

MUNICIPALITY OF TABOR
INTERNAL CONTROL REVIEW
March 27, 2018

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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 Tabor
Tabor, South Dakota

We have made a study of selected elements of internal control of the Municipality of Tabor (Municipality) in effect at March 27, 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 March 27, 2018.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at March 27, 2018 as discussed below:

- a. The Municipality did not properly maintain the following necessary records:
 - 1. General Ledger
 - 2. Accounts Receivable General Ledger

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

- b. The Finance Officer did not perform proper monthly bank reconciliations for the accounts held by the Municipality. We recommend the Municipality prepare a monthly bank reconciliation.
- c. In 2014, the Municipality issued a State Revolving Fund (SRF) Loan which required a water surcharge fee that was restricted for establishing a debt service reserve to retire debt for an existing SRF loan. The surcharge collections have not been segregated or restricted in the Water Fund accounting records to show compliance with the loan agreement. We recommend the Municipality establish and maintain the surcharge debt reserve in the Water Fund.
- d. We noted that a Tabor Volunteer Ambulance checking account had been established for fund raising activities which used the Municipality's federal tax ID number. The account had a balance of \$6,636.98 as of December 31, 2017 and was not accounted for as a part of the Municipality. We recommend the Municipality consult with legal counsel and formally establish the status for the operation of the Volunteer Ambulance account either as a part of the Municipality or consider placing the operation under another entity, perhaps a non-profit organization.
- e. As of December 31, 2017, the Municipality incurred General Fund expenditures in excess of the amounts provided for in the annual appropriation ordinance for eight of nine departments totaling \$17,904.67 in violation of SDCL 9-21-9. We recommend the Municipality not incur expenditures in excess of appropriations as required by SDCL 9-21-9.

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

March 27, 2018