

MUNICIPALITY OF GEDDES
INTERNAL CONTROL REVIEW
February 25, 2019

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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 Geddes
Geddes, South Dakota

We have made a study of selected elements of internal control of the Municipality of Geddes (Municipality) in effect at February 25, 2019. 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 February 25, 2019.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at February 25, 2019 as discussed below:

- a. The 2017 annual financial report contained financial reporting errors resulting in inaccurate and incomplete information being presented to the users of the annual

financial report. We recommend the Municipality accurately complete the annual financial report.

b. The Municipality did not properly maintain the following necessary records:

1. Revenue Budget Record
2. Expenditure Budget Record
3. Accounts receivable general ledger control
4. Utility Deposit Record

We recommend the Municipality properly establish and maintain the necessary accounting records.

- c. The annual appropriation ordinances for 2018 and 2019 adopted by the Municipality combined all the funds as one fund and did not separate the means of finance and appropriations for each budgeted fund as required by SDCL 9-21-2. We recommend the budget be adopted by fund as required by SDCL 9-21-2.
- d. The vouchers did not contain a perjury statement to be signed by the claimant for personal services or travel as recommended by the Municipal Accounting Manual. We recommend that vouchers contain the perjury statement for personal services or travel as recommended by the Municipal Accounting Manual.
- e. The Water Fund had a negative cash balance at December 31, 2017 of \$(55,456.80), which increased to a negative cash balance of \$(65,428.64) at December 31, 2018. A negative cash balance represents borrowing from other funds of the Municipality. We did not find that the Municipality had approved any interfund borrowing. The Municipality maintains the Water Fund as a self-supporting enterprise fund and the Municipality has the responsibility of evaluating water rates and monitoring expenses to prevent the Water Fund cash balance from being negative. We recommend the Municipality evaluate the water rate structure and ongoing expenses of the Water Fund to address the negative cash balance or rectify the negative cash balance through transferring additional cash to the Water Fund.

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

February 25, 2019