

MUNICIPALITY OF BADGER
INTERNAL CONTROL REVIEW
January 9, 2017

MUNICIPALITY OF BADGER
TABLE OF CONTENTS

	<u>Page</u>
Report on the Limited Study of Internal Control Performed in Accordance with South Dakota Codified Law 4-11-4.1.....	1



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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 Badger
Badger, South Dakota

We have made a study of selected elements of internal control of the Municipality of Badger (Municipality) in effect at January 9, 2017. 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 9, 2017.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at January 9, 2017 as discussed below:

- a. The Municipality did not properly maintain a Revenue Budget Record. We recommend the Municipality properly establish and maintain a Revenue Budget Record.

- b. Personal property inventories were not filed annually on the thirty-first day of December, or within ten days thereafter as required by SDCL 5-24-1. We recommend the Municipality annually perform personal property inventories as required by SDCL 5-24-1.
- c. The utility accounts receivable records for the Electric Fund, Water Fund, Sewer Fund and Garbage Fund were prepared by the Municipality of Arlington; however, the monthly summary of billings, collections and ending balances by customer were not routinely provided to the Municipality of Badger. We recommend the Municipality obtain the monthly transactions of utility accounts receivable from the Municipality of Arlington and review the report for propriety.
- d. The Municipality's Electric Fund included utility deposits in the amount of \$11,500; however, the cash related to the utility deposits was not segregated from the reported balances. We recommend the Municipality create a separate general ledger control for utility deposits.

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 9, 2017