

**MUNICIPALITY OF SOUTH SHORE**

**INTERNAL CONTROL REVIEW**

**February 3, 2005**

**MUNICIPALITY OF SOUTH SHORE  
MUNICIPAL OFFICIALS  
February 3, 2005**

**Board President:**

**Robert Grewing**

**Town Trustees:**

**Sharon Falk  
Wayne Jaquet**

**Finance Officer:**

**Staci Buchholz**



MUNICIPALITY OF SOUTH SHORE  
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AUDITOR GENERAL

REPORT ON THE LIMITED STUDY OF INTERNAL CONTROL  
PERFORMED IN ACCORDANCE WITH SOUTH DAKOTA CODIFIED LAWS 4-11-4.1

Governing Board  
Municipality of South Shore

We have made a study of selected elements of internal control of the Municipality of South Shore in effect at February 3, 2005. Our study was performed pursuant to South Dakota Codified Laws (SDCL) 4-11-4.1 and was limited to selected accounting controls contained in the codified laws and other selected controls we felt were significant to the Municipality of South Shore. Our study was not conducted in accordance with the standards established by the American Institute of Certified Public Accountants for the purpose of giving an opinion on internal control in effect at the Municipality of South Shore.

The management of the Municipality of South Shore is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objective of internal controls is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operations of policies and procedures may deteriorate.

Our study was more limited than would be necessary to express an opinion on internal control of the Municipality of South Shore. Also, our study would not necessarily disclose all significant weaknesses in internal controls of the Municipality of South Shore. Accordingly, we do not express an opinion on internal control of the Municipality of South Shore in effect at February 3, 2005.

However, our study did disclose weaknesses in internal controls of the Municipality of South Shore in effect at February 3, 2005, as discussed below:

- a. The governing board did not adopt a policy establishing the minimum cost of items that should be considered fixed assets of the municipality.

- b. The municipality did not maintain the following necessary accounting records:
1. revenue budget record,
  2. expenditure budget record,
  3. taxes receivable record,
  4. general fixed asset records,
  5. enterprise fund fixed asset records, and
  6. depreciation schedules.
- c. This municipality did not perform an annual inventory of personal property in violation of SDCL 5-24-1.
- d. The finance officer's surety bond coverage did not comply with the requirements of SDCL 9-14-6.1. The law requires a bond equal to the amount of cash on hand but coverage need not exceed \$150,000. The municipality's cash balances were \$145,048.05 at December 31, 2003 and \$188,798.03 at December 31, 2004, while the surety bond coverage was only \$50,000.00.
- e. Annual budgets were not adopted for the municipality's enterprise funds in violation of SDCL 9-21-2.
- f. Numerous budgetary overdrafts of actual expenditures compared to amounts appropriated in the General Fund were noted in violation of SDCL 9-21-9.

This report is intended solely for the use of management and the governing board and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Martin L. Guindon, CPA  
Auditor General

February 3, 2005

**MUNICIPALITY OF SOUTH SHORE  
AUDITOR'S COMMENTS**

**Closing Conference**

The entire contents of this report were discussed with the Finance Officer, Staci Buchholz and Board President, Robert Grewing on February 7, 2005.