

## AUDIT-RELATED COMMUNICATIONS

Members of the Township Board of Trustees and Township Supervisor  
Charter Township of Garfield

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the **Charter Township of Garfield** (the "Township") for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 10, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### *Internal Controls*

In planning and performing our audit of the financial statements 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 preceding paragraph 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 were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or 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*:

*Preparation of Financial Statements*

The preparation of financial statements is the responsibility of Township management and requires internal controls over both (1) recording, processing and summarizing financial data (i.e., maintaining internal books and records) and (2) reporting this financial data in the form of financial statements, including all related note disclosures (i.e., external financial reporting). The Township has historically relied on their independent external auditors to assist with the preparation of the financial statements and related note disclosures as part of its external financial reporting process. Accordingly, the Township's ability to adjust its books and records and prepare financial statements is based, in part, on its reliance on its external auditors who cannot, by definition, be considered a part of the Township's internal controls.

The following additional matters are not considered to be material weaknesses or significant deficiencies in internal control, but are opportunities to strengthen internal controls, reporting and operating efficiency:

*Expenditures in Excess of Budget*

The Fire Fund had expenditures exceeding the budget. We have disclosed the budget overages in the financial statements as required by Generally Accepted Accounting Principles.

*Single Audit Requirement Information Item*

A single audit is required when federal expenditures exceed \$750,000 in a fiscal year. The Township received approximately \$1,864,000 of federal funding through the Coronavirus Local Fiscal Recovery Fund program through December 31, 2022. Expenditures of these funds that exceed \$750,000 in a subsequent fiscal year will require a single audit to be performed for that year.

*Insurance and Benefit Expenditures Information Item*

The General Fund records health insurance, retirement and payroll taxes all to one benefits department. The new State Chart of Accounts will require these expenditures be allocated to the respective departments based on employees working in each department. The Township will be required to budget and post these expenses to individual departments in the future when the new State Chart of Accounts is adopted. It is our understanding the Township has began the process of converting to the new State Chart of Accounts.

### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note A of the financial statements. The Township adopted the provisions of GASB Statement No. 87, *Leases*, for the year ended December 31, 2022, which established criteria for identifying, and requiring recognition of, certain lease assets and liabilities for leases that previously were classified as operating leases. The application of existing policies was not changed in the year. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of leases receivable is based on predicted future receipts discounted at the Township's incremental borrowing rate.

Management's estimate of the depreciation is based on estimated useful lives of capital assets.

Management's estimate of the collectibility of receivables is based on collections subsequent to year-end.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

### ***No Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Below is a summary of corrected adjustments of the financial statements.

#### ***Corrected Adjustments***

- As a matter of convenience, recorded depreciation expense for business-type activities for approximately \$1.2 million.
- Defer unspent federal funding for approximately \$936,000.
- Adjust Street Lighting fund balance for prior year revenue for approximately \$39,000.
- Adjust Street Light revenue and expense of approximately \$40,500 to record activity in the Street Light Fund.
- Adjust Water and Sewer Fund accounts receivable to actual by approximately \$466,000.
- Record fixed assets in the Water and Sewer fund for approximately \$822,000.
- Record construction in progress in the Water and Sewer fund for approximately \$107,700.
- Adjust year-end tax distribution payable to actual for approximately \$68,000.
- Reclassify principal payment against long-term debt in the amount of \$35,000.
- Adjust designated fund balance for sewer and water for approximately \$2,078,800.
- Record lease receivable to implement GASB 87 for approximately \$566,000.
- Record receivable for sewer and water fund grant expenditures to be reimbursed for approximately \$10,900.

### ***No Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated June 20, 2023.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. Management consulted with an independent accountant to post accrual adjustments on behalf of the Township. The consulting accountant worked with us to ensure all relevant facts were considered in performing this service.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### ***Subscription Based Technology Arrangements***

Governmental Accounting Standards Board Statement No. 96, *Subscription Based Technology Arrangements*, was issued March 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 or the Township's year ended December 31, 2023.

### ***Other Matters***

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements including the management's discussion and analysis and budgetary comparison information. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information of the combining financial statements on nonmajor funds, which accompanies the financial statements but is not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the information and use of the Members of the Township Board of Trustees and management of the Charter Township of Garfield, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Dennis, Gartland & Niergarth*