

MUNICIPALITY OF MIDLAND
INTERNAL CONTROL REVIEW
September 6, 2023

MUNICIPALITY OF MIDLAND
MUNICIPAL OFFICIALS
September 6, 2023

Governing Board:

Carissa Zysset, President
Clayton Fosheim
Vacant Position

Finance Officer:

Michelle Meinzer

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RUSSELL A. OLSON
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 Midland
Midland, South Dakota

We have made a study of selected elements of internal control of the Municipality of Midland (Municipality) in effect at September 6, 2023. 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 September 6, 2023.

However, our study did disclose weaknesses in internal controls of the Municipality in effect at September 6, 2023, as discussed below:

- a. The Municipality has established several funds which do not have third party restrictions or specific revenue streams which would require a separate fund. We recommend the Municipality review the fund structure and record the funds without third party restrictions as a function of the General Fund.
- b. The Water Fund and Garbage Fund collect funds that require restriction on usage. The restricted cash was not reflected in the accounting records. We recommend the Municipality segregate the cash balances with restriction in the accounting records.
- c. One check was pre-signed by the Board President prior to the checks being completed with the payee and amounts. We recommend no checks be signed prior to their completion.
- d. The Municipality did not properly maintain the following necessary records:
 1. Revenue Budget Record
 2. Expenditure Budget Record
 3. Utility Accounts Receivable and Water Deposit General Ledger Control

We recommend the accounting records be properly established and maintained. We have provided assistance to the Municipality in regard to implementing the above records.

- e. 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 for personal services and travel be signed under perjury by the claimant.

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.



Russell A. Olson
Auditor General

September 6, 2023