

MUNICIPALITY OF TORONTO
INTERNAL CONTROL REVIEW

January 27, 2004

MUNICIPALITY OF TORONTO
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MARTIN L. GUINDON, CPA
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 Toronto

We have made a study of selected elements of internal control of the Municipality of Toronto in effect at January 27, 2004. Our study was performed pursuant to South Dakota Codified Laws 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 Toronto. 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 Toronto.

The management of the Municipality of Toronto 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 Toronto. Also, our study would not necessarily disclose all significant weaknesses in internal controls of the Municipality of Toronto. Accordingly, we do not express an opinion on internal control of the Municipality of Toronto in effect at January 27, 2004.

However, our study did disclose weaknesses in internal controls of the Municipality of Toronto in effect at January 27, 2004, 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.

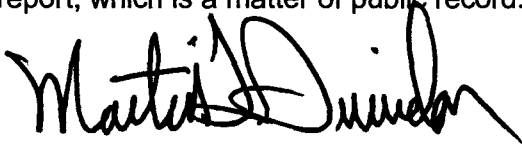
b. The municipality did not maintain the following necessary accounting records:

1. taxes receivables record,
2. general fixed asset records,
3. enterprise fund fixed asset records, and
4. depreciation schedules.

c. 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 \$190,895.67 at December 31, 2002 and \$218,532.59 at December 31, 2003, while the surety bond coverage was only \$100,000.00.

d. The finance officer did not reconcile the "total" bank balances of the various municipal accounts to the balances recorded in the municipality's accounting records on a monthly basis.

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

January 27, 2004

**MUNICIPALITY OF TORONTO
AUDITOR'S COMMENTS**

Closing Conference

The entire contents of this report were discussed with Finance Officer, LeAnn Kerzman and Trustee, Brad Knutson on January 27, 2004.

MUNICIPALITY OF TORONTO
MUNICIPAL OFFICIALS
January 27, 2004

Board President:

Amy Vick

Municipal Trustees:

Scott Christianson
Richard Roelofsen
Brad Knutson
Monte Kerzman

Finance Officer:

LeAnn Kerzman