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**Rachel Laurie Riddle**  
Chief Examiner

## MEMORANDUM

**DATE:** October 1, 2022

**TO:** Mayors and Town Clerks  
All Alabama Towns/Municipalities

**FROM:** Rachel Laurie Riddle, Chief Examiner

**SUBJECT:** Guidelines for Audits and Annual Reports Prepared in Accordance with Act 2022-345, Acts of Alabama and Work Plan for Agreed Upon Procedures Engagements

In accordance with the provisions of Act 2022-345, the Department of Examiners of Public Accounts has established procedures for municipal audits and annual reports prepared pursuant to this Act. The established procedures are contained in two documents: ***Guidelines for Audits and Annual Reports Prepared for Municipalities Under the Municipal Clarification Act and Work Plan for Agreed Upon Procedures Engagements***. These documents should be provided to the Independent Accountant that is engaged to perform either an audit of the municipality's financial statements or to perform an Agreed Upon Procedures Engagement upon the Annual Report prepared by the municipality pursuant to Act 2022-345, Acts of Alabama, for the fiscal year ended September 30, 2022 and beyond.

Since the 2022 Fiscal Year is the first year of implementation, we encourage municipalities and their Independent Public Accountants to provide feedback and to submit questions or concerns to our office regarding these documents. For your convenience, we have attached a copy of these documents. You may also download copies of the documents on our website at [www.examiners.alabama.gov](http://www.examiners.alabama.gov) under the **What's New** and **Resources** dropdown menus.

# Guidelines for Audits and Annual Reports Prepared for Municipalities Under the Municipal Audit Clarification Act

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RACHEL L. RIDDLE, CHIEF EXAMINER  
DEPARTMENT OF EXAMINERS OF PUBLIC ACCOUNTS



## Prologue

The Department of Examiners of Public Accounts has prepared this guidance to assist municipalities in complying with the requirements of the Municipal Audit Clarification Act (Act 2022-345, Acts of Alabama) passed by the Legislature during the 2022 Legislative Session. Users of this guidance are urged to read the Municipal Clarification Act in its entirety to gain an understanding of the Act and its requirements.

Comments, questions, or concerns about the information contained in this guidance should be addressed to the Department of Examiners of Public Accounts, P. O. Box 302251, Montgomery, Alabama 36130-2251.

Rachel Laurie Riddle, Chief Examiner

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## Introduction

The Municipal Audit Clarification Act, Act 2022-345, Acts of Alabama, was passed by the Legislature during the 2022 legislative session. The Act became effective on July 1, 2022. This Act amended Section 11-43-85, ***Code of Alabama 1975***. The Act set out that the audit/examination requirements for Municipalities fall in three categories: (1) Municipalities with annual expenditures of \$300,000 or more; (2) Municipalities with annual expenditures of less than \$300,000 with an exception granted for municipalities in Category 3; and (3) Municipalities with annual expenditures of \$100,000 or less. Each of the categories is discussed in the following paragraphs.

### Category 1 – Municipalities with annual expenditures of \$300,000 or more

The Mayor or City Manager in a municipality with annual expenditures of \$300,000 or more “is required to have an annual audit conducted of the financial affairs and transactions of all funds and activities of the Municipality by an Independent Public Accountant for each fiscal year”.

### Category 2 – Municipalities with annual expenditures of less than \$300,000

Except as provided for municipalities in Category 3 below, the Mayor or City Manager is required “to provide for and cause to be made a biennial audit of the financial affairs and transactions of all funds and activities of the municipality by an independent public accountant for each fiscal year of the municipality.” The audit is required to include each fiscal year since the preceding audit.

### Category 3- Municipalities with annual expenditures of \$100,000 or less

The City Council in municipalities with annual expenditures of less than \$100,000 “may elect to provide for and direct the Mayor or City Manager to cause to be made an annual report, in lieu of the biennial

audit required for municipalities in Category 2 above, that complies with procedures established by the Department of Examiners of Public Accounts (DEPA). These municipalities must provide this annual report to DEPA and it “shall constitute the annual audit report”. This Act also requires certain information to be included in the Annual Audit Report. The details of the information required to be included in the Annual Report is provided in detail in the pages that follow.

## Requirements for Municipal Audits

Municipal audits shall be performed in accordance with generally accepted auditing standards.

We **encourage** the audit to also include tests of compliance with laws and regulations in accordance with *Government Auditing Standards*. **This is not a requirement if not already mandated but is highly encouraged to provide an additional level of accountability for the use of public funds**. The annual financial statements prepared by the municipality shall include the basic financial statements, including notes to the financial statements in the format prescribed by the Governmental Accounting Standards Board. This will include Management’s Discussion and Analysis (MD&A), the government-wide financial statements, the fund statements (including the required reconciliations), required supplementary information (other than the MD&A), and supplementary information. The Annual Audit Report and Biennial Audit Report shall be submitted to DEPA within 60 days of the audit’s completion<sup>1</sup> and shall include the Independent Auditor’s Report and the following items required by the Governmental Accounting Standards Board:

1. Management Discussion and Analysis [Required Supplementary Information (RSI)]
2. Government-Wide Financial Statements
  - a. Statement of Net Position
  - b. Statement of Activities

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<sup>1</sup> Code of Alabama 1975, Section 41-5A-12.1

3. Fund Financial Statements
  - a. Governmental Funds
    - i. Balance Sheet (Governmental Funds)
    - ii. Statement of Revenues and Expenditures and Changes in Fund Balance
  - b. Proprietary Funds
    - i. Statement of Net Position
    - ii. Statement of Revenues, Expenses and Changes in Fund Net Position
    - iii. Statement of Cash Flows
  - c. Fiduciary Funds
    - i. Statement of Fiduciary Net Position
    - ii. Statement of Changes in Fiduciary Net Position
4. Notes to the Financial Statements
5. Required Supplementary Information (other than the MD&A)
6. Supplementary Information (when applicable)
7. Independent Auditor's Report on Internal Control and Compliance<sup>2</sup> (**if performed or applicable**)

Municipalities that meet the biennial audit requirement must include financial statements for each fiscal year of the audit as required by statute. Municipalities that elect, as provided by law, to prepare an annual report in lieu of the biennial audit shall prepare an annual report as provided in the Required Elements of the Annual Report Section below.

The municipality and the firm engaged to perform the audit shall be responsible for determining the applicability of other audit requirements, including but not limited to the requirements for a Single Audit, and/or continuing disclosures requirements.

## Required Elements of the Annual Report

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<sup>2</sup> Document prepared by the Independent Public Accountant for audits performed in accordance with **Government Auditing Standards**. The practitioner may in accordance with the standards prepare two separate reports, Report on Internal Control, and a Report on Compliance.

This section of the guidelines contains requirements for municipalities that qualify for the exception listed in Section (b) (3) of Section 11-43-85 of the **Code of Alabama 1975**. Section 11-43-85 (b) (3) of the **Code of Alabama 1975** as amended by Act 2022-345, Acts of Alabama, authorizes the City Council in a **municipality with annual expenditures of less than \$100,000** to “elect to provide for and direct the mayor or city manager to cause to be made, in lieu of a biennial audit... an annual report that complies with the procedures established by the Department of Examiners of Public Accounts”. The annual report is required to be provided to DEPA within 60 days after its completion (**Code of Alabama 1975**, Section 41-5A-12.1) and shall comprise the annual report for that municipality. In addition, the Annual Report “**shall be provided to the City Council at the first meeting after completion of the report and shall be spread upon the minutes of the Council**”. The Annual report **must** contain the following elements:

- a. Proof and reconciliation of cash;
- b. Confirmation of cash balances;
- c. A list of all bank balances;
- d. A statement of cash receipts and cash disbursements;
- e. A statement of compliance with state law;
- f. A report of agreed upon procedures; and
- g. A report of motor fuel excise taxes collected and the distribution of and use of those proceeds.

A brief description of each of these items is provided below. These items when completed will satisfy the requirements of the Municipal Audit Clarification Act (**Code of Alabama 1975**, Section 11-43-85 as amended).

## Proof and Reconciliation of Cash

The agreed upon procedures engagement shall provide for a proof and reconciliation of cash for all bank account balances to the general ledger balances of Town/Municipality. The results of this proof and reconciliation shall be included in the Agreed Upon Procedures Report as illustrated below. Every effort should be made to ensure that sensitive information such as bank account numbers is not included in the report which will be made available to the public.

	<b>Bank Balance</b>	<b>General Ledger Balance</b>
Bank A	XXXXXXX	XXXXXXX
Bank B	XX	XX
Bank C – Regular Operating Account	XXXXXXX	XXXXXXX
Bank D – Payroll Fund	XXXXXXXX	XXXXXXXX
Bank E – Gasoline Tax Fun	XXXXX	XXXXX
Bank F – Bond Fund	XXX	XXX

Independent Accountants' Finding - e.g. No exceptions were noted OR an explanation of the exceptions found.

#### Confirmation of Cash Balances

The Mayor, City Manager, Town Clerk or other official of the town or municipality shall authorize their financial institutions to provide written confirmation of the Town/Municipality's bank balances and to provide these confirmations directly to the Independent Public Accountant engaged to perform the agreed upon procedures engagement. The confirmed balances will be included in the Annual Report as required by the Act. However, sensitive information, such as bank account numbers should be redacted from the copy included in the Annual Report. The Independent Public Accountant may also list the accounts in tabular form such as indicated below in the Agreed Upon Procedures Report.

<b>Fund</b>	<b>Financial Institution</b>	<b>Confirmed Balance</b>
<b>General Fund</b>	Bank A	\$XXXXX.XX
<b>Gasoline Tax Fund</b>	Bank B	\$XXXXX.XX

## **Listing of All Bank Balances**

The Mayor, City Manager, Town Clerk or other official of the town or municipality shall provide a listing of all the bank accounts of the Town/Municipality. The listing shall include all accounts by fund whether active or inactive that were open at any time during the period. The listing shall also include any, and all investment accounts, including but not limited to stocks, bonds, treasury notes, certificates of deposit, cryptoassets, bitcoin, etc., as well as the balances of all loans, notes, bonds, and other amounts owed by the Town/Municipality. The accuracy and completeness of the listing shall be certified by the Mayor, City Manager, Town Clerk, and the person completing the listing. The listing once completed shall be provided to the Independent Public Accountant engaged to perform the Agreed Upon Procedures Engagement testing as provided in the **Work Plan**. The Town/Municipality should provide the Independent Accountant with all the information needed to conduct the engagement. This includes, but is not limited to, a schedule of investment activities, copies of documents evidencing loans, notes, bond indebtedness and monthly bank reconciliations, etc.

The results of the Independent Public Accountant's procedures will be included in the Agreed Upon Procedures Report that is included in the Town/Municipality's Annual Report as required by the Municipal Audit Clarification Act (**Code of Alabama 1975**, Section 11-43-85 as amended). A sample copy of this listing is included in the Appendix of this guide.

## **Statement of Cash Receipts and Disbursements**

The Town/Municipality shall prepare a Statement of Cash Receipts and Disbursements that includes and itemizes all the revenues/receipts received during the period from all sources. This includes, but is not

limited to sales taxes, gasoline taxes, lodging taxes, water sales, solid waste disposal fees, appropriations from the State, donations, etc. In addition, the Statement of Cash Receipts and Disbursements shall include an itemized listing of the disbursements made by the Town/Municipality during the period. The Statement of Cash Receipts and Disbursements prepared by the Town/Municipality shall be included in the Annual Report as required by the Municipal Audit Clarification Act (Code of Alabama 1975, Section 11-43-85 as amended). An example of the Statement of Cash Receipts and Disbursements is included in the Appendix of this guide.

### [Statement of Compliance with State Laws](#)

The Mayor, City Manager, Town Clerk, and each Town/City Council Member shall execute a Statement of Compliance with State Laws as required. These compliance statements will be included in the report that is submitted to DEPA and the City/Town. A copy of this required [Compliance Statement](#) is included in the Appendix of this guide. The Independent Public Accountant engaged to perform the Agreed Upon Procedures engagement will perform the procedures included in the **Work Plan** to determine the Town/Municipality's compliance with various State laws. The results, including findings, of the Independent Public Accountants' procedures should be included in the Agreed Upon Procedures Report.

### [Agreed Upon Procedures Engagement](#)

The Town/Municipality shall engage an Independent Public Accountant to perform an Agreed Upon Procedures Engagement in accordance with Section AT-C Section 215 of the Attestation Standards of the American Institute of Certified Public Accountants (AICPA). The Agreed Upon Procedures Engagement shall include procedures to address areas covered in the **Work Plan** included with this guide. Once completed the Independent Public Accountant shall issue a report to the Town/Municipality that will be included in the Town/Municipality's Annual Report. The Agreed Upon Procedures Report shall be

included in the Annual Report. The Annual Report shall be submitted to the City Council at its first meeting after the completion of the report and spread upon the minutes of the meeting. A copy of this report shall also be provided to the DEPA within 60 days of its completion as required by the **Code of Alabama 1975**, Section 41-5A-12.1 (d).

### Report of Motor Fuel Taxes Collected, Distributed and Used

The Town/Municipality shall prepare a report of all motor fuel taxes that were collected by the Town/Municipality during the period covered by the Annual Report. This report shall also itemize how the motor fuel taxes were distributed and used by the Town/Municipality. This report shall be furnished to the Independent Public Accountant engaged to perform the Agreed Upon Procedures Engagement to perform the procedures included in the **Work Plan** that accompanies this guide. The results, including findings, of the Independent Public Accountant's work shall be included in the Agreed Upon Procedures Report. An example of a Motor Fuel Taxes Collected, Distributed and Used report is included in the Appendix of this guide.

### Conclusion

This guide was prepared to provide Towns/Municipalities with the information needed to assist them in complying with the provisions of the Municipal Audit Clarification Act. Laws are amended from time to time, and it is up to the Town/Municipality to stay abreast to changes as they occur. Every effort will be made to keep this document current. In addition, there may be additional requirements, including but not limited to the **Code of Alabama 1975**, Sections 11-43A-27, 11-43B-9, 11-43D-17, 11-44C-31, and 11-44E-54, that the Town/Municipality is required to follow that are not addressed in this document. It is the town's/municipality's responsibility to know what the requirements are and to adhere to them.



## Appendix

Listing of All Bank Balances of the City of \_\_\_\_\_ for  
the Fiscal Year Ended September 30, 20\_\_\_\_

I \_\_\_\_\_ hereby certify that this listing includes **all** the bank balances of the  
[Name of the Governmental Unit] that were open at any time during the fiscal year ended September 30  
20\_\_\_\_\_.  
  
*[Signature]*

Signature of Certifying Official

Date

[Name of Governmental Unit]  
 Statement of Cash Receipts and Disbursements and Cash Balances  
 October 1, 20XX through September 30, 20XY

<b>Receipts</b>	General Fund	Four Cent/Five-Cent Gas Tax Fund	Seven-Cent Gas Tax Fund	Other Gas Tax Fund	Fire Department	Library	Town Park	<b>Total</b>
Property Tax	\$ 10,784.00	\$	-					\$ 10,784.00
Sales and Use Tax	29,325.00	-						29,325.00
Other Taxes			1,165.00		917.00			2,082.00
Licenses & Permits	25,008.00	-				4,500.00	29,508.00	
Charges for Services	2,760.00	-						2,760.00
Gasoline Taxes		5,600.00	4,500.00	1,400.00				11,500.00
Interest Income	278.00		10.00					288.00
Donations	22.00	-						22.00
Grants	3,500.00	-			1,500.00	5,000.00		10,000.00
<b>Total Receipts</b>	<b>71,677.00</b>	<b>5,600.00</b>	<b>5,675.00</b>	<b>1,400.00</b>	<b>2,417.00</b>	<b>5,000.00</b>	<b>4,500.00</b>	<b>96,269.00</b>
 <b>Disbursements</b>								
<b>Current</b>								
General Government	24,575.00							24,575.00
Streets and Sanitation	12,500.00	10,500.00	12,110.84	1,175.00		2,950.00	39,235.84	
Culture and Recreation	1,275.00					5,000.00		6,275.00
Fire Protection					1,275.00			
<b>Capital Outlay</b>								-
General Government	5,000.00							5,000.00
Streets	7,500.00							7,500.00
<b>Debt Service</b>								-
Principal Payments	9,500.00							9,500.00
Interest	725.00							725.00
Grant Expenses	3,500.00							3,500.00
<b>Total Disbursements</b>	<b>64,575.00</b>	<b>10,500.00</b>	<b>12,110.84</b>	<b>1,175.00</b>	<b>1,275.00</b>	<b>5,000.00</b>	<b>2,950.00</b>	<b>96,310.84</b>
 Excess(Deficiency of Receipts Over Disbursements)	7,102.00	(4,900.00)	(6,435.84)	225.00	1,142.00	-	1,550.00	(41.84)
 <b>Cash Balance - Beginning of Year</b>	<b>5,500.00</b>	<b>15,000.00</b>	<b>25,000.00</b>	<b>3,525.00</b>	<b>450.00</b>	-	625.00	50,100.00
 <b>Cash Balance End of Year</b>	<b>\$ 12,602.00</b>	<b>\$ 10,100.00</b>	<b>\$ 18,564.16</b>	<b>\$ 3,750.00</b>	<b>\$ 1,592.00</b>	-	<b>\$ 2,175.00</b>	<b>\$ 50,058.16</b>

# Statement of Compliance with State Law

I, \_\_\_\_\_, \_\_\_\_\_ of \_\_\_\_\_

Legal Name

Title/Position

Name of City/Town

do solemnly swear to the best of my knowledge and belief that the (City/Town) of

Select One

\_\_\_\_\_ is in compliance with all applicable laws and regulations of  
Name of City/Town

the State of Alabama during the period October 1, 20\_\_\_\_ through September 30,  
20\_\_\_\_.

\_\_\_\_\_

Signature

Sworn to and Signed before me on this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_  
by \_\_\_\_\_ who is personally known to me.

\_\_\_\_\_

Notary Public

My Commission Expires: \_\_\_\_\_

[Name of Governmental Unit]  
Motor Fuel Excise Taxes Collected, Distributed and Used  
For the Fiscal Year Ended September 30, 20\_\_

	Type of Tax Collected					
	5-Cent Gas Tax	4-Cent Gas Tax	Petroleum Inspection	2-Cent Gas Tax	Diesel Fuel	Total
<b>Amount Collected</b>	\$	\$	\$	\$	\$	\$
<b>Amount Distributed:</b>						
(Indicate To whom was it distributed)						
<b>Amount Expended (Used):</b>						
Salaries						
Road Construction						
Maintenance						
Equipment						
Supplies						
Miscellaneous						

# Report Example

## Independent Accountant's Report on Applying Agreed-Upon Procedures

[addressee]

We have performed the procedures included in Alabama Department of Examiners of Public Accounts' Work Plan for Agreed-Upon Procedures for Municipal Annual Reports as enumerated below for the fiscal year ended September 30, 20\_\_\_\_\_. The Mayor, City Manager of the Town/City of \_\_\_\_\_ is responsible for the financial information included in the Town/City of \_\_\_\_\_'s Annual Report.

The (Name of the Governmental Entity) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in understanding the Annual Report of the City of \_\_\_\_\_ for the fiscal year ended September 30, 20\_\_\_\_\_. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and the associated findings are as follows:

**[The Independent Accountant should include paragraphs to describe the procedures performed detailing the nature and extent, and if applicable, the timing, of each procedure and to describe the findings from each procedure performed, including sufficient details on exceptions found.]**

We were engaged by the [Name of the Governmental Entity] to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the attestation standards established

by the American Institute of Certified Public Accountants (AICPA). We were not engaged to and did not conduct an examination or review engagement, the objectives of which would be the expression of an opinion or conclusion, respectively, on the Annual Report of the {Name of Governmental Unit}. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of [Name of Governmental Unit] and to meet our other ethical responsibilities, in accordance with the relevant requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of [Name of Governmental Unit] and is not intended to be, and should not be, used by anyone other than these specified parties.

**(The Independent Accountant should include additional paragraphs that may be necessary to describe other matters.)**

[Signature of Independent Auditor's Firm]

[City and State where the Independent Accountant's report is issued]

[Date of Practitioners Report]

Revised 2/27/24

# WORK PLAN FOR AGREED-UPON PROCEDURES ENGAGEMENTS

For

Annual Reports Prepared for Municipalities Under the Municipal Audit Clarification Act

*Code of Alabama 1975*, Section 11-43-85



Prepared by

Alabama Department of Examiners of Public Accounts

Rachel Laurie Riddle, Chief Examiner

	Procedures	Completed by	Workpaper Reference
	<b>Section 1 – Cash, Petty Cash and Investments</b>		
1.	<p>Obtain and inspect a summary schedule of cash at year end by fund which includes all depositories with which the town/municipality had transactions during the period cover by the agreed-upon procedures, including banks from which temporary investments were purchased.</p> <p>a. Confirm for individual funds that are required to maintain separate bank accounts that separate bank accounts are maintained.</p> <p>b. Confirm that all the town/municipality's bank accounts are with qualified public depositories under the SAFE Program [<i>Code of Alabama 1975, Sections 41-14A-1 – 41-14A-14</i>]</p> <p>c. Confirm that separate funds are maintained for gasoline tax revenues and inspection fees as provided in the <i>Code of Alabama 1975, Section 8-17-91(a) (2) (c) (5)</i>.</p> <p>d. Confirm that separate funds are maintained for municipal court funds, where applicable.</p> <p>e. Confirm opening and closing of accounts with the minutes of the town/municipality</p>		
2.	Confirm account balance information with financial institutions as of the date of the town/municipality's fiscal year end and for all accounts identified in Step 1 above (including accounts that were closed during the year).		
3.	Obtain copies of year end bank statements for each open account and trace balances and activities to the bank account reconciliation.		
4.	Obtain copies of the year end bank statement for each open account and perform the following on the reconciliations:		
	<p>a. Trace bank balance on reconciliation to the bank confirmation received from the financial institution.</p> <p>b. Trace reconciled book balance to the general ledger and trial balance or summary schedule.</p> <p>c. Mathematically check reconciliation and detailed supporting schedule for clerical accuracy.</p> <p>d. Compare confirmed balances of savings accounts and certificate of deposits to amounts recorded in the general ledger and determine whether unrecorded items were considered on bank reconciliations.</p>		
5.	Inspect cash receipts and cash disbursements ledgers for each bank account for a period of five business days before and after the town/municipality's fiscal year end.		
	<p>a. Confirm interbank transfers, checks, and deposits are recorded in the proper period.</p> <p>b. Confirm transfers between each cash receipts ledger and each cash disbursements ledger were recorded in the same period.</p> <p>c. Confirm transfers not clearing the bank in the same accounting period as they are initiated are properly reflected as reconciling items on bank reconciliations.</p>		
6.	Perform cash proof procedure for each account in which the town/municipality maintains funds at its fiscal year end for a minimum of two months, including the month in which the town/municipality fiscal year ends.		

	<ul style="list-style-type: none"> <li>a. Trace all outstanding checks (including electronic funds transfers) shown on the proof of cash reconciliations at fiscal year end date to clearing of checks on the subsequent bank statements, including the last bank statement available during field work.</li> <li>b. Inquire about any check of a material amount that has not cleared or has taken an inordinately long period to clear and indicate reason(s)</li> <li>c. Trace all deposits in transit at the fiscal year end date to their deposit.</li> <li>d. Investigate any delay in crediting of book deposits to bank.</li> <li>e. Trace deposits from general ledger to bank statements for all months tested.</li> <li>f. Trace checks to disbursements journals and compare dates, numerical sequence, signatures, and endorsements.</li> <li>g. Mathematically check cash journal</li> <li>h. Investigate other reconciling items and determine if appropriate.</li> <li>i. Confirm and account for all voided checks.</li> </ul>		
7.	<b>Obtain and inspect an analysis of investment activity</b>		
	<ul style="list-style-type: none"> <li>a. Mathematically check the clerical accuracy of the investment activity analysis.</li> <li>b. Inquire about types of investments permitted by law (<i>Code of Alabama 1975, Sections 11-81-19 and 11-81-21</i>), contract or investment policy of the town/municipality and confirm investments are allowable.</li> <li>c. Inspect the minutes of the Council meetings to confirm the investment policies are consistent with requirements of laws, contracts or stated investment policies of the town/municipality.</li> <li>d. Compare the purchases and sales of investments during the period included on the investment activity analysis with the confirmed investment policies to determine whether transactions were authorized.</li> <li>e. Inspect investments on hand while in the presence of the responsible official of town/municipality.</li> <li>f. Confirm balances of investments held by others as well as the name in which the investments are held.</li> <li>g. Trace investments to the investment activity analysis and general ledger.</li> <li>h. Recalculate the gain or loss from the sales of investments, using the cost of investment purchases and the proceeds from investment sales obtained from investment activity and general ledger.</li> <li>i. Compare amounts reported as income from investment for reasonableness.</li> </ul>		
8.	<b>Obtain and inspect a listing of all petty cash funds as of the fiscal year end.</b>		
	<ul style="list-style-type: none"> <li>a. Inquire about the method of reimbursement of funds.</li> <li>b. Inspect documentation of expenditures and confirm that the purposes agree with the purposes for which the fund was established.</li> <li>c. Obtain copies of internal audits performed on the fund and confirm audits were reviewed for exceptions and determine corrective actions were planned and taken.</li> <li>d. Observe a count of funds in the presence of the custodian.</li> <li>e. Compare the reconciliations to the control accounts.</li> </ul>		
9.	<b>Reconcile petty cash at the beginning of the fiscal year to petty cash at the end of the fiscal year using cash receipts and cash disbursements recorded on the town/municipality's general ledger.</b>		
	<b>Section II – Compliance with State Laws and Regulations</b>		

	<p>1 Note: The Department of Examiners of Public Accounts publishes a handbook "The Do's and Don'ts: A Handbook for Alabama Municipalities" [<a href="https://examiners.alabama.gov/PDF/publications/Dos_and_Donts.pdf">https://examiners.alabama.gov/PDF/publications/Dos_and_Donts.pdf</a>] that provides information on some of the general laws that are applicable to municipalities. Additional laws applicable to towns/municipalities may be found in Title 11 of the <i>Code of Alabama 1975</i>; in local laws contained in <i>Acts of Alabama</i> and the ordinances established by the town/municipality.</p>		
1.	<p>Obtain the minutes of the Council meetings and inspect for compliance with the Open Meetings requirements of the <u>Code of Alabama 1975</u>, Sections 36-25A-1 through 36-25A-11.</p>		
	<p>a. Confirm that meetings were open to the public if there was gathering of a quorum of members of the governing body and any official business, policy or public matter of the town/municipality was formulated, presented, discussed, or voted upon.</p>		
	<p>b. Confirm the members participating in meetings by electronic communications met the requirements of the <i>Code of Alabama 1975</i>, Section 36-25A-5.1.</p>		
	<p>c. Inspect documentation of the Council meetings to confirm the State requirements for open meetings (Notice, public access, agenda, summary, and minutes)</p>		
	<p>d. Confirm that notices for regular meetings were posted on a bulletin board in City Hall at least seven days prior to the regular meeting as required by the <i>Code of Alabama 1975</i>, Section 36-25A-3 (Open Meeting Act)</p>		
	<p>e. Confirm that notice is given of other meetings in accordance with the Open Meetings Act. Notice should be posted as soon as practicable after it is called, but not less than 24 hours before the scheduled meeting unless:</p> <ol style="list-style-type: none"> <li>1) Notice cannot be given due to emergency circumstances requiring immediate action to avoid physical injury to persons or damage to property; or</li> <li>2) The notice relates to a meeting held solely to accept the resignation of a public official or employee.</li> </ol> <p>Under these circumstances, notice must be given as soon as practicable but no less than one hour before the meeting is to begin.</p>		
	<p>f. Confirm that an agenda was available and included all matters expected to come before the Council.</p>		
	<p>g. Confirm that a written summary, including subjects acted on and the members present, was prepared for each meeting and was available for public inspection as soon as practicable after approval.</p>		
	<p>h. Confirm that minutes of regular meetings are recorded promptly and open to public inspection once approved. (<i>Code of Alabama 1975</i>, Section 36-25A-4)</p>		
	<p>i. Confirm that minutes of regular meetings contain at a minimum: the names of the members present, description of each motion or proposal, identity of persons making and seconding motions or proposals and record of all votes including names of persons voting for or against (or abstaining). Note the procedural leaflet prepared by the Department of Archives and History provides detailed information on the items that should be included in the minutes of meetings. This document can be accessed by following this link: <a href="https://examiners.alabama.gov/PDF/Guides/MinutesGuidelines.pdf">{https://examiners.alabama.gov/PDF/Guides/MinutesGuidelines.pdf}</a></p>		

	j. Confirm that minutes reflect actions taken by the Council to convene executive sessions comply with the requirements of the Open Meetings Act contained in the <i>Code of Alabama 1975</i> , Section 36-25A-7(a) & (b).		
2.	Determine whether the Town/Municipality has prepared a <i>Report on Motor Fuel Taxes Collected, Distributed and Used</i> and has included the listing in the Annual Report required by the Municipal Audit Clarification Act.		
3.	Obtain and inspect the <i>Report of Motor Fuel Taxes Collected, Distributed and Used</i> by the Town/Municipality.		
	a. Confirm amounts received and recorded on the listing agree with amounts reported on the <i>Schedule of Cash Receipts, Disbursements and Cash Balances</i> .		
	b. Confirm that separate funds are maintained for motor fuel taxes required to be maintained in separate funds and that these taxes are not commingled with other funds.		
	c. Obtain, review, and test the mathematical accuracy of motor fuel taxes distributed and determine whether the amounts distributed were calculated and distributed as required by State law.		
	d. Obtain, review, and confirm expenditures/expenses paid with motor fuel taxes meet the requirements of State law and determine: <ol style="list-style-type: none"> <li>1) Whether amounts expended were for purposes allowed by law</li> <li>2) Whether items acquired were competitively bid in accordance the Alabama Competitive Bid Law. (<i>Code of Alabama 1975</i>, Section 41-16-50, et. seq.</li> <li>3) Whether construction projects were bid in accordance with the Public Works Law (<i>Code of Alabama 1975</i>, Section 39-1-1, et, seq,</li> </ol>		
4.	Obtain, review, and confirm that all officials have executed a <i>Statement of Compliance with State Laws</i> and that these Statements are included in the Annual Report as required by the Municipal Audit Clarification Act.		
5.	Confirm that the Annual Report was submitted to the Council within the time frame required by Section 11-43-85 (d).		

End of Document