

Isabella County,
Michigan



Year Ended
September 30,
2023

Single Audit Act
Compliance

Rehmann

ISABELLA COUNTY, MICHIGAN

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**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

March 15, 2024

Board of Commissioners
Isabella County
Mt. Pleasant, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Isabella County, Michigan** (the "County") as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 15, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Lobson LLC



ISABELLA COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Community Facilities Loans and Grants Cluster:				
Community Facilities Loans and Grants:				
Sheriff's Office and Correctional Facility Project	10.766	Direct	N/A	\$ 15,976,575
U.S. Department of Justice				
Coronavirus Emergency Supplemental Funding:				
COVID-19 - Prosecuting Attorney	16.034	MSP	CESF-2021-020	43,028
COVID-19 - Trial Court	16.034	MSP	CESF-2022-012	285
				<u>43,313</u>
Bulletproof Vest Partnership Program:				
Bulletproof Vest Partnership 2022	16.607	Direct	N/A	<u>3,137</u>
Total U.S. Department of Justice				<u>46,450</u>
U.S. Department of Treasury				
Coronavirus State & Local Fiscal Recovery Funds:				
COVID-19 - CSLFRF - 2021	21.027	Direct	N/A	<u>9,327,371</u>
U.S. Department of Health and Human Services				
Aging Cluster:				
Special Programs for the Aging:				
Title III, Part D				
COVID-19 - Preventative Health	93.043	RVIIAAA	N/A	<u>6,787</u>
Title III, Part B:				
Case Coordination and Support				
COVID-19 - Case Coordination and Support	93.044	RVIIAAA	N/A	33,458
	93.044	RVIIAAA	N/A	<u>31,944</u>
				<u>65,402</u>
Title III, Part C-1:				
Congregate Meals				
COVID-19 - Congregate Meals	93.045	RVIIAAA	N/A	39,202
COVID-19 - Home Delivered Meals	93.045	RVIIAAA	N/A	20,832
Home Delivered Meals	93.045	RVIIAAA	N/A	31,248
	93.045	RVIIAAA	N/A	<u>54,613</u>
				<u>145,895</u>
Nutrition Services Incentive Program (NSIP):				
Congregate Meals				
Home Delivered Meals	93.053	RVIIAAA	N/A	9,052
	93.053	RVIIAAA	N/A	<u>24,533</u>
				<u>33,585</u>
Total Aging Cluster				<u>251,669</u>

continued...

ISABELLA COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (continued)				
National Family Caregiver Support:				
Title III, Part E:				
Caregiver Training	93.052	RVIIAAA	N/A	\$ 12,035
COVID-19 - Supplemental Funds	93.052	RVIIAAA	N/A	11,162
Supplemental Funds	93.052	RVIIAAA	N/A	4,282
Kinship Care Funds	93.052	RVIIAAA	N/A	1,074
				<u>28,553</u>
Child Support Enforcement (Title IV-D):				
Friend of the Court	93.563	MDHHS	CS/FOC-17-37001	429,468
Prosecuting Attorney	93.563	MDHHS	CS/PA-17-37002	30,400
Title IV-D Incentive Payments FY 2017	93.563	MDHHS	N/A	67,015
				<u>526,883</u>
Medicaid Cluster:				
Medical Assistance Program	93.778	RVIIAAA	N/A	9,645
				<u>816,750</u>
Total U.S. Department of Health and Human Services				
U.S. Department of Homeland Security				
2023 Boating Safety Financial Assistance	97.012	MDNR	MS23-039	6,600
Emergency Management Performance Grants:				
2022 - 2023 Regular	97.042	MSP	N/A	16,886
Homeland Security Grant Program:				
2021 HSGP - Gray Key	97.067	WMRMC	N/A	4,007
2020 HSGP - Planning	97.067	WMSRDC	N/A	19,805
2021 HSGP - Planning	97.067	WMSRDC	N/A	5,650
				<u>29,462</u>
Total U.S. Department of Homeland Security				
				<u>52,948</u>
Total Expenditures of Federal Awards				
				<u>\$ 26,220,094</u>
				concluded

See notes to schedule of expenditures of federal awards.

ISABELLA COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Isabella County, Michigan (the "County") under programs of the federal government for the year ended September 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the County's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the County has elected not to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

	Intergovernmental Revenue	Less State Revenue	Federal Expenditures
Primary Government			
General Fund:			
Homeland Security	\$ 29,462	\$ -	\$ 29,462
Prosecutor - CRP	30,466	66	30,400
Emergency management grant	17,851	965	16,886
Marine Safety	6,600	-	6,600
Coronavirus Relief Funds	9,327,371	-	9,327,371
Other Programs	4,180,788	4,156,051	24,737
Total general fund	<u>13,592,538</u>	<u>4,157,082</u>	<u>9,435,456</u>
Special revenue funds:			
Commission on Aging	<u>1,077,539</u>	<u>794,459</u>	<u>283,080</u>

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ISABELLA COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

	Intergovernmental Revenue	Less State Revenue	Federal Expenditures
Nonmajor special revenue funds:			
Friend of the Court	\$ 559,750	\$ 63,267	\$ 496,483
Tribal Contribution	795,916	795,916	-
Child Care	684,261	684,261	-
Community Corrections	80,186	80,186	-
E-911	260,141	250,141	10,000
Indigent Defense	1,104,327	1,094,327	10,000
Parks and Recreation	58,500	50,000	8,500
	<hr/>	<hr/>	<hr/>
Total nonmajor special revenue funds	3,543,081	3,018,098	524,983
	<hr/>	<hr/>	<hr/>
Total special revenue funds	4,620,620	3,812,557	808,063
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 18,213,158</u>	<u>\$ 7,969,639</u>	10,243,519
Jail Construction Capital Projects Fund debt proceeds			<hr/>
			15,976,575
			<hr/>
			<u>\$ 26,220,094</u>
			<hr/>
			concluded

4. PASS-THROUGH AGENCIES

The County receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDHHS	Michigan Department of Health and Human Services
MDNR	Michigan Department of Natural Resources
MSP	Michigan State Police
RVIIAAA	Region VII Area Agency on Aging
WMRMC	West Michigan Regional Medical Consortium
WMSRDC	West Michigan Shoreline Regional Development Commission



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

March 15, 2024

Board of Commissioners
Isabella County
Mt. Pleasant, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **Isabella County, Michigan** (the "County"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 15, 2024. Our report includes a reference to other auditors who audited the financial statements of Isabella County Road Commission, Isabella Transportation Commission, and the Isabella County Medical Care Facility, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.



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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 financial statements. 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 that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Isabella County, Michigan's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH OF THE MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

March 15, 2024

Board of Commissioners
Isabella County
Mt. Pleasant, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of the ***Isabella County, Michigan*** (the "County") with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2023. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Isabella County Road Commission, Isabella County Medical Care Facility, and Isabella County Transportation Commission, which the Transportation Commission and Medical Care Facility received \$2,068,65 and \$542,043, respectively, in federal awards, and which is not included in the schedule of expenditures of federal awards for the year ended September 30, 2023. The Road Commission did not receive any federal awards that were subject to the Uniform Guidance. Our audit, described below, did not include the operations of the Isabella County Road Commission, Isabella County Medical Care Facility, and Isabella County Transportation Commission because they arranged for separate audits.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Independent Auditors' Responsibilities for the Audit of Compliance section of our report.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Independent Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Independent Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

ISABELLA COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
10.766	Community Facilities Loans and Grants	Unmodified
21.027	Coronavirus State & Local Fiscal Recovery Funds	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 786,603

Auditee qualified as low-risk auditee? X yes no

ISABELLA COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 - Audit Adjustments (Repeat Finding)

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles.

Condition. During the audit, we identified significant adjustments which needed to be made in order to reach proper year-end balances. The majority of the adjustments that were made to the trial balance were identified by the auditors, while a few were identified by the County.

- Accounts payable and the related health insurance expenses were understated by \$50,984 in the internal service fund due to an error recording the incurred but not reported (IBNR) accrual. We noted that a portion of the prior year accrual was not reversed in fiscal year 2023 and that the County did not accrue for all prescription invoices.
- Capital asset additions were understated by approximately \$22,000 in the drainage district component unit due to the County backing out prior years retainage twice, in error, from the balance related to the Mission Creek drain. Further, as this asset was completed during the year and removed from construction in progress into a depreciable asset in the incorrect amount, the related depreciation and accumulated depreciation was originally misstated by an insignificant amount.
- Capital assets were understated by \$40,012 in the recycling fund due to the following reasons: 1) the County incorrectly recording a capital asset purchase to the depreciation expense account instead of the capital asset account in the amount of \$23,850, 2) the County disposed of an equipment asset improperly by not recording the sale in a sale of capital asset account for the difference between cash received and value of asset at disposal, and 3) the County providing multiple entries to record capital asset additions as the original capital asset depreciation report did not agree to the trial balance received.
- Capital asset vehicle additions in governmental activities and related public safety expenses were understated by \$26,771 due to the County capitalizing two vehicles in the incorrect amounts. These vehicles should have included the upfitting costs incurred to put the vehicle in service which were not reflected in the capital asset depreciation report. As a result, the related depreciation and accumulated depreciation were misstated by an insignificant amount.
- Beginning equity and liabilities in the PA 123 restricted tax fund were understated by \$17,628 due to the County recording excess tax sale proceeds by reducing liabilities instead of reducing revenue in the prior year. The previous year audit properly presented these amounts, however, the County did not update in its records last year, resulting in a beginning equity variance. Further, revenue was overstated and liabilities were understated originally by \$175,142 in the current year due to the same reasoning as mentioned above. The County should be recording a liability each year for any claims that were filed by the property owners by the July deadline and not paid out until after year end. If a claim was not filed, then the excess proceeds would go to revenue.

ISABELLA COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2023

Cause. This condition was the result of internal controls not detecting all the adjustments necessary to properly record year-end balances.

Effect. As a result of this condition, the County's accounting records were initially misstated by amounts significant to the financial statements but adjustments have been posted and are reflected in the current financial statements.

Recommendation. We recommend that the County prepare, review, and reconcile all year-end schedules that are used in financial reporting and record any necessary adjusting entries prior to the start of the audit process.

View of Responsible Officials. A process will be put in place to have a second review of year-end schedules to identify and record any necessary adjusting entries prior to the commencement of fieldwork.

ISABELLA COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.



ISABELLA COUNTY, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2023

2022-001 - Audit Adjustments

The audit identified the need for substantial adjustments to the County's accounting records, which impacted drains capital assets, accounts payable, investments, accounts receivable, special assessment receivables, and revenue which had a significant effect on the County's financial statements. This matter was repeated as finding 2023-001.





Corrective Action Plan for Isabella County

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings as noted in Isabella County's Single Audit report for the year ended September 30, 2023, and corrective actions to be completed.

2023-001 – Audit Adjustments

Auditor Description of Condition and Effect: During the audit, we identified significant adjustments which needed to be made in order to reach proper year-end balances. The majority of the adjustments that were made to the trial balance were identified by the auditors, while a few were identified by the County.

- Accounts payable and the related health insurance expenses were understated by \$50,984 in the internal service fund due to an error recording the incurred but not reported (IBNR) accrual. We noted that a portion of the prior year accrual was not reversed in fiscal year 2023 and that the County did not accrue for all prescription invoices.
- Capital asset additions were understated by approximately \$22,000 in the drainage district component unit due to the County backing out prior years retainage twice, in error, from the balance related to the Mission Creek drain. Further, as this asset was completed during the year and removed from construction in progress into a depreciable asset in the incorrect amount, the related depreciation and accumulated depreciation was originally misstated by an insignificant amount.
- Capital assets were understated by \$40,012 in the recycling fund due to the following reasons: 1) the County incorrectly recording the capital asset purchase to the depreciation expense account instead of the capital asset account in the amount of \$23,850, 2) the County disposed of an equipment asset improperly by not recording the sale in a sale of capital asset account for the difference between cash received and value of asset at disposal, and 3) the County providing multiple entries to record capital asset additions after audit inquiry of the capital asset depreciation report not agreeing to the trial balance received.
- Capital asset vehicle additions in governmental activities and related public safety expenses were understated by \$26,771 due to the County capitalizing two vehicles in the incorrect amounts. These vehicles should have included the upfitting costs incurred to put the vehicle in service which were not reflected in the capital asset depreciation report. As a result, the related depreciation and accumulated depreciation were misstated by an insignificant amount.

- Beginning equity and liabilities in the PA 123 restricted tax fund were understated by \$17,628 due to the County recording excess tax sale proceeds by reducing liabilities instead of reducing revenue in the prior year. The previous year audit properly presented these amounts, however, the County did not update in its records last year, resulting in a beginning equity variance. Further, revenue was overstated and liabilities were understated originally by \$175,142 in the current year due to the same reasoning as mentioned above. The County should be recording a liability each year for any claims that were filed by the property owners by the July deadline and not paid out until after year end. If a claim was not filed, then the excess proceeds would go to revenue.

The County provided corrections to adjust the County's general ledger to the appropriate balances. As a result of this condition, the County's accounting records were initially misstated by amounts significant to the financial statements but adjustments have been posted and are reflected in the current financial statements.

Auditor Recommendation: We recommend that the County prepare, review, and reconcile all year-end schedules that are used in financial reporting and record any necessary adjusting entries prior to the start of the audit process.

Corrective Action: A process will be put in place to have a second review of year-end schedules to identify and record any necessary adjusting entries prior to the commencement of fieldwork.

Responsible Person: Nicole F. Frost, Administrator/Controller

Anticipated Completion Date: 03/31/2024