

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
AUDIT REPORT

DECEMBER 31, 2007

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Stanley County Law Enforcement Board
Stanley County Law Enforcement
(A Component Unit of Stanley County)
Fort Pierre, South Dakota

I have audited the modified cash basis financial statements of the governmental activities and each major fund of the Stanley County Law Enforcement (a component unit of Stanley County) as December 31, 2007, and for each of the years in the biennial period then ended, and have issued my report thereon dated May 29, 2008.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Stanley County Law Enforcement (a component unit of Stanley County)'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of their internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Entity's financial statements that is more than inconsequential will not be prevented or detected by the Entity's internal control. I consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items numbered 2007-01 and 2007-02, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Entity's internal control.

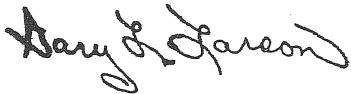
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items numbered 2007-01 and 2007-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Stanley County Law Enforcement's (a component unit of Stanley County) financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed certain instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. See findings numbered 2007-03, 2007-04 and 2007-05 in the accompanying Schedule of Current Findings.

The Stanley County Law Enforcement's response to the findings identified in my audit are described in the accompanying Schedule of Current Audit Findings. I did not audit the Stanley County Law Enforcement's response, and accordingly, I express no opinion on it.

This report is solely for the information and use of the governing board and information of the management of the Stanley County Law Enforcement, the South Dakota Legislature and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, as required by SDCL 4-11-11, this report is a matter of public record and its distribution is not limited.



May 29, 2008

Gary L. Larson, CPA

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INDEPENDENT AUDITOR'S REPORT

Stanley County Law Enforcement Board
Stanley County Law Enforcement
(A Component Unit of Stanley County)
Fort Pierre, South Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the Stanley County Law Enforcement (a component unit of Stanley County) as of December 31, 2007, and for each of the years in the biennial period then ended, which collectively comprise the Stanley County Law Enforcement's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Stanley County Law Enforcement (a component unit of Stanley County)'s management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Stanley County Law Enforcement (a component unit of Stanley County)'s internal control over financial reporting. Accordingly, I do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

As discussed in Note 1, the Stanley County Law Enforcement (a component unit of Stanley County) prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position (modified cash basis), of the governmental activities and each major fund of the Stanley County Law Enforcement (a component unit of Stanley County) at December 31, 2007, and the respective changes in financial position (modified cash basis) thereof for each of the years in the biennial period then ended, in conformity with the basis of accounting described in Note 1.

In accordance with the Government Auditing Standards, I have also issued my report dated May 29, 2008 on my consideration of the Stanley County Law Enforcement (a component unit of Stanley County)'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of my audit.

The Stanley County Law Enforcement (a component unit of Stanley County) has not presented the Management's Discussion and Analysis (MD&A) and Budgetary Comparison Schedules for the General Fund that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



May 29, 2008

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	<u>\$111,920</u>
TOTAL ASSETS	<u><u>\$111,920</u></u>
NET ASSETS:	
Unrestricted	<u>\$111,920</u>
TOTAL NET ASSETS	<u><u>\$111,920</u></u>

The accompanying notes to financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

Governmental
Activities

(\$355,652)

(355,652)

154,605

215,056

2,949

1,826

374,436

18,784

93,136

\$111,920

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Expenses	PROGRAM REVENUES	
		Changes for Services	Operating Grants
Governmental Activities:			
Public safety	\$367,671	\$6,389	\$10,797
TOTAL	\$367,671	\$6,389	\$10,797

GENERAL REVENUES:

Cost sharing fees:

Stanley County

City of Fort Pierre

Unrestricted investment earnings

Other general revenues

Total General Revenues

Change in net assets

Net Assets-beginning

NET ASSETS-ending

The accompanying notes to financial statements are an integral part of this statement.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

Governmental
Activities

(\$350,485)

(350,485)

142,706
194,884
1,859
254

339,703

(10,782)

103,918

\$93,136

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund
Revenues:	
Intergovernmental Revenue	
Federal grants	\$5,108
Stanley County cost share	154,605
City of Fort Pierre cost share	215,056
Charges for Goods and Services:	
Public safety	12,761
Miscellaneous Revenue	
Interest earned	2,949
Other	1,826
 Total Revenue	 \$392,305
 Expenditures:	
Public Safety	
Police	373,521
 Total Expenditures	 373,521
 Net Change in Fund Balance	 18,784
 FUND BALANCE, JANUARY 1, 2007	 93,136
 FUND BALANCE, DECEMBER 31, 2007	 \$111,920

The accompanying notes to financial statements are an integral part of this statement.

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General Fund
Revenues:	
Intergovernmental Revenue	
Federal grants	\$10,797
Stanley County cost share	142,706
City of Fort Pierre cost share	194,884
Charges for Goods and Services:	
Public safety	6,389
Miscellaneous Revenue	
Interest earned	1,859
Other	254
	356,889
Total Revenue	
Expenditures:	
Public Safety	
Police	367,671
	367,671
Total Expenditures	
	(10,782)
Net Change in Fund Balance	
FUND BALANCE, JANUARY 1, 2006	103,918
FUND BALANCE, DECEMBER 31, 2006	\$93,136

The accompanying notes to financial statements are an integral part of this statement.

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1 c., these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting.

a. Financial Reporting Entity:

The reporting entity of the Stanley County Law Enforcement (a component unit of Stanley County) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause their financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Stanley County is financially accountable because its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization. Stanley County may also be financially accountable for another organization if that organization is fiscally dependent on it.

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Stanley County Law Enforcement is a component unit of Stanley County. The five members of its board consist of two Stanley County Commissioners, the Stanley County Sheriff and two City of Fort Pierre Commissioners. Since the County has the majority on the board it is deemed to control it, thus it's considered a component unit of the Stanley County.

b. Basis of Presentation:

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. The statements have only *governmental type activities*. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Stanley County Law Enforcement governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted

STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. A fund is considered major if it is the primary operating fund of the Stanley County Law Enforcement (a component unit of Stanley County) or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the Stanley County Law Enforcement (a component unit of Stanley County). It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

During 2004, the Stanley County Law Enforcement (a component unity of Stanley County) changed its basis of accounting from a basis essentially in conformity with accounting principles generally accepted in the United States (USGAAP) to the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus:

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the economic resources" measurement focus is used, applied within the limitations of the modified cash basis of accounting.

Basis of Accounting:

In the Government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting.

**TANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. The acceptable modification to the cash basis of accounting implemented by Stanley County Law Enforcement (SCLE) is recording long-term investments in marketable securities (those with maturities more than 90-days (3 months) from the date of acquisition) acquired with cash assets at cost.

s a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Stanley County Law Enforcement (a component unit of Stanley County) applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Stanley County Law Enforcement (a component unit of Stanley County) held no investments as of December 31, 2007.

e. Capital Assets:

Under the modified cash basis of accounting, capital assets are recorded not as assets, but as a program cost (expense) when they result from cash transactions.

f. Long-term Liabilities:

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances is recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principle and interest are reported as expenditures.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Stanley County Law Enforcement (a component unit of Stanley County)'s citizenry, as a whole. Program revenues are classified into three categories, as follows.

1. Charges for services - These arise from charges to customers, applicants or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.

3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in two components:

1. Restricted net assets - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

2. Unrestricted net assets - All other net assets that do not meet the definition of "restricted."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components.

j. Application of Net Assets:

It is the Stanley County Law Enforcement (a component unit of Stanley County)'s policy to first use restricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Deposits - The Stanley County Law Enforcement (a component unit of Stanley County) deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits.

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letter of credit issued by Federal Home Loan Banks accompanied by written evidence of that banks public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

It is the Stanley County Law Enforcement (a component unit of Stanley County) policy to deposit all interest revenue to the fund making the investment.

The actual bank balances as of December 31, 2007 were as follows:

Insured (FDIC/NCUA)	<u>\$ 123,908</u>
Total Deposits	<u><u>\$ 123,908</u></u>

The carrying amount of deposits at December 31, 2007 was \$111,920.

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK (continued):

Investments - In general, SDCL 4-5-6 permits governmental funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

The entity's investments except mutual funds are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the entity's name.

No investments were held as of December 31, 2007.

Custodial Credit Risk - Deposits -The risk that, in the event of a depository failure, Stanley County Law Enforcement (the Entity) deposits may not be returned to it. The Entity does not have a deposit policy for custodial credit risk.

Interest Rate Risk - The Stanley County Law Enforcement (a component unit of Stanley County) does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**STANLEY COUNTY LAW ENFORCEMENT
NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (continued)

Credit Risk - State law limits eligible investments for the Entity, as discussed above. The Entity has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Entity places no limit on the amount that may be invested in any one issuer.

State law allows income from deposits and investment to be credited to either the General Fund or the fund making the investment. The Entity's policy is to credit all income from investments to the fund making the investment.

3. RISK MANAGEMENT

The Entity is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2007, the Entity managed its risks as follows:

Employee Health Insurance:

The Entity purchases health insurance for its employees from a commercial insurance carrier. Settled claims from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The Entity participates (in its capacity as a component unit of Stanley County) in the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Entity pays an annual premium to the pool to provide coverage for automobiles, buildings, general liability, law enforcement and population liability.

The agreement with the South Dakota Public Assurance Alliance provided that the above coverage's would be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay reinsurance for claims in excess of \$250,000 to the upper limit.

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO MODIFIED CASH BASIS FINANCIAL STATEMENTS**

3. RISK MANAGEMENT (continued)

The Entity does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage for the past three years.

Workmen's Compensation:

The Entity participates with Stanley County in the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Entity pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first \$250,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$1,750,000 per individual per incident.

The Entity does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage for the past three years.

Unemployment Benefits:

The Entity provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

4. RETIREMENT PLAN

All employees participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor's benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS**

3. RETIREMENT PLAN (continued)

Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by the State statute to contribute 6% of their salary to the plan, while public safety and judicial employees contribute at 8% and 9%, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The Entity's share of contributions to the SDRS for fiscal years ended December 31, 2007, 2006 and 2005 were \$16,510, \$15,291 and \$15,174 respectively, equal to the required contributions each year.

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
SCHEDULE OF CURRENT AUDIT FINDINGS**

FINDING NUMBER 2007-01:

A lack of proper segregation of duties is the present situation in the Stanley County Law Enforcement (a component unit of Stanley County)'s accounting department.

CRITERIA:

Duties should be segregated so the same employees who handle cash do not record cash transactions nor have general ledger access. Bank reconciliation should be performed by personnel not involved with the check writing process. Other financial and accounting functions should be done by separate people.

CONDITION, CAUSE AND EFFECT:

The size of the staff of the entity precludes an adequate segregation of duties.

RECOMMENDATION:

The Sheriff and Board Members should always be aware of this weakness as they review and approve transactions of the Entity and resulting financial reports. Compensating controls should be implemented whenever and wherever possible.

RESPONSE:

Management agrees with the comment and its recommendation.

FINDING NUMBER 2007-02:

The accountant for the Stanley County Law Enforcement (a component unit of Stanley County) was an employee of the City of Fort Pierre, therefore was not covered by the fidelity bond of the County.

CRITERIA:

Sound internal control procedures include a fidelity bond for those individuals who handle cash assets and/or write checks and maintain journals and ledgers.

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
SCHEDULE OF CURRENT AUDIT FINDINGS**

CONDITION, CAUSE AND EFFECT:

Prior to January 1, 2004, the books and records of this entity were maintained by Stanley County and were thus covered by their fidelity bond. In 2004, the majority of the accounting duties were assigned to the City of Fort Pierre Finance Officer. No modifications were made to the fidelity bond of either the County or the City.

RECOMMENDATION:

All employees who handle cash and/or record transactions should be bonded for at least an amount equal to the highest cash balances anticipated during given year.

RESPONSE:

Management has obtained the proper coverage for part of 2007 and continuing to the present time.

FINDING NUMBER 2007-03:

Salaries of all employees were not published for 2006 nor 2007.

CRITERIA:

SDCL 6-1-10 requires governmental entities to annually publish employee salaries.

CONDITION, CAUSE AND EFFECT:

Stanley County Law Enforcement (a component unit of Stanley County) inadvertently did not publish the salaries for 2006 and 2007, assuming Stanley County was doing this. Since Stanley County did not publish Stanley County Law Enforcement salaries, a violation of state stature occurred.

RECOMMENDATION:

Salaries should be published annually.

RESPONSE:

Salaries were properly published for 2008 and will continue so on an annual basis.

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
SCHEDULE OF CURRENT AUDIT FINDINGS**

FINDING NUMBER 2007-04:

Stanley County Law Enforcement (a component unit of Stanley County) did not approve its official depository or legal publication for 2006 nor 2007.

CRITERIA:

SDCL 9-22-6 requires a governmental entity to designate an official depository. SDCL also requires a governmental entity to designate an official newspaper each year.

CONDITION, CAUSE AND EFFECT:

Stanley County Law Enforcement (a component unit of Stanley County) personnel were not aware of these requirements, thus inadvertently did not comply with them. The effect was a violation of the requirements.

RECOMMENDATION:

The Stanley County Law Enforcement (a component unit of Stanley County) board should designate both an official depository and an official newspaper for the ensuing year at their January meeting each year.

RESPONSE:

Management agrees with the recommendation and has complied with it for 2008 and will continue to comply.

FINDING NUMBER 2007-05:

The Stanley County Law Enforcement (a component unit of Stanley County) did not publish nor file with the Auditor General of the Department of Legislative Audit an annual report for 2006.

CRITERIA:

SDCL 7-10-4 for Counties and SDCL 9-22-21 for cities require annual reports to be filed with the Auditor General and published in March, following the end of a given year.

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
SCHEDULE OF CURRENT AUDIT FINDINGS**

CONDITION, CAUSE AND EFFECT:

The Stanley County Law Enforcement (a component unit of Stanley County) personnel were not aware of the requirements, therefore inadvertently did not comply.

RECOMMENDATION:

Annual reports should be published and filed with the Auditor General as required by SDCL.

RESPONSE:

Management agrees with recommendation and has filed the 2007 annual report properly.

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
SCHEDULE OF PRIOR AUDIT FINDINGS**

FINDING NUMBER 2005-06 and 2003-01:

The annual report was not filed with the Department of Legislative Audit, nor published.

CURRENT STATUS:

The 2007 annual report was properly filed, but the 2006 annual report was not filed nor published.

FINDING NUMBER 2005-01:

A lack of proper segregation of duties existed in the accounting department.

CURRENT STATUS:

The condition remains the same as of December 31, 2007.

FINDING NUMBER 2005-02:

Budgets were overspent for 2004 and 2005.

CURRENT STATUS:

Budgets were not overspent for 2006 nor 2007.

FINDING NUMBER 2005-03:

The accountant was not covered by a fidelity bond.

CURRENT STATUS:

During 2006 and most of 2007 the condition remained the same, but it has currently been improved.

FINDING NUMBER 2005-04:

Salaries of all employees were not published on an annual basis as required by SDCL.

**STANLEY COUNTY LAW ENFORCEMENT
(A COMPONENT UNIT OF STANLEY COUNTY)
SCHEDULE OF PRIOR AUDIT FINDINGS**

CURRENT STATUS:

The condition remained the same for 2006 and 2007 (however, the 2008 salaries were published in January of 2008).

FINDING NUMBER 2005-05:

The Entity did not approve nor publish its official depository nor its official newspaper for 2004 or 2005.

CURRENT STATUS:

The condition remained the same for 2006 and 2007, but was done properly in 2008.