

BOROUGH OF TOPTON, PENNSYLVANIA

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2023

BOROUGH OF TOPTON, PENNSYLVANIA
SINGLE AUDIT REPORT
YEAR ENDED DECEMBER 31, 2023

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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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of Council
Borough of Tipton
Berks County, Pennsylvania
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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 (*Government Auditing Standards*), the accompanying modified cash basis Municipal Annual Audit and Financial Statement Report, Form DCED CLGS-30, which collectively comprise the balance sheet, the statement of revenues and expenditures, the debt statement, and statement of capital expenditures (the "financial statements"), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the Borough of Tipton's (the "Borough") financial statements, and have issued our report thereon dated September 10, 2024.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Tipton'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 Borough of Tipton's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Tipton'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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Tipton'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 were required to be reported under *Government Auditing Standards*.



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To the Honorable Mayor and Members of Council
Borough of Tipton
Berks County, Pennsylvania
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Borough's Response to Findings

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

Purpose of this Report

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 Borough'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 Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
September 10, 2024



Zelenkofske Axlerod LLC

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of Council
Borough of Tipton
Berks County, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Borough of Tipton's compliance 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 Borough of Tipton's major federal programs for the year ended December 31, 2023. The Borough of Tipton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Borough of Tipton complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 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 (*Government Auditing Standards*); 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Borough of Tipton and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Borough of Tipton's compliance with the compliance requirements referred to above.

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 Borough of Tipton's federal programs.



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Auditor's 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 Borough of Topton'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 Borough of Topton'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 Borough of Topton'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 Borough of Topton'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 Borough of Topton'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 a 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 Auditor's 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 an deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses and significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



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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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the modified cash basis Municipal Annual Audit and Financial Report, Form DCED CLGS-30, which collectively comprise the balance sheet, the statement of revenues and expenditures, the debt statement, and statement of capital expenditures (the "financial statements") of the Borough of Tipton as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Borough of Tipton's basic financial statements. We issued our report thereon dated September 10, 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 Borough of Tipton's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
September 10, 2024

**BOROUGH OF TOPTON, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023**

Federal Grantor Project Title	Federal Assistance Listing Number	Pass Through Grantor's Number	Grant Period Beginning/ End Date	Grant Amount	Expenditures	Subrecipient Expenditures
U.S. Department of the Transportation						
Passed Through Pennsylvania Department of Transportation						
Highway Planning and Construction	20.205	N/A	2/4/2020-12/31/2025	\$ 1,380,994	\$ 1,222,187 *	\$ -
Total Passed Through Pennsylvania Department of Transportation					<u>1,222,187</u>	<u>-</u>
Total U.S. Department of the Transportation					<u>1,222,187</u>	<u>-</u>
U.S. Department of the Treasury						
Passed Through Pennsylvania Department of Community & Economic Development						
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A	3/3/2021-12/31/2024	\$ 217,245	\$ 134,270	\$ -
Total Passed Through Pennsylvania Department of Community & Economic Development					<u>134,270</u>	<u>-</u>
Total U.S. Department of the Treasury					<u>134,270</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u>\$ 1,356,457</u>	<u>\$ -</u>

* denotes tested as a major program

See accompanying notes to the Schedule of Expenditures of Federal Awards.

BOROUGH OF TOPTON, PENNSYLVANIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

NOTE 1: REPORTING ENTITY

The Borough of Tipton (the "Borough") as the reporting entity for financial reporting purposes is defined in Note 2 to the Borough's basic financial statements. For purposes of preparing the Schedule of Expenditures of Federal Awards, the Borough's reporting entity is the same that was used for financial reporting.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards included the grant activity of the Borough and is presented using the modified cash basis Municipal Annual Audit and Financial Report, Form DCED CLGS-30, which is described in Note 2 to the Borough's basic financial statements. The Borough did not use the 10% de minimis indirect cost rate.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2023 threshold for determining Type A Programs is \$750,000.

The amount expended under the program audited as a major federal program for the year ended December 31, 2023 totals \$1,222,187 or 90.10% of total federal awards.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BOROUGH OF TOPTON, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant Deficiency(s) identified?
 yes X none reported

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(s) identified?
 yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

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:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

BOROUGH OF TOPTON, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

<u>Finding 2023-001</u>	<u>Account Reconciliation/Audit Adjustments/Reporting Filing</u>
Criteria:	The Borough should reconcile all bank and interfund account balances in timely manner as well as ensure trial balance accounts are properly stated, which will allow the Borough to file all necessary reporting requirements.
Condition:	As a result of our testing, we noted that the Borough was unable to reconcile bank and interfund account balances in a timely manner. The Borough also required certain adjustments related to cash, interfunds, and intergovernmental revenue. The Borough also did not file the DCED report timely for 2023. This was a repeat of finding 2022-001.
Cause:	Bank and interfund accounts were not reconciled and accounting records were not properly stated.
Effect:	Adequate internal controls are not in place over account reconciliation and accounting records, which may result in material misstatement of the accounts.
Questioned Costs:	None.
Recommendation:	The Borough should implement internal controls, as well as reconcile bank statements and account balances on a monthly basis to allow for accurate financial reporting.
Borough's Response:	The Borough will reconcile accounts on a monthly basis.
<u>Finding 2023-002</u>	<u>Segregation of Duties</u>
Criteria:	Proper internal control dictates that duties should be segregated to serve as a check and balance on the records of the Borough to maintain a good internal control system.
Condition:	As a result of our testing, we noted the same person has access to blank checks, deposits cash, reconciles the bank accounts, and has check signing authority. This was a repeat of finding 2022-002.
Cause:	The Borough does not have adequate procedures in place to ensure separation of duties, and has a limited number of people working in the office.
Effect:	The duties that are not segregated may result in a material misstatement of the financial statements.
Questioned Costs:	None.
Recommendation:	The Borough should ensure that duties are segregated and proper internal control structure is implemented to the best extent possible.
Borough's Response:	The Borough has updated its segregation of duties controls.

BOROUGH OF TOPTON, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION III – FEDERAL AWARD FINDINGS

None.

BOROUGH OF TOPTON, PENNSYLVANIA
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED DECEMBER 31, 2023

The summary which follows indicated the current status of findings identified in the prior year.

Findings for the year ended December 31, 2022:

Program	Prior Year Finding	Brief Description of Finding	Current Year Status
Financial Statements	2022-001	Account Reconciliation/Audit Adjustments/Report Filing	Unresolved; Current Year Finding 2023-01
Financial Statements	2022-002	Segregation of Duties	Unresolved; Current Year Finding 2023-02