disbursements made by members of the governing body and executive level of management. We performed the following:</p> <p>a. We reviewed the selected disbursements for reasonableness (prudent person rule).</p>	<p>We noted no exceptions as a result of these procedures.</p>

Procedures	Result
b. We agreed the selected disbursements to the receipt or invoice supporting the amount and payee.	We noted no exceptions as a result of these procedures.
c. We reviewed the selected disbursements for proper authorization.	We noted no exceptions as a result of these procedures.
d. We reviewed the selected disbursements for compliance with the entity's purchasing policy (bids, quotes, etc.).	We noted no exceptions as a result of these procedures.
e. We agreed the selected disbursements to the general ledger to determine whether disbursements have been properly classified and recorded.	We noted no exceptions as a result of these procedures.
<b>CASH</b>	
13. We obtained the year-end bank reconciliation(s) and one additional month's bank reconciliation(s) and performed the following:  a. We traced the bank balance on the reconciliation to the balance per the bank statement.	We noted no exceptions as a result of these procedures.
b. We traced the reconciled book balance to the general ledger and the amount reported on the Online Financial Survey.	We noted no exceptions as a result of these procedures.
c. We tested the clerical accuracy of the reconciliation.	We noted no exceptions as a result of these procedures.
d. We scanned the bank reconciliation for significant or unusual reconciling items, such as long outstanding checks. We obtained explanations and reviewed supporting documentation for any unusual reconciling items noted.	We noted no exceptions as a result of these procedures.
e. We traced the lesser of 10% or five deposit transactions and 10% or five disbursement transactions to the general ledger.	We noted no exceptions as a result of these procedures.

Procedures	Result
f. We traced the lesser of 10% or five reconciling items to a subsequent bank statement.	We noted no exceptions as a result of these procedures.
<b>COMPLIANCE</b> 14. We determined whether the entity maintained a positive fund balance for all funds.	We noted no exceptions as a result of these procedures.
15. We determined whether the entity's unrestricted (committed, assigned, and unassigned) general fund balance did not exceed 25% for cities or 75% for towns of the total revenue of the general fund for the engagement year.	See finding 2014-2 below.
16. We determined whether the entity has a written policy and procedure established to disclose nepotism and conflicts of interest.	We noted no exceptions as a result of these procedures.
17. We inquired and observed whether there are any relatives working together or in a direct line of authority at the entity. We determined whether the entity is complying with State nepotism and hiring laws.	We noted no exceptions as a result of these procedures.
18. Through inquiry with officials of the entity and observation of meeting agendas, certificates or other relevant evidence, we determined whether the following training has occurred as applicable:  a. Annual training on the requirements of open and public meetings for members of the governing body.	We noted no exceptions as a result of these procedures.
b. Annual online training on the requirements of GRAMA for the entity's designated records officer.	We noted no exceptions as a result of these procedures.
<b>BUDGET</b> 19. We examined the entity's records and financial reports and determine whether the total expenditures by department did not exceed the amounts appropriated in the final adopted budget.	We noted no exceptions as a result of these procedures.
<b>GRAMA (GOVERNMENT RECORDS ACCESS MANAGEMENT ACT)</b> 20. We determined whether the entity has a written policy defining how to respond to a GRAMA request.	We noted no exceptions as a result of these procedures.

Procedures	Result
21. If fees are charged for GRAMA requests, we verified whether the entity has adopted a uniform fee structure.	We noted no exceptions as a result of these procedures.

These agreed-upon procedures do not constitute an examination of the Town's accounting records or the Online Financial Survey or any part thereof, the objective of which is the expression of an opinion on the accounting records or the Survey or any part thereof. Also, we were not engaged to and did not conduct an examination of the Town's compliance with applicable state laws, the objectives of which would be the expression of an opinion on compliance. Accordingly, we do not express such opinions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

In accordance with Government Auditing Standards, we are required to report significant deficiencies, material weaknesses, instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that come to our attention during our agreed-upon procedures that warrant the attention of those charged with governance. Our agreed-upon procedures disclosed the following matters that warrant the attention of the Town officials:

**2014-1:**      *Description* – The on-line financial survey agreed with the Town's unadjusted general ledger but does not match the adjusted amounts for accounts payable, restricted equity, accumulated depreciation, various receivables, debt and other accounts due to yearend adjustments that had not been booked prior to the on-line financial survey being filed.

*Recommendation* – Review accounts prior to year end and adjust the amounts to actual as applicable.

*Management Response* – We will try to adjust amounts to actual before posting to the on-line financial survey.

**2014-2:**      *Description* – The general fund unrestricted balance exceeded the percentage of total general fund revenue as allowed by State law (by 1%).

*Recommendation* – Review the State fund balance requirements and monitor the general fund balance near the end of the fiscal year to identify possible noncompliance.

*Management Response* – We have made moves to reduce the unrestricted fund balance and it will be within the requirements for FY 2015.

**2014-3:**        *Description* – The change in assets and liabilities did not agree with the current year income as submitted on the Online Financial Survey. The difference was \$103 in the general fund.

*Recommendation* – Review equity accounts prior to year end and account for only the current year revenue and expense amounts.

*Management Response* – We will try to make sure the amounts agree to prior year-end equity.

**2014-4:**        *Description* – The Town does not have complete segregation of duties within cash receipting.

*Recommendation* – Review the current controls, weighing the cost vs. benefit of implementing additional controls.

*Management Response* – The Town is small and does not have sufficient budget for complete segregation of duties. We will consider segregation as budget warrants.

This report is intended solely for the information and use of the Office of the Utah State Auditor, the Newton Town Council and management of Newton Town, and is not intended to be and should not be used by anyone other than these specified parties.



Allred Jackson, PC  
North Logan, UT