



JOHN A. GALLAGHER III
Leelanau County Treasurer

Monday, July 18, 2022

Leelanau County Board of Commissioners

RE: District Court Bond Account

Dear Commissioners:

Please allow me to address your concerns regarding Stephen Peacock's quandary regarding the District Court cash account in question which led him to believe that there was a material weakness.

To clear up this confusion, below you will find just some of the items documented by the auditors and stored in our archives:

- Evidence that the account was opened 5/1/75 with Empire National Bank, the account was modified with Huntington Bank in 2011 with signatures from Norene Kastys and Cindy Schaub; the account was changed by Michelle Crocker and Tom VanPelt.
- Bank Statement reconciliations done by the District Court verified by the Treasurer's Office per council of DC auditors.
- Multiple year audits showing the District Court Bond account in the books.
- March 17, 2022 email from and by Jennifer L. Zywicki explaining how Fund 799 was being administered which included a Transaction History Report showing auditor adjustments. Evidence that the fund was adjusted annually by our auditors through 2012, and again in 2019-2020.
- Bank Confirmations demonstrating the account as being listed.

While I am not sure how Rehmann Robson is not aware of an account that he has been auditing throughout the years, I believe the best course of action would've been for the auditors to follow the



County of Leelanau

JOHN A. GALLAGHER III
Leelanau County Treasurer

normal protocol and meet with the team to investigate the discrepancy as well as create an action plan for future reporting. Unfortunately, that did not happen. Furthermore, a normal material finding would have been listed as its own separate page such as in; 2017-002 **Cash Receipts Segregation of Duties (Significant Deficiency in Internal Control over Financial Reporting)** and 2018-002 **Timely Recording and Reconciliation of Brownfield Fund Accounts (Material Weakness in Internal Control over Financial Reporting).**

Acknowledging the discrepancy, the Treasurer's Office has made the necessary changes in procedure to ensure that monthly entries are to be made to adjust the District Court account as recommended by our auditing counsel.

Sincerely,

John A. Gallagher III

Lee @ Huntington Bank - 7/15/22

Acct # 01182252076 opened
3/17/2011 (86th D.C. Bond acct)
old account # 02183452650
(86th D.C. Holding acct) was
closed 1/31/2012 because the
bank started using 01 # for
commercial accts + 02 # for personal
accts.

< Original Bond Account opened
5/1/75 through Empire Bank

(2021 John Gallagher added
to account as signatory)



01182252076

Copy of Resolutions to
Open and Maintain a Bank Account

The undersigned hereby certifies to The Huntington National Bank that: I am the
Chairman, Leelanau County Board of Commissioners

and, as such, I am familiar with the records and proceedings of:

Leelanau County

(the "Public Entity"), a governmental entity duly organized and existing under the laws of the
State of Michigan;

the following is a true, accurate and compared copy of resolutions duly adopted by the Public Entity, and that the resolutions have not been rescinded, modified or revoked and are in full force and effect.

RESOLVED, that:

- (I) The Huntington National Bank (the "Bank"), as a national banking association, is qualified under applicable law and regulations to be a depository for the Public Entity and is hereby designated as a depository of the Public Entity;
- (II) one or more account(s) may be opened and maintained in the name of the Public Entity, in accordance with the rules and regulations or procedures of the Bank pertaining to such accounts as amended by the Bank from time to time, or as otherwise amended by a written agreement between the Public Entity and Bank;
- (III) any of the individuals whose names are set forth in (iv), below or, whose genuine signatures appear on separate cards dated and filed with the Bank, (collectively the "Authorized Signatories" and individually an "Authorized Signatory") are hereby authorized to act individually on behalf of the Public Entity and in its name to:
 - a. sign checks, drafts, notes, bills of exchange, acceptances, or other orders for payment of funds from any account maintained by the Public Entity;
 - b. endorse checks, drafts, notes, bills, certificates of deposit, or other instruments owned or held by the Public Entity for deposit in any such account, or for collection or discount by the Bank;
 - c. identify, approve and guarantee the endorsements of any and all checks and drafts drawn by the Public Entity;
 - d. waive demand, protest, and notice of protest, or dishonor of any check, draft, note, bill, certificate of deposit or other instruments made, drawn, or endorsed by the Public Entity;
 - e. act for the Public Entity in the transaction of all other business (whether or not it is of the kind, nature or character specified in this certificate) on the Public Entity's behalf with the Bank, including but not limited to executing contracts and delegating person to engage in transaction in connection with such contracts;
 - f. open and maintain an account in the name of the Public Entity (any account so opened shall be bound by the provisions of this certificate);
 - g. certify to the Bank the names of the Authorized Signatories and shall certify such change to the Bank, and the Bank shall be fully protected in relying on such certification, or refusing to honor the signature of any individual not so certified;
 - h. delegate other person(s) to perform any of the foregoing acts;

(iv) Authorized Signatories:

Name:	Title:
Norene Kastys	Magistrate
Cindy Schaub	Office Specialist

FURTHER RESOLVED, that:

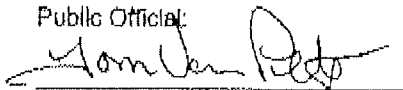
- (i) the Bank is authorized to honor, receive, certify, or pay all instruments signed in accordance with this certificate even though drawn or endorsed to the order of any Authorized Signatory signing the same, tendered for cash, or in payment of a personal obligation or for deposit into a personal account of said Authorized Signatory and the Bank is not required or obligated to inquire into the circumstances of the issuance or use of any instrument signed in accordance with this certificate, or the application, or disposition of such instrument, or the proceeds thereof;
- (ii) overdrafts, if any, shall not be considered to be a loan; and
- (iii) the provisions of this certificate shall remain in full force and effect until written notice of its amendment or rescission shall have been received by the Bank and the Bank has a reasonable amount of time to act upon such notice, and that receipt of such notice shall not affect any action taken by the Bank prior thereto.

FURTHER RESOLVED, that the undersigned be, and hereby is, authorized and directed to certify to the Bank the foregoing resolutions and that the provisions thereof are in conformity with the laws and regulations governing the Public Entity.

I further certify that there is no provision in the law or regulations governing the Public Entity which limits the power of the Public Entity to pass the foregoing resolutions and that the same are in conformity with the law and regulations governing the Public Entity, have not be modified or rescinded and are in full force and effect.

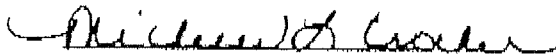
IN WITNESS WHEREOF, I have hereunto subscribed my name this 15th day of Feb. 2011.

Public Official:



Tom Van Pelt, Chairman
Leelanau County Board of Commissioners

Witness:



Michelle L. Crocker, Leelanau County Clerk



Date: 12/21/2010

Authorized Checking Account Signatures of Account Number 01182252076

Account Title: Leelanau County TAX ID: 386004852
 Address: 8527 E Government Center Ste 201 Phone: 231-256-9836 8280
 City, State, Zip: Suttons Bay, MI 49682

I/We hereby acknowledge receipt of (I) for savings accounts and money market deposit accounts, the Business Online Agreement for all other accounts, Huntington's Master Services Agreement, which includes the Business Online Addendum, Bill Pay Addendum, and the Electronic Banking Card Addendum and (II) Huntington's rules, regulations and disclosures in connection with this account and agree to be bound by all terms and conditions, as amended from time to time. I/We represent that, unless I/We are an unincorporated non-business association, this account will be used for business purposes.

TAXPAYER IDENTIFICATION NUMBER CERTIFICATION (Substitute W-9)
 Under penalties of perjury, I certify that:
 1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
 2. UNLESS THE FOLLOWING LANGUAGE IS STRICKEN, I am not subject to backup withholding because:
 (a.) I am exempt from backup withholding, or
 (b.) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or
 (c.) the IRS has notified me that I am no longer subject to backup withholding, and
 3. I am a U.S. Person (including a U.S. resident alien).
 The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

NUMBER OF SIGNATURES REQUIRED - 1 (Please sign in black ink.)

Name (Print or Type)	Title	Authorized Signature	Date
<i>Norene Kastys</i>	<i>Magistrate</i>	<i>Norene Kastys</i>	<i>12-21-10</i>
<i>Cindy Schaub</i>	<i>Office Specialist</i>	<i>Cynthia Schaub</i>	<i>12-27-10</i>

FOR BANK USE ONLY
 RACF ID: hb03119 Prepared By Name: Jamie Hebebrand

Regular Checking MMC Permanent Card
 Non-Personal NOW BMMA Temporary Card
 (complete info. below)

Resolution Certificate and/or Letters of Authority: sent to signature out with customer

Michigan CLASS

File (date to override)

NON-PERSONAL NOW ACCOUNT (check if applicable)
 The undersigned hereby applies for a Non-Personal NOW Checking Account held by:
 a) a sole proprietorship or husband and wife operating an unincorporated business
 b) an organization which is operated primarily for religious, philanthropic, or profit.

Such account will be _____
 It is not operated for _____

GT County ETN

Signature _____
 UNINCORPORATED NON-BUSINESS ASSOCIATION (check if applicable)
 This account will be held by an unincorporated non-business association.
 Signature _____

CERTIFICATION OF FOREIGN STATUS (You may also substitute a Form _____)
 Under penalties of perjury, I certify that, to the best of my knowledge and belief, I qualify as a foreign person and am exempt from backup withholding. Failure to obtain foreign certification for each joint owner will subject the account to backup withholding. Use Form W-8BEN if more than two owners.
 Signature _____ Date _____

US Mailing Address _____
 Permanent Foreign Address (required) _____
 Signature _____ Date _____
 US Mailing Address _____
 Permanent Foreign Address (required) _____



BANK RECONCILIATION

DATE: JUNE 2022

Beginning Balance: \$154,751.00 ✓

Outstanding Checks(-) 651.00

Total 154,100.00

In Transit (+) OUTSTANDING DEPOSIT

Other Adjustments (-) CREDIT CARD DEPOSIT NOT RI

Total \$154,100.00

NSF (+)

Total \$154,100.00

Other Adjustments

Total \$154,100.00

Holding Account Balance \$154,100.00

Adjustments

Total \$154,100.00 ✓

Difference 0

RECONCILED BY: CINDY SCHAUB

DATE: 7/5/2022

APPROVED BY: John Gallagher

LEELANAU COUNTY, MICHIGAN

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities
December 31, 2016

	Trust & Agency	District Court	Library Penal Fine	Circuit Court Trust
Assets				
Cash and cash equivalents	\$ 438,999	\$ 4,900	\$ 20,818	\$ 49,304
Liabilities				
Due to other governments	\$ 426,922	\$ -	\$ -	\$ -
Undistributed collections	4,906	-	20,818	-
Other liabilities	7,171	4,900	-	49,304
Total liabilities	\$ 438,999	\$ 4,900	\$ 20,818	\$ 49,304

LEELANAU COUNTY, MICHIGAN

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities
December 31, 2015

	Trust & Agency	District Court	Library Penal Fine	Circuit Court Trust
Assets				
Cash and cash equivalents	\$ 425,424	\$ 4,900	\$ 23,019	\$ 1,667
Liabilities				
Accounts payable	\$ 416,025	\$ -	\$ -	\$ -
Due to other governments	4,805	-	-	-
Undistributed collections	102	-	23,019	-
Other current liabilities	4,492	4,900	-	1,667
Total liabilities	\$ 425,424	\$ 4,900	\$ 23,019	\$ 1,667

John Gallagher

From: Darcy Weaver
Sent: Wednesday, July 13, 2022 2:11 PM
To: John Gallagher
Subject: FW: District Court Balancing Fund
Attachments: District Court Balancing 1998 to 2021.pdf

From: Jennifer Zywicki <jzywicki@leelanau.gov>
Sent: Thursday, March 17, 2022 1:08 PM
To: John Gallagher <jgallagher@leelanau.gov>; Darcy Weaver <dweaver@leelanau.gov>
Cc: Mary Lane <mary.lane@rehmann.com>; Paul Matz <Paul.Matz@rehmann.com>; Evan Rummel <Evan.Rummel@rehmann.com>
Subject: District Court Balancing Fund

Hi,

I have attached a transaction history which indicates that prior to 2012 the year end cash was being adjusted, and the other portion of the entry is adjusted to the 202.000 account.

If you want to take a look at the cash account and match it with your bank statement from 2012, my guess is that in the past it was a year end JE to adjust the cash for balancing purposes.

Since we now know what we know, I presume you may want to treat this account like the Circuit Court Bonds payments/checkbook, but I think we need to verify from 2012 that is District Court Bond because I'm not sure what a Balancing Fund is.

If that is the case, we can change the name to show it is the District Court Bond account.



Let me know if you need anything further from me,
Jen Z

Jennifer L. Zywicki
Finance Director
Leelanau County
Phone: 231-256-7077
Fax: 231-256-8295
jzywicki@leelanau.gov

Transaction History Listing Report

County of Leelanau

Account Balance Transactions

Date Range: January 1, 1998 Thru December 31, 2021

Date	SRC	Batch	Operator	Ref #	Description	Debits	Credits
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Account:	000000-001.000		Cash				
2/3/2005	AJ	9427	MLC	8604	Auditor's AJ JE#1 Dist Ct ba	42,774.99	
2/3/2006	AJ	10244	MLC	9854	Auditor's Adjusting JEs #22	15,332.00	
2/3/2007	AJ	11208	CHELLY	11230	Adj to bal Dist Ct cash		8,148.00
2/3/2008	AJ	12081	JEN	12330	AJE#23 Adj District Court cash	5,269.96	
2/3/2009	AJ	12987	JEN	AJE#09-09	Adjust District Court cash		53,229.02
2/3/2011	AJ	14650	JEN	AJE#3-11	Adjust Agency fund Balance	2,000.00	
2/3/2012	JE	15316	JEN	JE#3703	PBC#5 - Adjust District Ct	900.07	
2/3/2019	AJ	21988	JEN	AJE#7-19	Move Cash/Liabilities to G/F	4,900.00	

Dept: Beginning Balance :

1/1/2020 AJ 21989 JEN A.#7-19 Reverse Auditor #7 GASB 84 Total Cash Transactions for December: 66,277.02

2/3/2020 AJ 22481 JEN AJE#6-20 Move cash liabilities to G/F Total Cash Transactions for January: 4,900.00

1/1/2021 AJ 22532 JEN AJE#6-20 Reverse AJE #6-2020 for Cash Total Cash Transactions for December: 4,900.00

Total Cash Transactions for January: 4,900.00

Period Cash Totals 76,077.02 71,177.02

Year-To-Date Cash Totals 76,077.02 71,177.02

Period Balance 4,900.00

Year-to-date Balance 4,900.00

Grand Totals 76,077.02 71,177.02

**STANDARD BANK CONFIRMATION
BALANCE INFORMATION WITH FINANCIAL INSTITUTIONS**

FINANCIAL INSTITUTION: Huntington National Bank
PO Box 1558 EA1W37
Columbus, OH 43216-1558

CUSTOMER NAME: Leelanau County

AS OF DATE: December 31, 2021

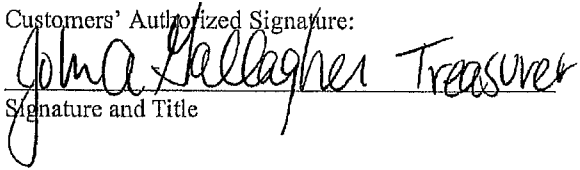
We have provided to our auditors, the following information as of the close of business on the date indicated above regarding our deposit and loan balances. Please confirm the accuracy of the information provided. If there is no balance listed in the blank please include the correct balance as of the aforementioned date. If while verifying this information additional deposit or loan accounts not listed are noted, please include such information below.

At the close of business on the date listed above, our records indicate the following balance(s):

<u>Account Name</u>	<u>Bank Account</u>	<u>Interest Rate</u>	<u>Balance</u>
Leelanau Library	01153505150		
Common	01182104357		
Material Account	01182104360		
Road Payroll	01182104373		
District Court – CC	01182104535		
Road Fund	01182110927		
Unpledged	01182113380		
Building Fund	01182115951		
Leelanau Co Circuit Ct	01182116811		
Revenue Sharing	01182216999		
District Ct Bonds	01182252076		
County Inmate	01182344667		
Leelanau County	01182390019		
Leelanau Cty Brownfield	01368387914		
Leelanau Cty Brownfield	01368387901		
Leelanau Cty Brownfield	01368387862		
Leelanau Cty Landbank	01188385824		

We were directly liable to the financial institution for loans at the close of business on the date listed above as follows:

<u>Account No.</u>	<u>Balance</u>	<u>Due Date</u>	<u>Interest Rate</u>
None			

Customers' Authorized Signature:
 Treasurer
 Signature and Title
 Date 2/23/22

The information presented above is in agreement with our records, except as noted below:

Financial Institution Authorized Signature:

Signature and Title

Date

Please return this form directly to our auditors in the enclosed envelope:

**Rehmann Robson
2330 East Paris Ave., SE
Grand Rapids, MI 49546**