

City of Alma

Single Audit

June 30, 2025



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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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*

Independent Auditors' Report

Honorable Mayor, Members of the City Commission and Management
City of Alma
Alma, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Alma, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise City of Alma's basic financial statements, and have issued our report thereon dated December 22, 2025.

Our report includes a reference to other auditors who audited the financial statements of the Alma Housing Commission, a component unit, as described in our report on City of Alma's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Alma'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Alma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Alma's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Alma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2025-001.

City of Alma's Response to Findings and Corrective Action Plan

Government Auditing Standards requires the auditor to perform limited procedures on City of Alma's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs and corrective action plan. City of Alma's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Alma, Michigan
December 22, 2025

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Honorable Mayor, Members of the City Commission and Management
City of Alma
Alma, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Alma's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Alma's major federal programs for the year ended June 30, 2025. City of Alma's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

City of Alma's basic financial statements include the operations of the Alma Housing Commission, which is not included in the schedule during the year ended June 30, 2025. Our audit, described below, did not include the operations of the Alma Housing Commission because the Alma Housing Commission engaged other auditors and an audit in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) was not required based on the amount of the federal award contracts.

In our opinion, City of Alma complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Alma and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Alma's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to City of Alma's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Alma's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Alma's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Alma's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Alma's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Alma's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Alma, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise City of Alma's basic financial statements. We issued our report thereon dated December 22, 2025, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Alma, Michigan
December 22, 2025

City of Alma
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Grant/ Project Number	Approved Grant Amount	Current Year Expenditures
U.S. Department of Treasury				
Passed through Michigan Department of Environment, Great Lakes, and Energy (EGLE)				
Coronavirus Local Fiscal Recovery Funds (CLFRF)				
5.11 Drinking water: Transmission & Distribution	21.027	SLFRP0127	\$ 5,157,900	\$ 2,095,783
Passed through Michigan Department of Labor and Economic Opportunity				
Coronavirus Local Fiscal Recovery Funds (CLFRF)				
MI Community Center Grant - 2024	21.027	E20240022	323,000	<u>89,856</u>
Total U.S. Department of Treasury				<u>2,185,639</u>
U.S. Department of Transportation				
Passed through Michigan Department of Transportation				
Formula Grants for Rural Areas and Tribal Transit Program				
Section 5311 Operating Assistance:				
MI-2020-008 & MI-2020-015 (CARES Act)	20.509	2017-0004 P16	334,910	20,959
MI-2024-001	20.509	2022-0005 P6	288,270	57,030
MI-2024-001-01	20.509	2022-0005 P7	265,680	176,790
Section 5311 Capital Grant				
MI-2021-049-01	20.509	2022-0005-P3	125,000	42,720
Rural Transit Assistance Program (RTAP) - Training				
FY2024	20.509	N/A	5,500	<u>974</u>
Total Formula Grants for Rural Areas and Tribal Transit Program				<u>298,473</u>
Federal Transit Cluster				
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs				
Section 5339 Capital Grant:				
MI-2021-028-01	20.526	2022-0005 P2	500,000	<u>239,854</u>
Total U.S. Department of Transportation				<u>538,327</u>
Total Federal awards				<u>\$ 2,723,966</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Alma
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2025

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Alma under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Alma, it is not intended to and does not present the financial position, changes in financial position, or cash flows of City of Alma.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

City of Alma has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Subrecipients

No amounts were provided to subrecipients.

City of Alma
Schedule of Findings and Questioned Costs
June 30, 2025

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
21.027	Coronavirus State & Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

City of Alma
Schedule of Findings and Questioned Costs
June 30, 2025

Section II – Government Auditing Standards Findings

Finding 2025-001 – Material Weakness and Material Noncompliance – Budgeting for a Deficit

Criteria: Michigan Public Act 2 of 1968, as amended, requires that local units of government adopt a balanced budget for each fund, meaning total appropriations shall not exceed total estimated revenues, including available fund balance.

Condition: The City adopted a budget for the Street Improvement Millage Fund that included expenditures exceeding estimated revenues, resulting in a planned deficit for the fiscal year.

Cause: The City budgeted expenditures in the Street Improvement Millage Fund that exceeded anticipated revenues and available fund balance, contrary to statutory requirements. The City had six large street projects approved to span three fiscal years but was uncertain which projects would be completed during the current year. As a result, the City budgeted and approved all projects in the current fiscal year.

Effect: Budgeting for a deficit violates state law and results in noncompliance with the Uniform Budgeting and Accounting Act.

Recommendation: The City should ensure that all future budgets comply with Michigan Public Act 2 by adopting balanced budgets for all funds. If expenditures are expected to exceed revenues, the City should amend the budget to include sufficient available fund balance or reduce appropriations accordingly.

Views of Responsible Officials: Management agrees with the finding.

Corrective Action Plan: See attached corrective action plan.

Section III – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2025.

City of Alma
Summary Schedule of Prior Audit Findings
June 30, 2025

Section IV – Prior Audit Findings

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2024.

Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2024.

City of Alma
Corrective Action Plan
June 30, 2025



There was one material weakness and material noncompliance control issue identified during the annual financial statement audit performed by a third-party external audit firm that requires a response and corrective action plan by management. The City of Alma has reviewed and agreed with this finding and is taking the necessary steps to address the issue and make the proper correction.

Finding 2025-001 – Material Weakness and Material Noncompliance – Budgeting for a Deficit

Contact: Curtis Dancer, Finance Director

Anticipated Completion Date: June 30, 2026

Management’s Response and Corrective Action Plan

The budgeting deficit was a result of a multi-year street improvement project that was approved in the current fiscal year. The project is anticipated to span three fiscal years but was bid as one project, and staff budgeted for the entire project in the current fiscal year, not knowing which portions for the projects would be completed during which year. Moving forward, the Finance Director will only budget for the portion anticipated in the upcoming fiscal year and not the total project costs to avoid budgeting for a deficit in compliance with Michigan Public Act 2 of 1968.

Curtis Dancer

Finance Director/Treasurer