County of Alpena

Audit Presentation for the Year Ended December 31, 2025

Presented By: Chelsea McConnell, CPA

July 14, 2026

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Certified Public Accountants

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Discussion Overview

- Opinions on Audited Financial Statements
- Significant Risks
- Required Communications
- Internal Control
- Analytics

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Audited Financial Statements

- Unmodified ("clean") Opinion as of December 31, 2025
  - Audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*
- Independence
- Materiality
- Required Supplementary Information
  - No opinion due to limited procedures, however limited procedures were applied
- Other Supplementary Information
  - Fairly stated (materially) in relation to the basic financial statements as a whole, No opinion

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Significant Risks

- Management override of controls
  - AU-C 240.31 presumes the risk of management override of controls is a fraud risk and present on all engagements
- Revenue recognition
  - AU-C 240.26 presumes that fraud risks of fraud exist in revenue recognition

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Required Communications

- New policies
  - None this year
  - *GASB 103 will be implemented for FYE 12/31/2026*
- Significant estimates
- Difficulties in performing the audit
  - None
- Proposed audit adjustments
  - There were proposed adjustments, which were material to the financial statements
  - There were audit adjustments proposed to management and those adjustments were reviewed and approved by management and reflected within the financial statements

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Required Communications

- Uncorrected adjustments
  - Immaterial, nothing significant
- Disagreements with management
  - None
- Management's representation
  - Obtained
- Consultations with other auditors
  - None

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Internal Control

- Not bound within report titled *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*
- This communication is required under *Government Auditing Standards,*
- No opinion is expressed on the system of internal controls
  - Considered for designing and planning the audit
- Material Weakness (3), Significant Deficiency (0), Compliance (1)

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Analytics

Statement of Net Position – Governmental Activities

	2025	2024	Change
Current and other assets	$ 25,869,106	$ 31,114,384	$ (5,245,278)
Capital assets, net	90,503,244	92,208,347	(1,705,103)
Total assets	116,372,350	123,322,731	(6,950,381)
Deferred outflows of resources	456,889	1,212,900	(756,011)
Current liabilities	3,332,840	6,708,882	(3,376,042)
Noncurrent liabilities	22,013,833	25,625,751	(3,611,918)
Total liabilities	25,346,673	32,334,633	(6,987,960)
Deferred inflows of resources	9,673,501	8,801,892	871,609
Net position:			
Net investment in capital assets	76,816,387	77,281,266	(464,879)
Restricted	4,404,759	4,785,055	(380,296)
Unrestricted	587,919	1,332,785	(744,866)
	$ 81,809,065	$ 83,399,106	$ (1,590,041)

- Assets and liabilities both decreased in correlation, both decreasing about $7 million, primarily due to timing at year-end
- Deferred outflows decreased, while deferred inflows increase, primarily due to pension GASB 68
- Net position decreased about $1.6 million, with all net position categories decreasing; unrestricted net position decreased about $745k, or about .9%, from 2024

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Analytics

Statement of Activities – Governmental Activities

		2025		2024		Change
Revenues:						
Program revenues:						
Charges for services	$	5,987,354	$	7,191,401	$	(1,204,047)
Operating grants		3,663,686		5,122,054		(1,458,368)
Capital grants		1,462,608		21,998,392		(20,535,784)
General revenues:						
Property taxes		10,697,821		10,112,981		584,840
Unrestricted state revenue		1,364,885		1,278,563		86,322
Investment earnings		493,674		480,279		13,395
Total revenues		23,670,028		46,183,670		(22,513,642)
Expenses:						
General government		4,725,932		4,789,979		(64,047)
Judicial		3,469,457		3,459,705		9,752
Public safety		6,744,493		6,806,668		(62,175)
Public works		3,760,524		2,213,630		1,546,894
Health and welfare		4,301,819		3,638,396		663,423
Economic development		861,928		839,576		22,352
Recreation and culture		1,419,021		1,263,905		155,116
Interest on long-term debt		462,895		500,331		(37,436)
Total expenses		25,746,069		23,512,190		2,233,879
Over (under)		(2,076,041)		22,671,480		(24,747,521)
Other financing sources (uses):						
Transfers		486,000		323,552		162,448
Change in net position		(1,590,041)		22,995,032		(24,585,073)

- Overall revenue decreased about $22.5 million, primarily due to a decrease in capital grants; this decrease is mainly due to a decrease in capital grants pertaining to the airport runway rehabilitation project as the project was wrapped up in 2025
- Expenses increased about $2.2 million
  - The main reason was an increase in public works, resulting from additional depreciation expense as the new runway was complete and placed into service
  - Health and welfare also increased, with the main reason being an additional contractual amount for ambulance services for equipment during 2025

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Pension Benefits

What is it?

- The County participates in the Municipal Employees Retirement System (MERS)
- MERS is an agent multiple-employer, statewide public employee pension plan established under Public Act 135 of 1945
- MERS is the plan fiduciary for the County
- Approximately 1,090 participating municipalities

Statement of Net Position

- Some of the largest numbers on the statement pertain to pension
- Pension, net is approximately $10.7 million as of 12/31/2025
- This is a significant estimate and is based on a number of factors, including the actuarial valuation and assumptions, long-term expected return on plan assets, discount rates, inflation, mortality rates, etc.
- Continue to make actuarially determined contributions

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Analytics Governmental Fund Statements

	General	Ambulance	Housing Commission	Airport Runway Rehabiliation	Nonmajor Governmental	Governmental Funds
Total Assets	$ 5,099,456	$3,384,312	$2,255,520	$ 1,825,108	$ 12,865,473	$ 25,429,869
Total Liabilities/Deferred Inflows	(608,150)	(1,910,662)	(2,406,975)	(1,997,070)	(7,062,524)	(13,985,381)
Total Net Position	$ 4,491,306	$1,473,650	$ (151,455)	$ (171,962)	$ 5,802,949	$ 11,444,488
Total Revenues	$11,286,849	$1,849,818	$ 297,614	$ 3,300,714	$ 8,888,884	$ 25,623,879
Total Expenditures	(11,937,427)	(1,820,679)	(449,069)	(1,147,747)	(9,279,487)	(24,634,409)
Other financing sources (uses)	858,670	(232,115)	-	1,184	(67,964)	559,775
Change in Fund Balance	208,092	(202,976)	(151,455)	2,154,151	(458,567)	1,549,245
Fund Balances, beginning of year	4,283,214	1,676,626	-	(2,326,113)	6,261,516	9,895,243
Fund Balances, end of the year	$ 4,491,306	$1,473,650	$ (151,455)	$ (171,962)	$ 5,802,949	$ 11,444,488
Fund Balances vs Expenditures	37.62%	80.94%	-33.73%	-14.98%	62.54%	46.46%

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Analytics Governmental Fund Statements

- The General Fund ended fiscal year 2025 with a fund balance of almost $4.5 million, an increase of $208k from 2024.
- Of this, there were funds committed for various purposes of $475,585 (10.6%). Committed funds consist of amounts constrained to a specific purpose by the government itself.
- The remaining $4 million (89.4%) constitutes as unassigned fund balance, which includes all spendable amounts not constrained for any particular purpose. Unassigned fund balance increased $229k from 2024.
- The Government Finance Officer's Association recommends a minimum of two months of regular General Fund operating revenues or expenditures in unassigned fund balance.
- As of December 31, 2025, the County has 123 days of expenditures in unassigned fund balance, meeting the minimum GFOA recommendation and increasing 15 days from 2024.

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Thank you

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