

May 30, 2025

To the Board of Trustees
Charter Township of Vienna

We have audited the financial statements of the Charter Township of Vienna (the "Township") as of and for the year ended December 31, 2024 and have issued our report thereon dated May 30, 2025. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Internal Control Related Matters Identified in an Audit

Section II - Required Communications with Those Charged with Governance

Section III - Legislative and Informational Items

Sections I and II include information that we are required to communicate to those individuals charged with governance of the Township. Section I communicates a deficiency we observed in the Township's internal control that we believe is a material weakness. Section II communicates significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process.

Section III contains updated legislative items that we believe will be of interest to you.

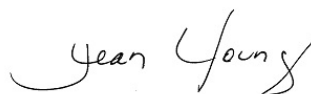
We would like to take this opportunity to thank the Township's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the board of trustees and management of the Township and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in cursive script that reads "Jean Young".

Jean Young, CPA
Partner

A handwritten signature in cursive script that reads "Nate Shureb".

Nate Shureb, CPA
Manager

Section I - Internal Control Related Matters Identified in an Audit

In planning and performing our audit of the financial statements of the Township as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Township'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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.

We consider the following deficiency in the Township's internal control to be a material weakness:

Lack of detail review of tax runs used in the determination of the Business Development Authority (BDA) property tax revenue along with an analysis of revenue calculated - During testing of revenue accounts, it was identified that there was a formula error in the tax run spreadsheet that led to approximately \$307,000 being withheld from the BDA. Therefore, revenue was understated for the BDA during the year. As of year end, management has posted the appropriate entries to properly reflect revenue and receivables in the BDA, along with payables for the general government due to the BDA for its portion of this understatement. In addition, this caused township revenue to be overstated by an immaterial amount, which the Township has corrected, as of December 31, 2024. The lack of this review and analysis can cause interim financial statements to not be properly stated throughout the year. We recommend the Township review the spreadsheet in detail and perform an analysis of revenue expected compared to revenue calculated going forward to ensure proper recording of revenue.

Section II - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 17, 2025, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are 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 specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 21, 2025.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements.

The Township adopted and implemented Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections*, and GASB Statement No. 101, *Compensated Absences*. The impact of GASB Statement No. 101, *Compensated Absences*, was insignificant, and, thus, prior periods were not retrospectively adjusted. However, the change in a major fund under GASB Statement No. 100 has been applied to adjust the current period's beginning fund balances.

We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. There were no significant balances, amounts, or disclosures in the financial statements based on sensitive management estimates.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing and completing our audit.

Section II - Required Communications with Those Charged with Governance (Continued)

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has passed on recording an increase of approximately \$82,000 in deferred inflows of resources and a decrease in revenue by the same amount related to property taxes for the Business Development Authority. Management has determined that the effects are immaterial, both individually to the Business Development Authority and to the financial statements taken as a whole. However, uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future period financial statements to be materially misstated.

The following material misstatements detected as a result of audit procedures were corrected by management: During the testing of property tax revenue, it was identified that the property tax revenue and property tax receivables recorded in the Business Development Authority were understated by approximately \$307,000. Management has corrected all such misstatements.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Township, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 30, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Section III - Legislative and Informational Items

Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Alternative Compliance Examination

In April 2022, the Office of Management and Budget amended its compliance rules to allow for a simplified single audit process for municipalities that would not be required to undergo a single audit if it were not for the expenditures of SLFRF. This alternative applies to fiscal year audits beginning after June 30, 2020. An SLFRF recipient expending \$750,000 or more during its fiscal year and meeting the following two criteria has the option for its auditor to follow the alternative compliance examination engagement guidance:

1. The recipient's total SLFRF award received directly from the U.S. Department of the Treasury or received as a nonentitlement unit is \$10 million or less.
2. Other federal award funds expended by the recipient (excluding SLFRF award funds) are less than \$750,000 during its fiscal year.

We are happy to assist in evaluating the application of the changes and answer any questions about how the changes impact the Township.

Monitoring Lease, SBITA, and PPP Activity

GASB Statements No. 87, *Leases*; No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs); and No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements*, were effective in fiscal years 2022 and 2023. Although significant analyses were performed to determine the applicability of the new standards and record any necessary adjustments, we want to stress the importance of implementing ongoing monitoring procedures over lease, SBITA, and PPP activity. When the Township enters into new leases, SBITAs, or PPPs; existing agreements are modified; or other facts and circumstances change, consideration must be given to the impact those changes will have on lease, SBITA, and PPP accounting. In order to do so, the Township must ensure there is a process in place to identify and appropriately account for new leases, SBITAs, or PPPs or changes to existing agreements on an ongoing basis or at least at the end of each year.

Expansion of Police and Fire Special Assessment

Effective March 28, 2023, Public Act 228 of 2022 (an amendment to Act 33, Public Acts of Michigan, 1951, as amended) expands special assessment authority for police services, fire services, or both to cities with a population of 15,500 or more. Cities with a population of 15,500 or more must seek voter approval to exercise these special assessment powers. The act continues to allow all townships and villages and those cities with a population of less than 15,500 to establish the special assessment district pursuant to certain procedures and public hearing on the governing body's own initiative, pursuant to a petition process by property owners, or by an election.

Cybersecurity and Information Technology Controls

Cyberattacks are on the rise across the globe, and the cost of these attacks is ever increasing. Because of these attacks, municipalities stand to lose their reputation, the ability to operate efficiently, and proprietary information or assets. Communities potentially can also be subject to financial and legal liabilities. Managing this issue is especially challenging because even a municipality with a highly mature cybersecurity risk management program still has a residual risk that a material cybersecurity breach could occur and not be detected in a timely manner. We understand that the technology department continues to monitor and evaluate this risk, which are critical best practices. Additionally, periodic assessment of the system in order to verify that the control environment is working as intended is a key part of measuring associated business risk. We encourage administration and those charged with governance to work with the technology team on this very important topic. If we can be of assistance in the process, we would be happy to do so.

Revenue Sharing

The fiscal year 2024 budget includes \$1.65 billion for revenue sharing. Further details of the breakdown of this amount are available at https://www.michigan.gov/treasury/0,,7-121-1751_2197---,00.html.

Section III - Legislative and Informational Items (Continued)

The fiscal year 2024 City, Village, and Township Revenue Sharing (CVTRS) program includes the following types of payments:

- CVTRS-Standard payment equal to 104 percent of the local unit's eligible fiscal year 2023 ongoing CVTRS payment amount
- CVTRS-CLFRF payment equal to 1 percent of the local unit's eligible fiscal year 2023 ongoing CVTRS payment amount
- CVTRS-PS payment equal to 2 percent of the local unit's eligible fiscal year 2023 ongoing CVTRS payment amount

As provided in the September 2023 Department of Treasury letter on City, Village, and Township Revenue Sharing (CVTRS) Fiscal Year 2024 Detailed Guidance, the citizens guide and performance dashboard are no longer required for 2024 CVTRS. Qualified local units will need to complete the following required documents to qualify for CVTRS-Standard, CVTRS-CLFRF, and CVTRS-PS payments:

- Form 4886 certification
- Debt service report
- Two-year budget projection

The due date for these CVTRS required documents was December 7, 2023.

The CVTRS-Standard and CVTRS-PS payments will be paid in one-sixth increments. Local units received a one-sixth payment on the last business day of October 2023, and the remaining payments are as follows:

- If the required documents were submitted on or before December 7, 2023, payments in one-sixth increments have been and will be made on the last business day of December 2023 and February, April, June, and August 2024.
- If the required documents were submitted after December 7, 2023, the December CVTRS-Standard and CVTRS-PS payments were forfeited; the remaining payments will be forfeited unless the required documents are received by the first day of a payment month (February, April, June, and August 2024), at which time one-sixth of the CVTRS-Standard and CVTRS-PS payments will be made on the last business day of each payment month thereafter.

The CVTRS-CLFRF payment will be received on the last business day of June 2024.

Additional program requirements for CVTRS-CLFRF and CVTRS-PS payments are as follows:

- CVTRS-CLFRF - Eligible local units must certify to the Treasury that the local unit has "fully obligated" or expended by December 31, 2023, or declined, the total amount of 2021 American Rescue Plan Act funds allocated to the local unit. The Treasury defines "fully obligated," the definition of which applies only to the CVTRS program, as an order placed for property services; entering into contracts, subawards, and similar transactions that require payments; or appropriating the funds for specific purposes. This certification is due on March 30, 2024.
- CVTRS-PS - Local units must use the CVTRS-PS payment for local public safety initiatives only.

Section III - Legislative and Informational Items (Continued)

Inflation Rate Multiplier for 2024

In October 2023, the Michigan State Tax Commission issued Bulletin 16 of 2023 regarding the inflation rate multiplier for use in the 2024 capped value formula and the Headlee millage reduction fraction formula. The inflation rate for property taxes, as defined in Michigan Compiled Law (MCL) 211.34d, has increased beyond the historical 5 percent cap to 5.1 percent for 2024. As a result, the inflation rate multiplier of 1.051 must be used in the calculation of the 2024 Headlee millage reduction fraction required by Michigan Compiled Law (MCL) 211.34d. As the inflation rate multiplier of 1.051 is higher than 1.05, the inflation rate multiplier to be used in the 2024 capped value formula is 1.05.

OMB Revisions to the Uniform Guidance

In April 2024, the Office of Management and Budget (OMB) released revisions for the Uniform Guidance for federal grants and agreements, which are effective for fiscal year ends beginning on October 1, 2024 and after. The guidance clarifies the applicability of requirements and terminology and includes some relaxation and clarification of certain requirements that required prior approval from federal regulators. A few key changes include the following:

- Increase the single audit threshold to \$1 million from \$750,000
- Require the schedule of expenditures of federal awards (SEFA) to identify recipient of federal award for audits that cover multiple recipients
- Increase the *de minimis* indirect cost rate from 10 percent to 15 percent, effective for grants received on October 1, 2024 and after

The changes are included in more detail within the federal register at <https://www.federalregister.gov/documents/2024/04/22/2024-07496/guidance-for-federal-financial-assistance>, and we are happy to discuss these changes with you.

Capitalization Thresholds

The April 2024 Uniform Grants Guidance 2024 Revision described above resulted in the equipment threshold increasing from \$5,000 to \$10,000. This threshold applies to the value of equipment that at the end of the grant period may be retained, sold, or otherwise disposed of with no further responsibility to the federal agency. In addition to considering this Uniform Guidance threshold related to federal grants compliance, it may be a good time for the Township to reevaluate the capitalization thresholds. We are happy to assist you in thinking through considerations in evaluating these thresholds.

Other New Legislation

Upcoming Accounting Standards Requiring Preparation

We actively monitor new Governmental Accounting Standards Board (GASB) standards and due process documents and provide periodic updates to help you understand how the latest financial reporting developments will impact the Township. In addition to the summaries below and to stay up to date, Plante & Moran, PLLC issues a biannual GASB accounting standard update. The most recent update and a link to previous fall and spring updates are available [here](#).

Section III - Legislative and Informational Items (Continued)

GASB Statement No. 102 - Certain Risk Disclosures

This new accounting pronouncement will be effective for fiscal years ending June 30, 2025 and after. This statement requires a government to assess whether a concentration or constraint makes the primary government or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. It also requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements.

GASB Statement No. 103 - Financial Reporting Model Improvements

This new accounting pronouncement will be effective for fiscal years ending June 30, 2026 and after. This statement establishes new accounting and financial reporting requirements, or modifies existing requirements, related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section.

GASB Statement No. 104 - Disclosure of Certain Capital Assets

This new accounting pronouncement requires certain types of capital assets, such as lease assets, intangible right-of-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale.

Significant GASB Proposal Worth Watching

The Revenue and Expense Recognition project aims to develop a comprehensive accounting and financial reporting model for transactions that result in revenue and expenses. The GASB has issued a preliminary views document that proposes a new categorization framework that replaces the exchange/nonexchange transaction notion with a four-step categorization process for classifying a transaction. In addition to this new framework, the proposal also addresses recognition and measurement of revenue and expense transactions. The exposure draft for this project is expected sometime in 2025.

Plante & Moran, PLLC has spent significant time digesting this new proposed standard and recently testified to the GASB about our feedback. We strongly encourage the Township to monitor developments with this standard, as the potential impact is quite broad.