

Your Connection to Project Professionals  
Projects • Consulting • Outsourcing

---

**September 6, 2024**

**To:** Tuscarora Township  
**From:** ProNexus  
**RE:** Update/Status Project Report as of September 4, 2024

### **Scope**

ProNexus was contracted to work with the Township Administrative Assistant to Assess the status of financial record keeping, determine or create a baseline date for the accounting records and record and remediate financial entries from baseline date forward in an attempt to provide accurate financial statements from baseline date forward. The time as of now, stands at year end June 30, 2024, work is still in process and the books are not yet closed. Remote access was not granted so the vast majority of the work was conducted on-site.

### **Observations and Testaments**

The Township's Accounting Policies and Practices follow the standard Governmental Units Guidelines by using a Modified and General Accrual Basis of Accounting (GAAP). The Modified Accrual Basis combines cash basis accounting with Accrual Basis for Non-Enterprise Funds but recognizes most revenue on an accrual basis. Cash basis is used for expenditures. The Modified Accrual Basis does not classify assets between current and long-term as is normal with GAAP. Enterprise Funds are accounted for using GAAP, due to their business nature of earning revenue.

#### **I. The General Ledger and System:**

A new system, BS&A, was implemented in 2018. This system appears to not have been fully implemented/integrated and little, or no training was provided.

There were several journal entries brought over from the prior system that were dated many years in advance, e.g., 6012 & 2039, also one of these journal entries did not balance but was still able to be recorded in the new system.

The new system did not have a miscellaneous receivables ledger; this ledger had to be produced outside the system. There were instances where this ledger did not agree to the postings to the General Ledger.

Your Connection to Project Professionals  
Projects • Consulting • Outsourcing

---

Inconsistency in reporting of road project compared to sewer project, e.g., Accounts Receivable for road project appeared to be recorded as payable. The auditors stated this may be a mapping problem. At the time of this report, ProNexus' BS&A resource is reviewing this issue.

**II. Monthly Close:**

Due to the difficulties presented with the implementation of the new accounting system; monthly closing procedures have not been implemented. The township hopes to change this soon, as progress has been made by the accounting staff in keeping accurate records. The Administrative Assistant has a comprehensive check list outlining the tasks needed to close the books at month-end.

**III. Bank Reconciliations:**

The bank reconciliations were complete through February of 2024. As of June 2024 they have been updated and are in the process of review. The difficulty in completing this task monthly is due to several reasons; one reason is trying to analyze the several cash related accounts that have been carried to future months without reason. These accounts were inherited from the previous party.

We prepared an independent bank reconciliation outside the system starting in June of 2023 thru June 2024. We compared the independent bank reconciliation to the system generated bank reconciliation for those months completed through February 2024. As of June 2024, we are still reviewing accounts that may impact cash. At the time of this report, we have an unreconciled difference to cash of \$53,404.00, debit.

We did note that the Bank Reconciliations are not following the Policies and Procedures Guidelines established in the Accounting Procedures Manual for Local Units of Government in Michigan (published by the Michigan Department of Treasury), states "all bank accounts must be reconciled to the local unit accounting records monthly and should be reviewed by a supervisor. The Township bank reconciliations were several months behind and were not reviewed.

The Cash Account is operated in the Public Fund Checking Account, named POOL, for all non-tax cash receipts and all disbursements. On the General Ledger this one account receipts and disbursements are recorded to eleven funds, (POOLs) for reporting purposes; but note there is only one bank account for all the eleven funds noted below:

<b><u>FUND/POOLS</u></b>	<b><u>CASH ACCOUNT</u></b>
POOL GENERAL	101-000-001.02
FIRE	206-000-001.02

Your Connection to Project Professionals  
Projects • Consulting • Outsourcing

---

POLICE	207-000-001.02
STREET LIGHTING FUND	219-000-001.02
DOWNTOWN DEVELOPMENT	248-000-001.02
LIBRARY	271-000-001.02
ARPA	282-000-001.02
BOAT LAUNCH FUND	502-000-001.02
SEWER	590-000-001.02
IMPREST PAYROLL FUND	704-000-001.02
SPECIAL ASSESSMENT	860-000-001.02

Below is an account noted on the General Ledger, which has its own bank account separate from the POOL accounts to record receipt, transfers, and disbursements of Tax Assessments.

TAX COLLECTION FUND                    703-000-001.00

The Downtown Development Fund (POOL) has two bank accounts for two Bonds in the Bond Reserve Account, which commenced August 1, 2021, is for the 2020A Bond and 2020B Bond. The \$66,000 accumulated amount, (\$53,000 related to the 2020A Bond and \$13,000 related to the 2020 Bond). No further deposits shall be made into the Bond Reserve Account once the sum of \$66,000 has been deposited. The money in the Bond Reserve Account shall be used solely for the payment of the principal and interest on the Bonds.

The Library Fund has the following bank accounts that are for investments until the funds are needed for the library operations or expansion. At the time we had not received the bank statements after February 2024.

ENDOWMENT	217-000-017.01
ENDOWMENT	217-000-005.00
LPL	217-000-017.03
LPL	217-000-017.00
CNB IMMA	217-000-002.02

The Sewer Fund has the following General Ledger accounts:

SEWER SPECIAL ASSESSMENT	590-000-002.00
RRI ACCOUNT	590-000-003.01
SEWER ADDITIONAL REU	590-000-003.02

The Special Assessment Fund has the following General Ledger account:



Your Connection to Project Professionals  
Projects • Consulting • Outsourcing

SPECIAL ASSESSMENT  
FOR ROADS 860-000-002.00

We did not find any unusual transactions being recorded in the bank accounts.

#### **IV. Fixed Assets:**

Prior party did not record all of the assets, just those related to the sewer project. The Township is in the process of electing to record all assets in the General Ledger.

## V. Debt:

Currently not all the debt is recorded to the General Ledger. This task is in process as we are compiling data to ascertain the correct balance that should be on the General Ledger as of June 30, 2024.

Debt payments are paid on a timely basis, with no unusual items noted.

## **VI. Due to from Interfund Accounts:**

There was considerable cleanup on behalf of the new administration as several of these accounts had carried forward balances from the previous administration that were unsupported. As of June 30, 2024, these balances will be reconciled.

The Eagle's nest project has been completed for several years and all funds have been accounted for, so a correction was made by the current administration to bring this account to its final position of zero.

## VII. Accounts Payable:

Opening a new vendor requires a W-9 and a certificate of Insurance.

The accounts payable process takes place weekly. The Treasurer approves the checks. This is acceptable in accordance with State guidelines. We noted no unusual disbursements or vendors. Vendor invoices are approved by department leaders prior to being entered into the system.

Checks require dual signatures, the Treasurer and Clerk. If one is absent, then the deputy director can sign.

No unusual activity noted, and the process appears to be operating as planned.

Your Connection to Project Professionals  
Projects • Consulting • Outsourcing

---

**VIII. Payroll and Payroll Related Liabilities:**

Payroll is processed in-house. A Journal Entry is made each payroll cycle transferring from the General Fund POOL Account, number 101-000-001.02 to the Imp rest Payable Fund POOL account 704-000-001.02. Each payroll cycle the Checks/EFTs are recorded by debiting the respective funds payroll expense accounts and crediting this POOL's account 704-000-001.02. Payroll is bi-weekly. All employees except election workers or seasonal help are paid via direct deposit.

We did not find any unusual transactions and events that would cause concern. All payments to the Federal, State and Local Governmental entities appeared to be made on time. Prior to this administration there was some delay in payments that caused concerns with vendors.

**IX. Accounts Receivables, Prepays, and Other Assets:**

The Accounts Receivable Ledger now agrees to the General Ledger. Prepays are written off during the period and supported by invoices paid. Other Assets are properly stated and supported.

No unusual Items noted.

**X: Staffing:**

The new system and the unreconciled accounts carried forward in the past have added an extra level of challenging work in addition to the staff's normal day-to-day duties and responsibilities. The dedication these people employ in maintaining an accurate set of records is worth noting.

Due to the size of the staff duty segregation is not feasible, but they do their best to comply.

**Conclusion**

We are still in the process of closing the General Ledger as of June 30, 2024, with stated account balances. As of this date, no unusual items have been identified.