

**MUNICIPALITY OF DIMOCK**  
**INTERNAL CONTROL REVIEW**  
**June 11, 2018**

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

Governing Board  
Municipality of Dimock  
Dimock, South Dakota

We have made a study of selected elements of internal control of the Municipality of Dimock (Municipality) in effect at June 11, 2018. 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 June 11, 2018.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at June 11, 2018 as discussed below:

- a. The governing board has not provided sufficient surety bond coverage for the Finance Officer (Treasurer). SDCL 9-14-6.1 requires a bond equal to the amount of cash on hand but the coverage need not exceed \$150,000. The Municipality had a cash balance exceeding \$150,000 as of December 31, 2017, but the surety bond coverage for the

Treasurer was only \$20,000. We recommend the Municipality increase the surety bond to \$150,000 as required by SDCL 9-14-6.1.

- b. The Municipality did not provide public notice, with proposed agenda, at least twenty-four hours prior to any official meeting, by posting a copy of the notice, visible to the public, at the principal office of the Municipality prior to holding the public meeting as required by SDCL 1-25-1.1. We recommend proposed agendas be posted as required by SDCL 1-25-1.1.
- c. The Municipality did not properly maintain the following necessary records:
  - 1. Accounts receivable general ledger and corresponding subsidiary records
  - 2. Cash Receipts Journal
  - 3. Cash Disbursements Journal
  - 4. Revenue Budget Record
  - 5. Expenditure Budget Record
  - 6. General Ledger

We recommend the accounting records be accurately maintained.

- d. A monthly minimum Sewer Fund surcharge was imposed effective September 1, 2016 through a board resolution to retire a State Revolving Fund Construction Loan (SRF). The collections have been recorded as part of the Sewer Fund operating income and have not been segregated in the accounting system between operating revenues and debt service revenue. The resolution requires that the surcharge for the loan shall be segregated from other revenues of the Town and shall be used for the payment of the indebtedness. As of May 2018, the construction of the improvements has been completed and the Municipality will be in repayment phase in February 2019. We recommend the Municipality compute the existing cash balance of the surcharge collections received since 2016 and segregate the cash balances for operations and debt repayment from the Sewer Fund in the accounting records.
- e. 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.

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

June 11, 2018