

(ATTACHMENT #1)

Township of Somerset

Year Ended June 30, 2023

Audit Presentation

November 16, 2023

Presented by:

Dane M. Porter, CPA

Senior Manager

A background image showing a close-up of a calculator on the left, a pen on the right, and a document with a line graph and a table. The table has a header "Pct. chg. Day" and a column with values like 145, 140, 135, 130, 125, 120. The graph shows a fluctuating line.

SETTING THE STANDARD FOR QUALITY
GOVERNMENTAL AUDITS



Opinions

- In our opinion, the financial statements...present fairly, in all material respects,...

Management's Responsibility for the Financial Statements

- Preparation and fair presentation of the financial statements in accordance with GAAP
- Including design, implementation, and maintenance of internal controls
- Also responsible for fraud detection, deterrence, and prevention

Auditor's Responsibility

- The objective, or purpose, of an audit is to express opinions on the financial statements based on our audit
- The purpose is *not* to detect fraud or express an opinion on your internal controls



**TOWNSHIP OF SOMERSET
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023**

	General	Road Fund	Fire Fund	Police Fund	Nonmajor Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 1,108,325	\$ 262,097	\$ 316,528	\$ 77,680	\$ 315,470	\$ 2,080,100
Investments	211,747	14,475	-	-	54,827	281,049
Receivables	-	-	-	-	-	-
Accounts, net	-	-	52,619	-	-	52,619
Leases	332,714	-	-	-	-	332,714
Special assessments	70,280	-	-	-	-	70,280
Due from other governmental units	77,897	-	-	-	-	77,897
Prepays	19,030	9,998	13,949	22,873	7,070	72,920
TOTAL ASSETS	\$ 1,819,993	\$ 286,570	\$ 383,096	\$ 100,553	\$ 377,367	\$ 2,967,579
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 13,959	\$ 97,692	\$ 2,498	\$ 801	\$ 39,645	\$ 154,595
Accrued liabilities	8,540	-	27,261	4,719	-	40,520
TOTAL LIABILITIES	22,499	97,692	29,759	5,520	39,645	195,115
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - special assessments	70,280	-	-	-	-	70,280
Unavailable revenue - leases	319,732	-	-	-	-	319,732
TOTAL DEFERRED INFLOWS OF RESOURCES	390,012	-	-	-	-	390,012
FUND BALANCES						
Nonspendable - prepaids	19,030	9,998	13,949	22,873	7,070	72,920
Restricted	-	-	339,388	72,160	-	411,548
Public safety	11,523	178,880	-	-	-	190,403
Public works	662	-	-	-	-	662
Perpetual care	-	-	-	-	-	-
Parks and recreation	-	-	-	-	154,961	154,961
Capital improvements	-	-	-	-	175,691	175,691
Assigned for subsequent year's expenditures	602,664	-	-	-	-	602,664
Unassigned	773,603	-	-	-	-	773,603
TOTAL FUND BALANCES	1,407,482	188,878	353,337	95,033	337,722	2,382,452
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,819,993	\$ 286,570	\$ 383,096	\$ 100,553	\$ 377,367	\$ 2,967,579

See accompanying notes to financial statements.

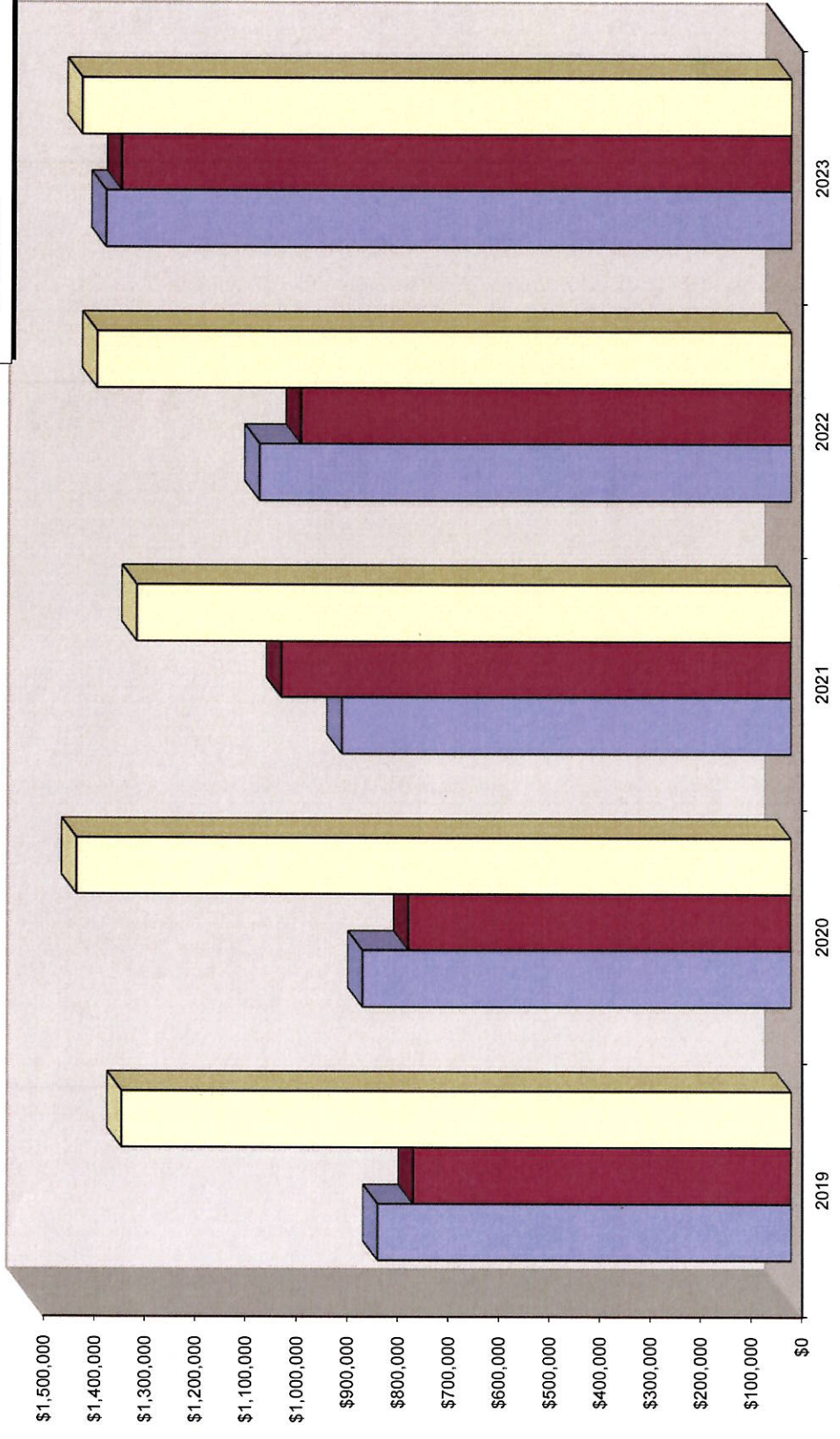
**TOWNSHIP OF SOMERSET
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2023**

	General	Road Fund	Fire Fund	Police Fund	Nonmajor Governmental Funds	Total
REVENUES						
Taxes	\$ 231,155	\$ 59,104	\$ 177,352	\$ 118,230	\$ 118,208	\$ 704,049
Special assessments	19,320	-	-	-	-	19,320
Licenses and permits	75,150	-	-	-	-	75,150
Intergovernmental	855,564	8,479	-	-	-	864,043
Charges for services	93,993	-	674,728	1,376	-	770,097
Fines and forfeits	11,701	-	-	208	-	11,909
Interest and rents	66,896	1,626	3,637	973	10,112	83,244
Other	5,529	-	3,542	385	26,183	35,639
TOTAL REVENUES	1,359,308	69,209	859,259	121,172	154,503	2,563,451
EXPENDITURES						
Current						
General government	444,389	-	-	-	-	444,389
Public safety	26,421	-	771,903	282,889	-	1,081,213
Public works	55,672	248,128	-	-	-	303,800
Recreation and culture	41,368	-	-	-	115,169	156,537
Community and economic development	28,407	-	-	-	-	28,407
Capital outlay	297,417	-	-	-	49,664	347,081
TOTAL EXPENDITURES	893,674	248,128	771,903	282,889	164,833	2,361,427
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	465,634	(178,919)	87,356	(161,717)	(10,330)	202,024
OTHER FINANCING SOURCES (USES)						
Transfers in	-	215,000	-	219,477	-	434,477
Transfers out	(434,477)	-	-	-	-	(434,477)
TOTAL OTHER FINANCING SOURCES (USES)	(434,477)	215,000	-	219,477	-	-
NET CHANGE IN FUND BALANCES	31,157	36,081	87,356	57,760	(10,330)	202,024
Fund balances, beginning of year	1,376,325	152,797	265,981	37,273	348,052	2,180,428
Fund balances, end of year	\$ 1,407,482	\$ 188,878	\$ 353,337	\$ 95,033	\$ 337,722	\$ 2,382,452

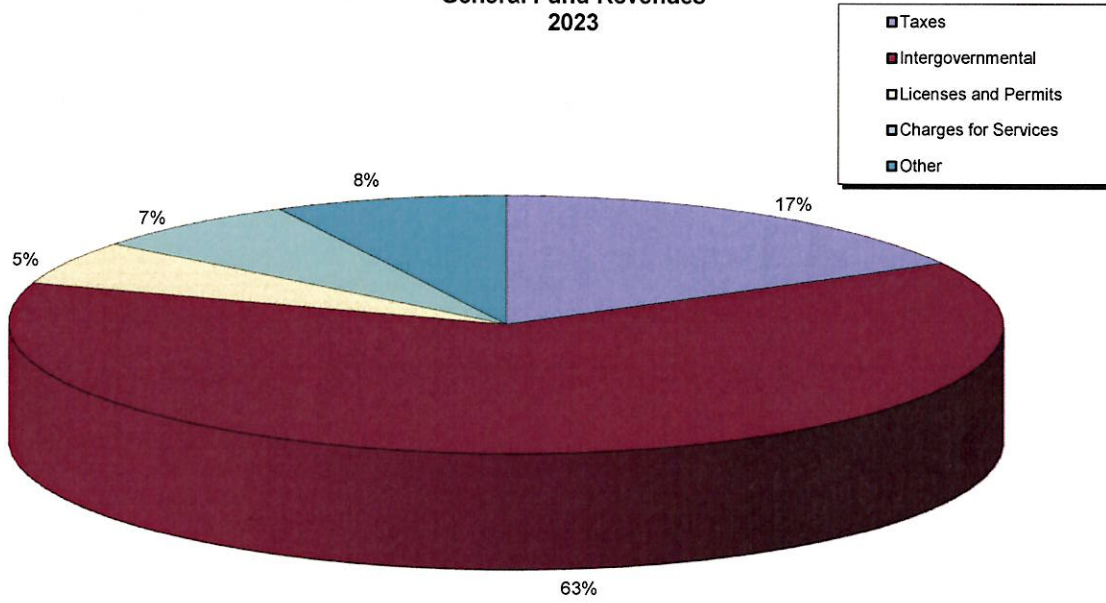
See accompanying notes to financial statements.

**Township of Somerset
General Fund Revenues, Expenditures, and Fund Balance**

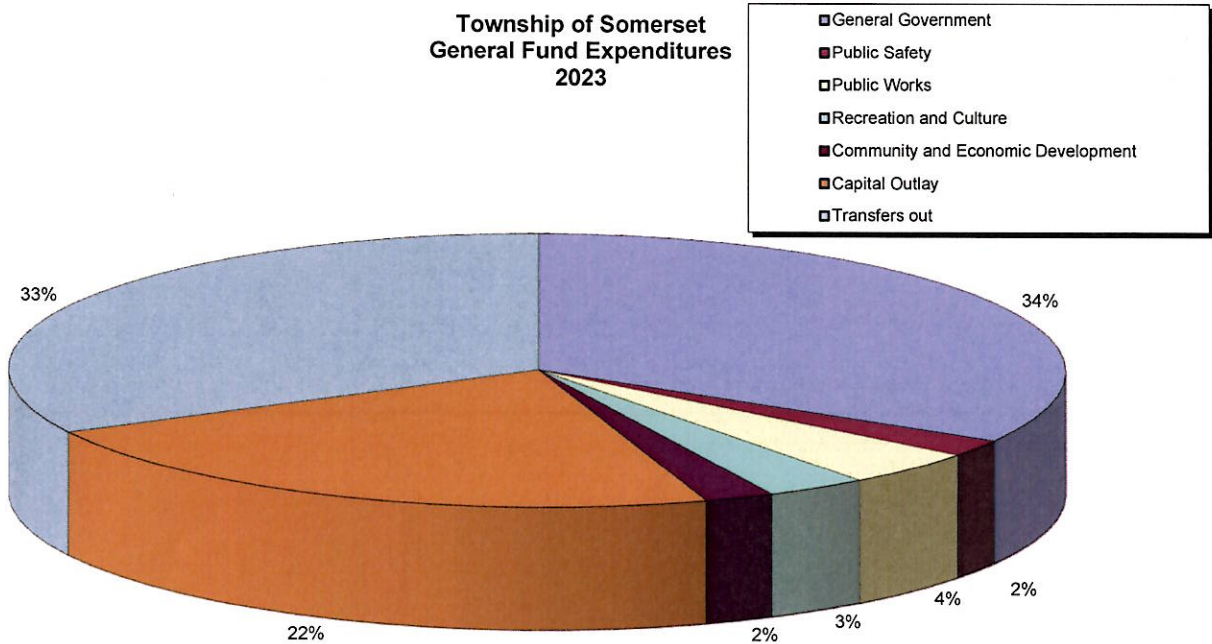
- Revenues and Other Financing Sources
- Expenditures and Other Financing Uses
- Fund Balance



**Township of Somerset
General Fund Revenues
2023**



**Township of Somerset
General Fund Expenditures
2023**





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November 3, 2023

Members of the Township Board of the
Township of Somerset
Hillsdale County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Somerset (the Township) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Township's internal control to be a material weakness:

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries for the adjustment of cash, accounts receivable, amounts due from other governmental units, prepaid expenses, special assessment activity, and lease activity were proposed by the auditors and were necessary for the fair presentation of the financial statements. These misstatements were brought to the attention of management and were subsequently recorded in the Township's general ledger. A similar issue was noted and report in our audit comments last year.

Auditing standards emphasize that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control to be a significant deficiency:

DOCUMENTATION AND REVIEW

During our review of the Township's internal controls and assessment of fraud risk, we noted certain documentation and indication of review and approval could not be provided.

We noted the following issues in the accounting structure:

- a. During our testing of credit card transactions, we noted two transactions where there was no purchase order for purchases over \$500. We also noted that not all credit card purchases had an indication of review.
- b. During our review of journal entries we noted that the Township was unable to provide supporting documentation for ten of ten journal entries tested. We also noted that there does not appear to be a review of journal entries by a member of management independent of the entry.
- c. During our review of bank reconciliations we noted that while the Township appears to perform bank reconciliations in a timely manner, the Township was unable to locate the bank reconciliations that were performed during the year. As a result, we were unable to determine if those reconciliations were reviewed by a member of management who is independent of the reconciliations process.

We recommend that the Township review various areas of operation and consider that additional controls be put in place and formally documented in writing. When separation of duties is not possible, we recommend the Township implement additional internal controls that provide for greater review and supervision.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters.

This communication is intended solely for the information and use of members of the Township Board of the Township of Somerset, others within the Township, and applicable departments of the State of Michigan, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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Questions?

Thank you for your time.

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