

**MUNICIPALITY OF VALLEY SPRINGS**

**INTERNAL CONTROL REVIEW**

**January 5, 2016**

MUNICIPALITY OF VALLEY SPRINGS  
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AUDITOR GENERAL

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

Governing Board  
Municipality of Valley Springs  
Valley Springs, South Dakota

We have made a study of selected elements of internal control of the Municipality of Valley Springs (Municipality) in effect at January 5, 2016. Our study was performed pursuant to South Dakota Codified Law (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. 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.

The management of the Municipality 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. Also, our study would not necessarily disclose all significant weaknesses in internal controls of the Municipality. Accordingly, we do not express an opinion on internal control of the Municipality in effect at January 5, 2016.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at January 5, 2016 as discussed below:

- a. The 2013 annual financial report was not completed until November 25, 2015, and was not presented to the governing board until January 12, 2016 and was not filed with the

Department of Legislative Audit or published until December 2015 contrary to the requirements of SDCL 9-22-21. In addition, the 2014 annual financial report has not been prepared as of the date of this letter. We recommend the Municipality prepare, publish and file the annual financial report in accordance with SDCL 9-22-21.

- b. The balances of the general ledger accounts for cash with fiscal agent, taxes receivable, utility accounts receivable, special assessments receivable, water customer deposits, capital assets and bonds payable were not updated on a monthly basis or balanced with the subsidiary records. The general ledger accounts were reconciled on worksheets by the Finance Officer, but were not updated on the general ledger record until the preparation of the annual financial reports by the public accountant. Therefore, some of the general ledger balances reflected the amounts as of December 31, 2013 instead of December 31, 2015 which was the date of the most current annual report filed. We recommend the Municipality maintain current general ledger account balances.

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.

A handwritten signature in black ink, appearing to read "Martin L. Guindon". The signature is fluid and cursive, with a large initial "M" and "G".

Martin L. Guindon, CPA  
Auditor General

January 5, 2016