Plante & Moran, PLLC
Suite 360
4444 W. Bristol Road
Flint, MI 48507
Tel: 810.767.5350
Fax: 810.767.8150
plantemoran.com

March 18, 2026

To the Board of Commissioners
Genesee County, Michigan

We have audited the financial statements of Genesee County, Michigan (the "County") as of and for the year ended September 30, 2025 and have issued our report thereon dated March 18, 2026. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Other Recommendations and Related Information

Section III - Legislative and Informational Items

Section I includes information that we are required to communicate to those individuals charged with governance of the County. We will report this information annually to the Board of Commissioners of Genesee County, Michigan.

Section II presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping the County in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

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

We would like to take this opportunity to thank the County's staff, particularly the CFO's office, 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 Commissioners and management of the County 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

Pamala L. Hill

Pamala L. Hill, CPA

Amanda Cronk

Amanda Cronk, CPA

PRAXITY™ Empowering Business Globally

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 20, 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 County. 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.

Our audit of the County's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the County, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated March 18, 2026 regarding our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

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 December 3, 2025 and follow-up letter dated December 15, 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 County are described in Note 1 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during 2025 except for the adoption of GASB 101, *Compensated Absences*, and GASB 102, *Certain Risk Disclosures*. GASB 102 did not result in a material impact to the financial statements.

We noted no transactions entered into by the County 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

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

The most sensitive estimates affecting the financial statements were pension and retiree health care liabilities. Pension and other postemployment benefit liabilities are based on calculations performed by actuaries, which include assumptions related to long-term rates of return, mortality, and demographics. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements as a whole.

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.

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.

Uncorrected misstatements of the financial statements related to the following: (1) the entry that management identified and concluded not to record in the current year impacting governmental activities and aggregate remaining fund related to grant funding (a decrease of $2,300,126 in current assets and a decrease of $2,300,126 in revenue and deferred inflows of resources for governmental activities and aggregate remaining fund, respectively) and (2) the entry related to a discretely presented component unit's, the Road Commission, OPEB payment from the trust to General Fund, reducing deferred inflows by $4,501,153 and increasing revenue by $4,501,153. Management has determined that their effects are immaterial, both individually and in the aggregate, 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.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the County, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the County'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 March 18, 2026.

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 County'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 I - Required Communications with Those Charged with Governance (Continued)

Other Information Included in Annual Reports

Our responsibility for other information included in annual reports does not extend beyond the financial statements, and we do not express an opinion or any form of assurance on the other information. However, we read the introductory and statistical sections, and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially misstated or materially inconsistent with the information or manner of its presentation appearing in the financial statements.

Section II - Other Recommendations and Related Information

During our audit, we noted observations related to the County's operations that we have presented below for your consideration:

County Fiscal Health

While the board of commissioners and the CFO's office have done a thorough review of the General Fund expenditures and budgets over the course of the recent few years, we still strongly suggest that the County consider doing a detailed long-term forecasting and cash flow analysis to ensure that all decisions being made are viewed not just in a short-term lens but also with long-term consequences in mind. The analysis performed to date does include the consolidation of space that took place during the current fiscal year, which is anticipated to provide savings for the County and includes consolidation of grant-funded departments to reduce the County's footprint. By reducing the administrative footprint, capital expenditures are also expected to be reduced. The long-term forecasting should also include funding of legacy costs and the capital needs of the County. At September 30, 2025, the General Fund fund balance stood at $47,086,627 after an increase in fund balance by approximately $7.5 million in the current year. The County has passed budget resolutions to assign fund balance of $18,637,016, which is planned to be spent in future years on broadband, capital projects, and economic development. Also included in this total assignment is deficit reductions related to the internal service fund for $2,702,000. While this use of fund balance in the next fiscal year is planned, we encourage the Board of Commissioners and management to ensure this is closely monitored, as this use of fund balance is not sustainable in the long term, especially when used for operations as opposed to one-time capital purchases.

In addition, the retiree health care trust fund (VEBA) is projected to deplete all of the assets currently set aside by the end of fiscal year 2030, at which point the General Fund will be responsible to pay all retiree health care costs, which, in the current year, were approximately $16 million. In addition, based on the projected cash flows for the retiree health care trust fund, as determined by an independent actuary, the annual costs of retiree health care will continue to significantly increase until 2036 with an estimated cost of $20.4 million, which will continue to put a financial strain on the General Fund. The increase in retiree health care costs coupled with the anticipated increase in required pension contributions will further constrain General Fund resources. The health care coalition will aid in future health care decisions in an effort to continue to explore possible savings.

Fund Deficit

The Self-insured Medical Fund had a fund deficit of $2,701,112. The Vehicles and Equipment Fund also had a deficit of $2,090,725. As a reminder, the County will be required to file deficit elimination plans with the State.

Section III - Legislative and Informational Items

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 County 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 County 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.

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 as well as considering the impact to the budget of these types of new costs. If we can be of assistance in the process, we would be happy to do so.

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 County 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 County. 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.

GASB Statement No. 103 - Financial Reporting Model Improvements

This new accounting pronouncement will be effective for the County's fiscal year ending September 30, 2026. This statement establishes new accounting and financial reporting requirements, or modifies existing requirements, related to the following: management's discussion and analysis (MD&A); 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. This statement requires that the MD&A be limited to the five topics noted in the standard and provides further guidance on how the MD&A should be written. For proprietary fund financial reporting, the statement defines nonoperating revenue and expense and introduces the concept of subsidies. It also requires new subtotals to present total noncapital subsidies and income or loss, including both operating activities and noncapital subsidies. The statement prescribes that the required budgetary comparison schedules be reported only in the required supplementary information section of the statements and dictates what variance information should be included. Next, the statement removes the option to present discretely presented component unit information as condensed information in the notes rather than in the statements. Lastly, the statement outlines how unusual or infrequent items should be presented separately on the financial statements.

GASB Statement No. 104 - Disclosure of Certain Capital Assets

This new accounting pronouncement – also effective beginning next year - 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.

GASB Statement No. 105 - Subsequent Events

This new accounting pronouncement will be effective for the County's fiscal year ending September 30, 2027. This statement defines subsequent events as transactions or other events that occur after the date of the financial statement but before the date the financial statements are available to be issued. This statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

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 in two phases - one in early 2027 and another in 2028.

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