

Negative Fund Balance and budget overage (Material Weakness)

Finding 2022-003

Criteria: All governments are required to maintain a positive fund balance in all funds. A positive fund balance helps ensure that there will be adequate liquid resources to serve as a financial cushion. In addition, all governments are required to not spend in excess of budgeted amounts.

Condition: As of December 31, 2022, the Sheriff's Fund had incurred accumulated expenses in excess of revenue, creating a fund deficit in the amount of \$42,080. In addition, the Sheriff's fund had expenditures in excess of budgeted amounts in the amount of \$17,556.

Cause: Spending in excess of budgeted amounts partially created the fund deficit. The beginning fund balance as of January 1, 2022 was \$18,887. Given the known revenue amounts, the Sheriff's fund should not have had expenditures of more than \$585,000 in order to avoid a fund deficit. This amount of expenditures still exceeds the revenue of the fund by \$18,137. In addition, due to the excess spending, spent in excess of budgeted amounts. Public safety budgeted expenditures were \$527,733 but expenditures for public safety totalled \$545,289.

Effect: As a result of this condition, the County is in violation of Michigan Compiled Laws, Municipal Financing Statement 141.1545. and the Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended (MCL 141.421 et seq). The State of Michigan requires that a reasonable plan to eliminate a deficit condition is vital to the fiscal well-being of the County, as is early implementation of that plan. A plan and certified resolution is required to be filed as soon as possible following the submission of the County's audit report to the State of Michigan. In addition, the County will be required to submit a corrective action plan regarding budgetary compliance.

View of Responsible Officials:

The County Officials will create a one year deficit elimination plan to ensure the Sheriff's Fund no longer has a negative fund balance as of December 31, 2023.