



City of Hartford * County of Van Buren * State of Michigan

TO: Mayor Danger and the Hartford Commission

FROM: Nicol Pulliam, City Manager

DATE: January 26, 2026

RE: ACCEPTANCE OF AUDIT FISCAL YEAR JULY 2024 – JUNE 2025

ITEM BEFORE THE COMMISSION:

The item before the Commission is the acceptance of the city's audit for the fiscal year July 2024 through June 2025.

DISCUSSION:

Lautherford and Amen presented the financial statement audit to the city manager. The audit presented several recommendations that consists of the following:

1. IT SECURITY AWARENESS AND MONITORING OF EMERGING RISKS

L&A did not identify a specific security breach during the auditing procedures, but they noted increased risks to cities in the following areas of IT security:

- Ransomware and Phishing Attacks
- Multi-Factor Authentication (MFA)
- Vendor and Third-Party Risk
- Data Backup and Recovery
- Staff Awareness and Training

L&A recommends that the City continue to increase awareness and preparedness around IT security issues to reduce the likelihood of a security incident, protect sensitive constituent and financial data, and help ensure continuity of operations.

2. COLLATERALIZATION OF DEPOSITS

During the current year-end audit procedures, the bank balances were \$4,517,670, of which only \$980,426 were insured or collateralized. There was a balance of \$3,822,382 that was neither insured nor collateralized.

L&A recommends that the city consider requiring all bank deposits to be insured or collateralized.

3. FUNDS OVER BUDGET

L&A noted that during the current year-end audit procedures, L&A noted that the following funds had an excess of actual expenditures/expenses, exclusive of depreciation, over budget for the fiscal year:

<u>Fund</u>	<u>Excess</u>
Major Street	2,491
Comprehensive Improvement	87,054
Local Streets	772
Building Department	35,570
Water	43,301
Sewer	30,534

L&A recommended that the City investigate the causes of the funds being over budget and adopt appropriate future funding measures.

4. BANK RECONCILIATIONS – NOT PERFORMING MONTHLY

L&A noted they found that bank reconciliations were not being performed monthly by the previous treasurer. One of the most important internal control features over cash receipts and disbursements is the preparation of the monthly bank reconciliation.

The city's receipts and disbursement records show that the previous treasurer was not preparing monthly bank reconciliations. By not preparing monthly bank reconciliations, errors and omissions may go undetected in a timely manner. The result would be actual cash balances, which did not agree with the books and records of the city.

Internal control is most effective when bank reconciliations are prepared immediately upon receipt of the monthly bank statement. The bank statement should be received unopened by an individual not responsible for writing checks or recording cash receipts and disbursement transactions. Internal control is stronger when someone not responsible for entries in the receipts and disbursements records prepares the bank reconciliation.

L&A recommends that, to improve control, bank reconciliations be performed monthly and any variances be investigated and adjusted immediately.

5. COMMINGLED CASH

L&A noted that the city's commingled cash allocations between various funds resulted in significant positive and negative cash balances. For example, as of June 30, 2025, the

Commingled Pooled Checking Account had a book balance of \$3,154,608. This was allocated to the funds as follows:

Commingled Cash Balances
Fund 2025

General	\$ (228,172)
Major Streets	1,002,645
Comprehensive Improvement	326,759
CDBG Grant	319,989
Local Streets	175,321
Police Training	12,648
Building Department	62,957
South Parking Lots/Streets	66,676
Water	438,791
Sewer	794,189
Trust and Agency	<u>182,805</u>
	<u>3,154,608</u>

L&A stated there are many advantages to cash commingling, such as increasing the funds available for investment opportunities. However, the allocation process should represent each fund's percentage ownership of the cash balance accurately.

L&A recommends that the city review the process for allocation of the commingled cash balances and adjust the balances as appropriate.

6. ACCOUNT RECONCILIATIONS

L&A noted that the city did not reconcile utility billing accounts receivable between the control accounts on the trial balance to the detail subsidiary listing on a monthly basis.

L&A recommends that the utility billing accounts receivable be reconciled at the end of each month and that any discrepancies be investigated.

RECOMMENDATION:

The City of Hartford Commission accepts the audit report and the recommendations for the fiscal year ending June 30, 2025. The acceptance of the audit will officially mark the conclusion of the fiscal year-end on June 30, 2025.