

SCHEDULE OF CURRENT AUDIT FINDINGS

Current Audit Findings:

Internal Control-Related Findings - Material Weaknesses:

Financial Reporting Errors

Finding No. 2019-001:

Criteria:

The Municipality's internal control structure should be designed to provide for the preparation of the annual financial report, which includes having an adequate system for recording and processing entries material to the annual financial reports being audited in accordance with generally accepted accounting principles.

Condition:

The Municipality does not have an internal control system designed to provide for the preparation of the annual financial report in accordance with generally accepted accounting principles. We noted numerous significant reporting errors within the annual report prepared by the Municipality.

Context:

We noted the following significant errors in the Municipality's annual financial report for the year ended December 31, 2019..

- a. The Governmental Accounting Standards Board (GASB) requires that the Municipality's fund financial statements report major funds individually and nonmajor funds in the aggregate. The Outlaw Square Capital Projects Fund was incorrectly report as part of the Other Governmental Funds when it should have been reported separately as a major fund.
- b. The financial statements presented for audit did not balance between statements where required. The Governmental Activities Statement of Net Position and Statement of Activities and the associated reconciliations between the fund financial statements and government wide financial statements were not updated to report the 2019 information and the Business-Type Activities and Enterprise Fund Statement of Net Position were not updated to report the 2019 information.
- c. During the course of the audit, material audit adjustments to the Municipality's reported account balances were necessary which, if not corrected, would have resulted in a material misstatement of the Municipality's financial statements.

Effect:

Inaccurate and incomplete information was presented to the users of the annual financial reports.

Cause:

The Municipality does not have an adequate internal control system designed to provide for the preparation of the annual financial report in accordance with generally accepted accounting principles.

Recommendation:

We recommend that the Municipality strengthen internal controls over financial reporting.

Views of responsible officials:

Compliance and Other Matters:

Annual Financial Report

Finding No. 2019-002:

Criteria:

South Dakota Codified Law (SDCL) 9-22-21 states: "The financial officer shall report to the governing body no later than the first regular meeting of May of each year, the receipts, expenses and financial condition of the municipality. The report shall include the amount of funds in the treasury at the time the report is made and where and in what amounts the funds are deposited or invested. The report shall be published in the official newspaper, or any other newspaper as the governing body may direct within thirty days after the report is made to the governing body or on completion of an annual audit. By the last day of May each year the financial officer shall file a copy of the report with the Department of Legislative Audit."

Condition:

The Municipal Finance Officer did not prepare a complete annual report and did not file with the Auditor General of the Department of Legislative Audit on a timely basis the annual financial report for the year ended December 31, 2019 as required by SDCL 9-22-21.

Context:

The annual financial report for the year ended December 31, 2019 was not filed with the Auditor General.

Effect:

The Municipality is not in compliance with SDCL 9-22-21.

Cause:

The Municipal Finance Officer did not file the annual financial report for the year ended December 31, 2019 in accordance with SDCL 9-22-21.

Recommendation:

We recommend that the Municipality comply with SDCL 9-22-21.

Views of responsible officials: