

L. Soligo & Associates Ltd.
Chartered Accountants

1440 Bay Avenue
Trail, B.C. V1R 4B1

Tel: (250) 368 6445 Fax: (250) 368 8488 Email: soligo@direct.ca

C.D. Catalano, BA, CPA, CA*
W.M. Gerrand, BBA, CPA, CA*
I. Desmarais, BBA, CPA, CA*

*Denotes incorporated professional

June 5, 2015

THE CORPORATION OF THE VILLAGE OF MONTROSE
BOX 510
MONTROSE, B.C.
V0G 1P0

Dear Sirs/Madams:

Our firm has recently completed our audit of the Corporation of the Village of Montrose (the Village) for the year ending December 31, 2014.

The objective of our audit was to express an opinion on the financial statements. Included in our audit was the consideration of internal control relevant to the preparation and fair presentation of the financial statements. This consideration of internal control was for the purpose of designing audit procedures that were appropriate in the circumstances. It was not for the purpose of expressing an opinion on the effectiveness of internal control or for identifying all significant control deficiencies that might exist.

During the course of our audit we identified a deficiency that met the definition of a significant deficiency. A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditors' professional judgment, is of sufficient importance to merit the attention of those charged with governance. Communicating significant deficiencies assists those charged with governance in fulfilling their oversight responsibilities.

The significant deficiency identified is outlined below. Please note that this letter includes all the significant deficiencies we have identified, including those reported to you that have not been remedied.

INTERNAL CONTROLS

Internal controls are the specific procedures an entity develops to prevent and detect errors that could otherwise cause its financial information to be misstated. In addition, strong internal controls can help to reduce the risk of fraud in an organization. To enhance the effectiveness of a particular control, it is often desirable to have individuals sign, initial or provide other such evidence to indicate that a specific control procedure was carried out. This year, as in prior years, we noted that controls were lacking in regard to your bank reconciliations.

Bank Reconciliations

A bank reconciliation is a process whereby the ending bank statement balance as at a given period of time (usually a month-end) is agreed/reconciled to the corresponding general ledger (GL) account in an organization's accounting system. A typical bank reconciliation would involve adding and subtracting outstanding deposits and withdrawals to/from the month end bank statement balance and agreeing the result to the corresponding GL account. A reconciled bank account is a strong indication that all bank transactions for the period have been recorded in the accounting records.

When reviewing your bank accounts as at the yearend date, we noticed that your chequing account with Kootenay Savings Credit Union (KSCU) was out of balance with your GL as evidenced by an unreconciled difference of \$626.66 – your records showed that the funds in your chequing account were less than what your accounting records otherwise indicated. Upon further review, we noted that all of the other 11 months in the year had unreconciled differences as well.

Without a doubt, cash is the Village's asset that is the most susceptible to theft. Unreconciled bank accounts may be the result of cash receipts not being deposited or unauthorized withdrawals not being recorded in the accounting records. In our opinion, all of your bank accounts must be reconciled on a monthly basis. Any discrepancies should be investigated and corrected in a timely manner. We recommend that all bank accounts be reconciled within one month of the month end that they pertain to and that the CAO review and sign-off on the bank reconciliations to evidence his approval.

This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to a third party who uses this communication.

Finally we would like to thank Bryan Teasdale and Amy Gurnett for their assistance during the course of our audit. Should you have any questions or concerns, please feel free to give us a call.

Yours very truly,
L. SOLIGO & ASSOCIATES LTD.



C. Don Catalano, CPA, CA