

Memorandum

To: The Honorable Members of the Township Board

From: Jean Young, Partner, CPA
Nate Shureb, Manager, CPA

Date: June 3, 2025

Re: Results of 2024 Financial Statement Audit

Dear Board Members:

The Charter Township of Vienna (the "Township") received an unmodified opinion, or what is referred to as a "clean" opinion, on the financial statements for the year ended December 31, 2024. This is the highest level of assurance we can provide on the financial statements.

Key highlights of the financial statements are as follows:

General Fund

- The Township analyzed the implications of the new accounting standard GASB 100, *Accounting Changes and Error Corrections*, in the current year and determined implementation is necessary due to the change in the capital projects fund from a nonmajor fund in previous years to a major fund. This implementation is appropriate as it is considered a change in the reporting entity under GASB 100. The Township also analyzed the implications of the new accounting standard GASB 101, *Compensated Absences*, and determined the new standard to have no impact on the financial statements.
- The General Fund ended the year with fund balance of \$6,284,248, of which \$6,215,785 was unassigned. The unassigned portion was approximately 164 percent of the current year's expenditures (\$3,822,764). This level of unassigned fund balance would allow the Township to fund expenditures for approximately 20 months without taking into account any additional cash receipts. This level of fund balance is considered to be a healthy, stable fund balance.
- About 15 years ago, the Township experienced a decrease in the most significant revenue sources, which are property taxes and state-shared revenue. Since then, they have both rebounded. Compared 2023 to 2024, the Township experienced an increase of approximately \$90,000 in property taxes and a slight decrease in state-shared revenue of approximately \$18,000. As property values level off and continue to increase, this should continue to help the financial position of the Township.

Sewer and Water Funds

- The operating income on the statement of revenue, expenses, and changes in net position identifies whether the Township is charging residents a level of fees that is sufficient to cover the full cost of providing the services to the residents (including depreciation and other noncash items). For 2024, the Sewer Fund reported operating income of approximately \$240,000 (\$348,000 when backing out depreciation expense), and the Water Fund reported operating loss of approximately \$88,000 (\$14,500 of operating losses when backing out depreciation expense).
- The overall increase in net position for the Sewer Fund was approximately \$434,000, and the overall increase in net position for the Water Fund was approximately \$37,000.

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- Both funds are in good financial health; however, the Township should continue to evaluate rates to ensure that current rates are still covering current costs while providing for future capital for the Water and Sewer funds.

Legacy Costs

- The Township has a defined benefit pension plan through MERS, which is measured on a one-year lag from the balance sheet date. As of the fiscal year ended December 31, 2024 (December 31, 2023 measurement date), the Township had a net pension liability of \$445,916, and the plan was approximately 80 percent funded. The Township has been contributing more than the actuarially determined contribution amount over the past several years to help fund this liability.
- The Township has a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions for certain retirees and their beneficiaries. As of December 31, 2024, the Township had a net OPEB liability of \$728,491, and the plan was approximately 60 percent funded. The Township has been contributing more than the actuarially determined contribution amount over the past several years to address the underfunded status of this plan.

Audit Findings

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.

Alternative Compliance Examination

In addition, for the year ended December 31, 2024 the Township was required to receive an alternative compliance examination due to federal expenditures being greater than \$750,000. Normally this would require a single audit however has the expenditures were driven by American Rescue Plan Act (ARPA) funds the federal government allows for an alternative compliance examination to be performed.

In our opinion, the Township complied, in all material respects, with the specific requirements listed in the alternative compliance examination opinion for the year ended December 31, 2024

If you have any questions, feel free to contact any member of your audit team, including Jean (517) 336-7458, and Nate (248) 223-3555. We would be happy to answer them for you.