



BUSINESS ADVISORS & CERTIFIED PUBLIC ACCOUNTANTS

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January 7, 2026

Board of Directors  
Oak Grove Multi-Municipal Compost Processing Board  
Stroudsburg, PA

We have audited the financial statements of the governmental activities and each major fund of Oak Grove Multi-Municipal Compost Processing Board (OGMMCPB) for the years ended December 31, 2023, 2022, 2021, 2020 and 2019, and have issued our reports thereon dated January 7, 2026. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated November 22, 2023, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of OGMMCPB solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant deficiencies and material weaknesses in internal control over financial reporting during our audit in a separate letter to you dated January 7, 2026.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

### **Significant Risks Identified**

We have identified the following significant risks:

Having multiple operating sites involved in cash collections, billing, and accounting creates the opportunities for internal control deficiencies.

There are inadequate controls over cash collections at the site and recording of revenue.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by OGMMCPB is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the statements of net position and activities for the Township's government and business activities were:

Management's estimate of depreciation of capital assets is based on the straight-line method over the estimated useful lives of the assets.

We evaluated the key factors and assumptions used to develop these estimates and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting OGMMCPB's financial statements relate to the use of estimates in preparing financial statements and the Township's decision to not report infrastructure assets for governmental activities.

### **Significant Difficulties Encountered during the Audit**

Although we ultimately received full cooperation of management and believe that we were given direct and unrestricted access to OGMMCPB's books and records, we encountered significant difficulties in performing and completing the audit process. Principally, these difficulties related to the poor condition of the books and records, lack of consistent and standard accounting procedures, lack of available documentation, and turnover of internal staffing. All of these issues contributed to the problem and added to the time and related cost of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

Adjustments were necessary to record grant revenues in the correct period. Under accrual accounting, the grant revenues should be recorded in the same period that the grant expenditures were incurred, not necessarily the year they were received.

Repayments that OGMMCPB made to Middle Smithfield for loans used to purchase equipment were recorded as expenditures, instead of a reduction of the "Due to Middle Smithfield Township" liability.

Payments for the grinder equipment were recorded as capital expenditures. However, these should have been recorded as principal and interest per the amortization schedule.

There were two instances where revenues for grinding services were not reported in the correct period.

The 2022 4<sup>th</sup> Quarter reimbursement to Middle Smithfield Township was recorded as an expenditure in the 2023 fiscal year.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to OGMMCPB's financial statements or the auditor's reports.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter dated January 7, 2026.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with OGMMCPB, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as OGMMCPB's auditors.

During our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. Our comments and suggestions are discussed below.

### Annual Budgets

Operating budgets should be prepared and approved by the Board annually.

### Due to Middle Smithfield Township

At times, Middle Smithfield Township has loaned OGMMCPB funds for the purchase of machinery and for capital site improvements. These funds are paid back to Middle Smithfield Township once OGMMCPB receives grant funds for the various projects. At December 31, 2023, OGMMCPB owed Middle Smithfield Township \$18,633 in such reimbursements.

Also, it came to our attention during our subsequent period review, that the 2024 and 2025 quarterly reimbursements to Middle Smithfield Township for payroll and other costs are not being paid back to the Township.

### Monitoring of Billing

Grinding services provided to a local municipality in 2023 were not billed until September 2024. Controls should be put in place to ensure these types of bills are done in a timely manner. Failure to do so can lead to cash flow issues.

We also noted instances of receipts being labeled as "Billed To", but no corresponding cash receipts ever being recorded in QuickBooks.

### Cash Receipts

Cash receipt books are utilized on the site. However, there were multiple issues noted, including: missing receipts; receipts that did not include the payment type; undated receipts; receipts that did not include a payor, or the name of the person who issued the receipt. We also noted instances where amounts were not being deposited until months after the date of the receipt. Without proper use of the receipt book, and proper monitoring by management, it is difficult to monitor the completeness of revenues and cash.

### In-kind Contributions

There appear to be in-kind contributions from the participating municipalities, including fuel provided by the Lead Municipality, along with personnel costs provided by the other two municipalities. If these expenses are not going to be paid by OGMMCPB, at the very least they should be reported annually to OGMMCPB, as per the Intermunicipal Agreement (Section 3(h)(iii)). This will allow for a true accounting of what it costs to operate the facility.

## **Noncompliance with Laws and Regulations, Violations of Contract Provisions or Grant Agreements**

We have identified the following matters involving noncompliance with laws and regulations, violations of contract provisions or grant agreements that came to our attention during the course of the audit.

There were multiple violations of the Intermunicipal Agreement:

1. Annual audits were not done in a timely manner.
2. Per Section 3(b), "All Program personal property shall be titled in name of the Oak Grove Multi-Municipal Compost Processing Board." During our site visit, we noted a hook lift truck that is the property of Middle Smithfield Township but is adorned with an OGMMCPB decal.
3. Per Section 4(b), "All persons employed in the operation of the Compost Processing Program shall be employees of the Lead Municipality." It came to our attention that employees of the other two participating municipalities have, at times, worked at the facility.

## **Substantial Doubt on the Entity's Ability to Continue as a Going Concern**

We believe that the following events or conditions identified during the course of the audit raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time:

OGMMCPB has negative unassigned fund balance/unrestricted net position. We noted in our review of subsequent period financial information that reimbursements are not being repaid to Middle Smithfield Township for personnel related costs. Ultimately, OGMMCPB does not produce program revenues sufficient to cover operating costs and will likely have to increase the annual municipal contributions to properly fund the organization.

## **Modifications of the Auditor's Report**

We have made the following modifications to our auditor's report:

We do not express an opinion on the accompanying financial statements of Oak Grove Multi-Municipal Compost Processing Board. There are inadequate accounting records to support completeness of cash, accounts receivable and program revenues. We believe the issue to be pervasive throughout the financial statements. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded cash, receivables, and the elements making up the statements of activities, nor the statements of revenues, expenditures, and changes in fund balance for governmental funds. Because of the significance of these matters, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

This report is intended solely for the information and use of the Board of Supervisors and management of OGMMCPB and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Riley and Company, Inc.*

RILEY AND COMPANY, INC.

Client: **11657 - Oak Grove Multi-Municipal Compost Processing Board**  
 Engagement: **Oak Grove Multi-Municipal Compost Processing Board**  
 Period Ending: **12/31/2023**  
 Trial Balance: **TB**  
 Workpaper: **3700.03 - PAJEs - All funds**  
 Fund Level: **Multiple**  
 Index: **GOV\GEN, GOV\REV, GOV\DBT, 90, PRO, FID, OTH, CU**

Account	Description	W/P Ref	Debit	Credit
<b>Fund: 01</b>	<b>General Fund</b>			
<b>Proposed Journal Entries JE # 11</b>		<b>5100.10</b>		
	to note difference in Due to MST reconciliation			
32000	Retained Earnings		941.00	
400-003	Office Supplies		58.00	
240-001	Due to Middle Smithfield Twp			999.00
<b>Total</b>			<b>999.00</b>	<b>999.00</b>
<b>Proposed Journal Entries JE # 13</b>		<b>2800.80</b>		
	to note prepaid portion of insurance at year-end			
24001	Audit Adjustments		482.00	
32000	Retained Earnings			482.00
<b>Total</b>			<b>482.00</b>	<b>482.00</b>
<b>Fund: 01</b>	<b>Proposed Journal Entries</b>		<b>1,481.00</b>	<b>1,481.00</b>
<b>Fund: 01</b>	<b>Total All Journal Entries</b>		<b>1,481.00</b>	<b>1,481.00</b>
<b>All Funds</b>	<b>All Journal Entries</b>		<b>1,481.00</b>	<b>1,481.00</b>

Client: **11657 - Oak Grove Multi-Municipal Compost Processing Board**  
 Engagement: **Oak Grove Multi-Municipal Compost Processing Board**  
 Period Ending: **12/31/2022**  
 Trial Balance: **TB**  
 Workpaper: **3700.03 - PAJEs - All funds**  
 Fund Level: **Multiple**  
 Index: **GOV\GEN, GOV\REV, GOV\DBT, 90, PRO, FID, OTH, CU**

Account	Description	W/P Ref	Debit	Credit
<b>Fund: 01</b>	<b>General Fund</b>			
<b>Proposed Journal Entries JE # 11</b>		<b>5100.10</b>		
	to note difference in Due to MST			
32000	Retained Earnings		941.00	
240-001	Due to Middle Smithfield Twp			941.00
<b>Total</b>			<b>941.00</b>	<b>941.00</b>
<b>Proposed Journal Entries JE # 15</b>		<b>2800.80</b>		
	to reclassify 2016-2020 WC dividend received in 2022			
484-354	Workers Comp insurance		1,377.00	
395.100	Refund of prior year expenses			1,377.00
<b>Total</b>			<b>1,377.00</b>	<b>1,377.00</b>
<b>Fund: 01</b>	<b>Proposed Journal Entries</b>		<b>2,318.00</b>	<b>2,318.00</b>
<b>Fund: 01</b>	<b>Total All Journal Entries</b>		<b>2,318.00</b>	<b>2,318.00</b>
<b>All Funds</b>	<b>All Journal Entries</b>		<b>2,318.00</b>	<b>2,318.00</b>

Client: **11657 - Oak Grove Multi-Municipal Compost Processing Board**  
Engagement: **Oak Grove Multi-Municipal Compost Processing Board**  
Period Ending: **12/31/2021**  
Trial Balance: **TB**  
Workpaper: **3700.03 - PAJEs - All funds**  
Fund Level: **Multiple**  
Index: **GOV|GEN, GOV|REV, GOV|DBT, 90, PRO, FID, OTH, CU**

Account	Description	W/P Ref	Debit	Credit
<b>Fund: 01</b>	<b>General Fund</b>			
<b>Proposed Journal Entries JE # 8</b>		<b>5100.10</b>		
to note difference in due to MST reconciliation				
32000	Retained Earnings		932.00	
240-001	Due to Middle Smithfield Twp			932.00
<b>Total</b>			<b>932.00</b>	<b>932.00</b>
<b>Proposed Journal Entries JE # 17</b>		<b>2800.80</b>		
to reclassify PY WC dividend				
484-354	Workers Comp insurance		926.00	
395.000	Refund of prior year expenses			926.00
<b>Total</b>			<b>926.00</b>	<b>926.00</b>
<b>Fund: 01</b>	<b>Proposed Journal Entries</b>		<b>1,858.00</b>	<b>1,858.00</b>
<b>Fund: 01</b>	<b>Total All Journal Entries</b>		<b>1,858.00</b>	<b>1,858.00</b>
<b>All Funds</b>	<b>All Journal Entries</b>		<b>1,858.00</b>	<b>1,858.00</b>

Client: **11657 - Oak Grove Multi-Municipal Compost Processing Board**  
 Engagement: **Oak Grove Multi-Municipal Compost Processing Board**  
 Period Ending: **12/31/2020**  
 Trial Balance: **TB**  
 Workpaper: **3700.03 - PAJEs - All funds**  
 Fund Level: **Multiple**  
 Index: **GOV|GEN, GOV|REV, GOV|DBT, 90, PRO, FID, OTH, CU**

Account	Description	W/P Ref	Debit	Credit
<b>Fund: 01</b>	<b>General Fund</b>			
<b>Proposed Journal Entries JE # 10</b>		<b>5100.10</b>		
to record MST invoice for King Kong Tools that is not recorded on Oak Grove GL (4/14/20, identified as being "parts for Beast").				
437-240	Parts equip/machinery		1,201.00	
240-001	Due to Middle Smithfield Twp			1,201.00
<b>Total</b>			<b>1,201.00</b>	<b>1,201.00</b>
<b>Proposed Journal Entries JE # 11</b>		<b>5100.10</b>		
to note difference in Due to MST				
240-001	Due to Middle Smithfield Twp		260.00	
32000	Retained Earnings			260.00
<b>Total</b>			<b>260.00</b>	<b>260.00</b>
<b>Proposed Journal Entries JE # 17</b>		<b>2800.80</b>		
to note prepaid portion of insurance				
24001	Audit Adjustments		382.00	
32000	Retained Earnings			382.00
<b>Total</b>			<b>382.00</b>	<b>382.00</b>
<b>Fund: 01</b>	<b>Proposed Journal Entries</b>		<b>1,843.00</b>	<b>1,843.00</b>
<b>Fund: 01</b>	<b>Total All Journal Entries</b>		<b>1,843.00</b>	<b>1,843.00</b>
<b>All Funds</b>	<b>All Journal Entries</b>		<b>1,843.00</b>	<b>1,843.00</b>

Client: **11657 - Oak Grove Multi-Municipal Compost Processing Board**  
 Engagement: **Oak Grove Multi-Municipal Compost Processing Board**  
 Period Ending: **12/31/2019**  
 Trial Balance: **TB**  
 Workpaper: **3700.03 - PAJEs - All funds**  
 Fund Level: **Multiple**  
 Index: **GOV|GEN, GOV|REV, GOV|DBT, 90, PRO, FID, OTH, CU**

Account	Description	W/P Ref	Debit	Credit
<b>Fund: 01</b>	<b>General Fund</b>			
<b>Proposed Journal Entries JE # 5</b>		<b>6000</b>		
	to note difference between 12/31/18 TB and bank reconciliation and note stale outstanding check from 2017			
100-001	ESSA Bank & Trust Checking a/c			
32000	Retained Earnings			
<b>Total</b>			<u><u>0.00</u></u>	<u><u>0.00</u></u>
<b>Proposed Journal Entries JE # 15</b>		<b>5300</b>		
	to note accrued interest on CAT Finance lease			
63400	Interest Expense		2,082.00	
20000	Accounts Payable			2,082.00
<b>Total</b>			<u><u>2,082.00</u></u>	<u><u>2,082.00</u></u>
<b>Fund: 01</b>	<b>Proposed Journal Entries</b>		<u><u>2,082.00</u></u>	<u><u>2,082.00</u></u>
<b>Fund: 01</b>	<b>Total All Journal Entries</b>		<u><u>2,082.00</u></u>	<u><u>2,082.00</u></u>
<b>All Funds</b>	<b>All Journal Entries</b>		<u><u>2,082.00</u></u>	<u><u>2,082.00</u></u>