City of Au Gres

Financial Statements

June 30, 2025

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Independent Auditors' Report

City Council and Management
City of Au Gres
Au Gres, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Au Gres (the City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, 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 the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and the pension and OPEB schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as identified in the table of contents*,* is presented for purposes of additional analysis 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 basic 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 by us. In our opinion, based on our audit, the other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Saginaw, Michigan
August 7, 2025

City of Au Gres
Management's Discussion and Analysis
June 30, 2025

Our discussion and analysis of the City of Au Gres' (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the City's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

The City as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	$ 3,046,778	$ 2,966,960	$ 2,877,541	$ 2,688,892	$ 5,924,319	$ 5,655,852
Capital assets	2,684,430	2,723,554	1,753,377	1,921,670	4,437,807	4,645,224
Total assets	5,731,208	5,690,514	4,630,918	4,610,562	10,362,126	10,301,076
Deferred outflows of resources	89,611	100,029	54,923	61,307	144,534	161,336
Total assets and deferred outflows of res	5,820,819	5,790,543	4,685,841	4,671,869	10,506,660	10,462,412
Liabilities						
Current liabilities	49,505	129,063	136,008	183,253	185,513	312,316
Long-term liabilities	549,414	805,107	143,689	315,805	693,103	1,120,912
Total liabilities	598,919	934,170	279,697	499,058	878,616	1,433,228
Deferred inflows of resources	2,632	1,532	1,754	1,021	4,386	2,553
Total liabilities and deferred inflows of res	601,551	935,702	281,451	500,079	883,002	1,435,781
Net assets						
Net investment in capital assets	2,610,353	2,680,446	1,753,377	1,921,670	4,363,730	4,602,116
Restricted	1,333,437	1,249,239	-	-	1,333,437	1,249,239
Unrestricted	1,275,478	925,156	2,651,013	2,250,120	3,926,491	3,175,276
Total net position	$ 5,219,268	$ 4,854,841	$ 4,404,390	$ 4,171,790	$ 9,623,658	$ 9,026,631

The net position of governmental activities is $5,219,268 and $4,404,390 for business type activities; of these amounts $1,275,478 (governmental) and $2,651,013 (business-type) are unrestricted net position.

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenue						
Program revenue						
Charges for services	$ 116,321	$ 119,832	$ 886,852	$ 895,312	$ 1,003,173	$ 1,015,144
Operating grants and contributions	284,206	308,873	17,500	22,162	301,706	331,035
Capital grants and contributions	1,677	1,176	-	-	1,677	1,176
General revenue						
Property taxes	503,009	474,984	-	-	503,009	474,984
State-shared revenue	114,976	113,207	-	-	114,976	113,207
Unrestricted investment earnings	103,310	126,457	67,059	66,312	170,369	192,769
Transfers	15,000	15,000	(15,000)	(15,000)	-	-
Miscellaneous	7,907	6,532	108,077	120,229	115,984	126,761
Total revenue	1,146,406	1,166,061	1,064,488	1,089,015	2,210,894	2,255,076
Program expenses						
General government	127,334	122,429	-	-	127,334	122,429
Public safety	49,065	59,561	-	-	49,065	59,561
Public works	377,632	290,671	-	-	377,632	290,671
Community and economic development	-	309	-	-	-	309
Recreation and culture	212,200	306,171	-	-	212,200	306,171
Interest on long-term debt	15,748	17,681	-	-	15,748	17,681
Water, sewer, park and boat access harbor	-	-	831,888	877,348	831,888	877,348
Total program expenses	781,979	796,822	831,888	877,348	1,613,867	1,674,170
Change in net position	$ 364,427	$ 369,239	$ 232,600	$ 211,667	$ 597,027	$ 580,906

Governmental Activities
The City's total governmental activity revenues were $1,146,406 and expenses were $781,979.

Business Type Activities
The City's total business-type activity revenues were $1,064,488 and expenses were $831,888.

The City's business-type activity consists of the following:

Water Fund
The City provides treated water to the City's residents. Raw water is purchased from Saginaw-Midland Water Supply System. The City also provides water to approximately 40 Au Gres Township customers, along US-23 west of the City. The number of users is stable. There are additional testing requirements for PFAs. Rates are set to increase effective July 1, 2025.

Sewer Fund
The City also provides municipal sanitary sewer to its residents. The City's sanitary sewer system is relatively debt free and 1971 revenue bonds through USDA were paid off in 2008. Rates are set to increase effective July 1, 2025.

Park Fund
The City hired a new park manager and has seen an increase in revenues due to expanded office hours and selling ice, wood, night crawlers, etc. The campground provides opportunities for families with the construction of a new bike path and kayak paddling. Walleye fishing is a big draw also in the early months of the season. The City is starting construction of an additional 28 sites along with moving the ballfields to a central location and creating a sports complex. Additionally, there will be construction to add two cabins and a bathhouse.

Boat Access and Harbor Fund
The City regained ownership of the harbor in fiscal year 2019. The City has received several grants and contributions to fund projects at the harbor. These include a farmer's market pavilion, kayak launch, splash pad and several other upgrades to existing structures.

The Parks and Recreation Master Plan is updated every five years and has been updated as of January 2024. The plan was originally adopted at the June 2007 regular City Council meeting and needs to be amended to be eligible for DNR Recreation Funds. A farmer's market has recently been introduced weekly to draw additional people to the park and downtown area.

City of Au Gres Funds

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51, in the Major and Local Street funds.

The City's major governmental funds include the following:

General Fund
Functions relating to the general governmental activities of the City, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. This fund had an increase in fund balance of $53,404.

Major Street Fund
Functions relating to the major street activities of the City, which are financed by Act 51 funds are recorded in the Major Street Fund. This fund had a decrease in fund balance of $35,637.

Local Street Fund
Functions relating to the local street activities of the City, which are financed by Act 51 funds are recorded in the Local Street Fund. This fund had an increase in fund balance of $40,331.

Library Fund
Functions relating to the financial resources of the library are recorded in the Library Fund. This fund had an increase in fund balance of $16,619.

Capital Projects Fund
The City refinanced the bond in fiscal year 2016 and set a new project list which includes, but is not limited to, new water digital heads, painting the water tower, cleaning out sewer ponds, etc. This new bond was for $995,000 and payments are schedule through May 2030.

The City's major enterprise funds include the following:

Sewer Fund
This fund covers the operations of the City's Sewage Treatment Plant and the maintenance and construction of the sewer distribution system. The sewage treatment fund has recently retired 1971 revenue bonds and a 1971 general obligation bond which was levied on taxes. The City increased rates in July 2025.

Water Fund
This fund finances the operation of the Water Treatment Plant and the entire transmission and distribution system. The City presently has a contract with Au Gres Township and those property owners provide additional estimated revenues of $36,000. All revenues to operate the Water Plant and distribution system are derived from user fees. The City increased rates in July 2025.

Park Fund

This fund covers the operation of the City's Riverfront Campground and the maintenance of the park buildings, mowing park grounds, and maintaining repairing recreation facilities including basketball courts, tennis courts, playground equipment, riverfront walkway, etc. All revenues to operate the Campground are derived from user fees from campers using the campground. No other user fees are collected from users of city recreation facilities.

General Fund Budgetary Highlights

Over the course of the year, the City Council and City administration monitor and amend the budget to account for unanticipated events during the year. There are no significant changes to report.

Capital Asset and Debt Administration

At the end of fiscal year 2025, the City has $4,437,807, net of accumulated depreciation, invested in a wide range of capital assets, including land, buildings, machinery and equipment, and water and sewer systems, net of accumulated depreciation. The value of the governmental infrastructure assets, net of depreciation contained in this report, is $2,684,430.

Debt reported in these financial statements is related to the construction of the above-mentioned infrastructure assets and buildings and is reported as a liability on the statement of net assets. During fiscal year 2015, the City adopted Governmental Accounting Standards Board (GASB) Statement 68 to begin recording the net pension liability. During fiscal year 2018, the City adopted Governmental Accounting Standards Board (GASB) Statement 75 to begin recording the net OPEB liability.

Economic Factors and Next Year's Budgets and Rates

City officials are still dealing with the aftermath from the COVID-19 pandemic. The City is seeing the increased inflation rates in everything that is purchased from gas to utilities to everyday products. There has also been a shortage of critical products that the City uses to run the water and sewer plant. In addition, there has been a decrease in the work force and the City has had to raise employee wages to keep up with inflation and retain trained staff members.

The City received COVID relief funding of $86,843 in fiscal year 2022. The 2020 census figures did show an increase in the population from 889 to 945, which will help to increase future revenues.

City officials continue to be conservative in preparing the budget and will continue to make cuts where possible in the hopes that the City can continue to move forward in offering the same services to the residents.

Contacting the City of Au Gres' Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City of Au Gres' finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at city hall which can be reached at 989-876-8811.

City of Au Gres
Statement of Net Position
June 30, 2025

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Cash and cash equivalents	$ 2,657,507	$ 2,751,108	$ 5,408,615	$ 1,025,392
Investments	74,568	-	74,568	-
Receivables				
Accounts	2,326	102,535	104,861	-
Taxes	45,030	-	45,030	259
Interest	-	182	182	2,534
Notes receivable	230,400	-	230,400	52,027
Due from other units of government	54,149	6,514	60,663	-
Internal balances	(17,202)	17,202	-	-
Capital assets not being depreciated	377,642	16,163	393,805	80,081
Capital assets, net of accumulated depreciation	2,306,788	1,737,214	4,044,002	383,572
Total assets	5,731,208	4,630,918	10,362,126	1,543,865
Deferred Outflows of Resources				
Pension related	89,611	54,923	144,534	-
Liabilities				
Accounts payable	44,124	1,700	45,824	-
Due to primary government	-	-	-	6,286
Payroll and other liabilities	501	797	1,298	-
Interest payable	2,240	-	2,240	-
Unearned revenue	2,640	133,511	136,151	-
Noncurrent liabilities				
Debt due within one year	92,277	52,027	144,304	-
Debt due in more than one year	310,000	-	310,000	-
Net pension liability	119,610	73,312	192,922	-
Net OPEB liability	27,527	18,350	45,877	-
Total liabilities	598,919	279,697	878,616	6,286
Deferred Inflows of Resources				
OPEB related	2,632	1,754	4,386	-
Net Position				
Net investment in capital assets	2,610,353	1,753,377	4,363,730	463,653
Restricted for				
Mosquito control	31,794	-	31,794	-
Major streets	538,641	-	538,641	-
Local streets	270,244	-	270,244	-
Library	220,299	-	220,299	-
Police protection	106,484	-	106,484	-
Capital projects - library	165,975	-	165,975	-
Unrestricted	1,275,478	2,651,013	3,926,491	1,073,926
Total net position	$ 5,219,268	$ 4,404,390	$ 9,623,658	$ 1,537,579

See Accompanying Notes to the Financial Statements

City of Au Gres
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit
Primary government								
Governmental activities								
General government	$ 127,334	$ 38,772	$ 64,017	$ -	$ (24,545)	$ -	$ (24,545)	$ -
Public safety	49,065	-	-	1,043	(48,022)	-	(48,022)	-
Public works	377,632	77,549	211,840	634	(87,609)	-	(87,609)	-
Recreation and culture	212,200	-	8,349	-	(203,851)	-	(203,851)	-
Interest and fiscal charges on long-term debt	15,748	-	-	-	(15,748)	-	(15,748)	-
Total governmental activities	781,979	116,321	284,206	1,677	(379,775)	-	(379,775)	-
Business-type activities								
Parks & Recreation	199,977	271,218	-	-	-	71,241	71,241	-
Sewer	299,995	294,624	-	-	-	(5,371)	(5,371)	-
Water	300,224	321,010	-	-	-	20,786	20,786	-
Boat access and harbor	31,692	-	-	17,500	-	(14,192)	(14,192)	-
Total business-type activities	831,888	886,852	-	17,500	-	72,464	72,464	-
Total primary government	$ 1,613,867	$ 1,003,173	$ 284,206	$ 19,177	(379,775)	72,464	(307,311)	-
Component unit								
Tax Increment Finance Authority	$ 323,068	$ -	$ -	$ -	-	-	-	(323,068)
General revenues								
Property taxes					503,009	-	503,009	332,533
Unrestricted state-shared revenue					114,976	-	114,976	-
Unrestricted investment earnings					103,310	67,059	170,369	33,077
Miscellaneous					7,907	108,077	115,984	54,954
Transfers					15,000	(15,000)	-	-
Total general revenues and transfers					744,202	160,136	904,338	420,564
Change in net position					364,427	232,600	597,027	97,496
Net position - beginning of year					4,854,841	4,171,790	9,026,631	1,440,083
Net position - end of year					$ 5,219,268	$ 4,404,390	$ 9,623,658	$ 1,537,579

City of Au Gres
Governmental Funds
Balance Sheet
June 30, 2025

	General	Special Revenue Funds: Major Street Fund	Special Revenue Funds: Local Street Fund	Special Revenue Funds: Library Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 764,742	$ 520,358	$ 259,905	$ 175,678	$ 305,923	$ 229,685	$ 2,256,291
Investments	-	-	-	-	-	74,568	74,568
Receivables							
Accounts	2,326	-	-	-	-	-	2,326
Taxes	67	-	-	44,963	-	-	45,030
Notes receivable	230,400	-	-	-	-	-	230,400
Due from other units of government	25,495	18,283	10,371	-	-	-	54,149
Due from other funds	11,881	-	-	-	-	-	11,881
Total assets	$ 1,034,911	$ 538,641	$ 270,276	$ 220,641	$ 305,923	$ 304,253	$ 2,674,645
Liabilities							
Accounts payable	$ 44,124	$ -	$ -	$ -	$ -	$ -	$ 44,124
Due to other funds	-	-	32	342	-	-	374
Unearned revenue	2,640	-	-	-	-	-	2,640
Total liabilities	47,265	-	32	342	-	-	47,639
Deferred Inflows of Resources							
Unavailable revenue - receivables	-	-	-	44,963	-	-	44,963
Fund Balances							
Restricted for							
Mosquito control	-	-	-	-	-	31,794	31,794
Major streets	-	538,641	-	-	-	-	538,641
Local streets	-	-	270,244	-	-	-	270,244
Library	-	-	-	175,336	-	-	175,336
Police protection	-	-	-	-	-	106,484	106,484
Capital projects	-	-	-	-	305,923	165,975	471,898
Unassigned	987,646	-	-	-	-	-	987,646
Total fund balances	987,646	538,641	270,244	175,336	305,923	304,253	2,582,043
Total liabilities, deferred inflows of resources, and fund balances	$ 1,034,911	$ 538,641	$ 270,276	$ 220,641	$ 305,923	$ 304,253	$ 2,674,645

City of Au Gres
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities
June 30, 2025

Total fund balances for governmental funds	$ 2,582,043
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	377,642
Capital assets, net of accumulated depreciation	2,286,062
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	44,963
Deferred outflows (inflows) of resources.	
Deferred outflows of resources resulting from net pension liability	89,611
Deferred inflows of resources resulting from net OPEB liability	(2,632)
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
Accrued interest	(2,240)
Compensated absences	(22,277)
Bonds, notes, premiums and discounts	(380,000)
Net pension liability	(119,610)
Net OPEB liability	(27,527)
Internal service funds are included as part of governmental activities.	393,233
Net position of governmental activities	$ 5,219,268

See Accompanying Notes to the Financial Statements

City of Au Gres
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

		Special Revenue Funds					
	General	Major Street Fund	Local Street Fund	Library Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes	$ 322,402	$ -	$ -	$ 77,615	$ -	$ 107,156	$ 507,173
Licenses and permits	8,597	-	-	-	-	-	8,597
Federal grants	-	-	-	-	-	1,043	1,043
State grants	124,082	117,131	67,709	-	-	894	309,816
Local contributions	58,451	2,000	25,000	-	-	-	85,451
Charges for services	93,514	8,019	-	-	-	-	101,533
Rental income	6,200	-	-	-	-	-	6,200
Investment income	31,212	16,089	2,711	3,370	13,788	29,401	96,571
Other revenue	7,803	-	634	95	-	200	8,732
Total revenues	652,261	143,239	96,054	81,080	13,788	138,694	1,125,116
Expenditures							
Current							
General government	156,889	-	-	-	-	-	156,889
Public safety	1,545	-	-	-	-	42,183	43,728
Public works	150,006	150,448	20,901	-	-	-	321,355
Recreation and culture	18,807	-	-	64,461	-	29,462	112,730
Other functions	173,330	-	-	-	-	-	173,330
Capital outlay	4,812	-	85,608	-	114,757	-	205,177
Debt service							
Principal retirement	70,000	-	-	-	-	-	70,000
Interest and fiscal charges	16,110	-	-	-	-	-	16,110
Total expenditures	591,499	150,448	106,509	64,461	114,757	71,645	1,099,319
Excess (deficiency) of revenues over expenditures	60,762	(7,209)	(10,455)	16,619	(100,969)	67,049	25,797
Other financing sources (uses)							
Transfers in	15,000	-	50,786	-	-	-	65,786
Transfers out	(22,358)	(28,428)	-	-	-	-	(50,786)
Total other financing sources and uses	(7,358)	(28,428)	50,786	-	-	-	15,000
Net change in fund balances	53,404	(35,637)	40,331	16,619	(100,969)	67,049	40,797
Fund balances - beginning of year	934,242	574,278	229,913	158,717	406,892	237,204	2,541,246
Fund balances - end of year	$ 987,646	$ 538,641	$ 270,244	$ 175,336	$ 305,923	$ 304,253	$ 2,582,043

City of Au Gres
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Net change in fund balances - total governmental funds	$ 40,797
Total change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(211,419)
Capital outlay	164,695
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	(4,164)
Expenses are recorded when incurred in the statement of activities.	
Accrued interest	362
Compensated absences	(6,447)
The statement of net position reports the net pension liability and deferred outflows of resources and deferred inflows related to the net pension liability and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.	
Net change in the net pension liability	245,464
Net change in the deferred outflow of resources related to the net pension liability	(10,418)
The statement of net position reports the net OPEB liability and deferred outflows of resources and deferred inflows related to the net OPEB liability and pension expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.	
Net change in the net OPEB liability	32,506
Net change in the deferred inflow of resources related to the net OPEB liability	(1,100)
Long-term liabilities and related transactions applicable to governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.	
Repayments of long-term debt	70,000
Internal service funds are also included as governmental activities	44,151
Change in net position of governmental activities	$ 364,427

City of Au Gres
Proprietary Funds
Statement of Net Position
June 30, 2025

	Enterprise Funds					
	Sewer	Water	Park	Nonmajor Boat Access and Harbor	Total	Internal Service Fund
Assets						
Current assets						
Cash and cash equivalents	$ 919,361	$ 1,164,123	$ 528,020	$ 139,604	$ 2,751,108	$ 401,216
Receivables						
Accounts	53,266	49,269	-	-	102,535	-
Interest	-	182	-	-	182	-
Due from other units of government	-	6,514	-	-	6,514	-
Total current assets	972,627	1,220,088	528,020	139,604	2,860,339	401,216
Noncurrent assets						
Capital assets not being depreciated	15,663	-	500	-	16,163	-
Capital assets, net of accumulated depreciation	749,436	730,520	112,535	144,723	1,737,214	20,726
Total noncurrent assets	765,099	730,520	113,035	144,723	1,753,377	20,726
Total assets	1,737,726	1,950,608	641,055	284,327	4,613,716	421,942
Deferred Outflows of Resources						
Pension related	20,235	20,237	14,451	-	54,923	-
Liabilities						
Current liabilities						
Accounts payable	1,700	-	-	-	1,700	-
Due to other funds	4,630	4,843	-	2,002	11,475	32
Payroll and other liabilities	-	797	-	-	797	-
Unearned revenue	7,110	7,110	119,291	-	133,511	-
Current portion of long-term liabilities	-	52,027	-	-	52,027	-
Total current liabilities	13,440	64,777	119,291	2,002	199,510	32
Noncurrent liabilities						
Net pension liability	27,010	27,012	19,290	-	73,312	-
Net OPEB liability	9,175	9,175	-	-	18,350	-
Total noncurrent liabilities	36,185	36,187	19,290	-	91,662	-
Total liabilities	49,625	100,964	138,581	2,002	291,172	32
Deferred Inflows of Resources						
OPEB related	878	876	-	-	1,754	-
Net Position						
Net investment in capital assets	765,099	730,520	113,035	144,723	1,753,377	20,726
Unrestricted	942,359	1,138,485	403,890	137,602	2,622,336	401,184
Total net position	$ 1,707,458	$ 1,869,005	$ 516,925	$ 282,325	4,375,713	$ 421,910
Some amounts reported for business-type activities in the statement of net position are different because certain internal service funds assets and liabilities are reported with business-type activities					28,677	
Net position of business-type activities					$ 4,404,390	

City of Au Gres
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2025

	Enterprise Funds					
				Nonmajor		
	Sewer	Water	Park	Board Access and Harbor	Total	Internal Service Fund
Operating revenue						
Customer fees	$ 294,624	$ 321,010	$ 271,218	$ -	$ 886,852	$ -
Billings to other funds	-	-	-	-	-	65,406
Rental income	-	6,600	-	-	6,600	-
Other revenue	15,862	64,889	14,040	6,686	101,477	18,393
Total operating revenue	310,486	392,499	285,258	6,686	994,929	83,799
Operating expenses						
Personnel services	89,136	44,385	64,366	6,000	203,887	20,729
Supplies	29,588	80,294	22,208	1,427	133,517	13,719
Contractual services	38,457	19,241	30,266	2,270	90,234	-
Utilities	47,987	21,529	49,380	9,522	128,418	-
Repairs and maintenance	6,713	55,749	24,098	-	86,560	5,468
Other expenses	13,455	9,513	-	1,430	24,398	-
Depreciation	79,971	70,909	9,659	11,043	171,582	1,389
Total operating expenses	305,307	301,620	199,977	31,692	838,596	41,305
Operating income (loss)	5,179	90,879	85,281	(25,006)	156,333	42,494
Nonoperating revenue (expenses)						
Investment income	24,357	31,529	9,993	1,180	67,059	10,454
Interest expense	-	(2,089)	-	-	(2,089)	-
Total nonoperating revenues (expenses)	24,357	29,440	9,993	1,180	64,970	10,454
Income (loss) before contributions and transfers out	29,536	120,319	95,274	(23,826)	221,303	52,948
Capital contributions	-	-	-	17,500	17,500	-
Transfers in	-	-	-	17,500	17,500	-
Transfers out	(6,300)	(8,700)	(17,500)	-	(32,500)	-
Change in net position	23,236	111,619	77,774	11,174	223,803	52,948
Net position - beginning of year	1,684,222	1,757,386	439,151	271,151		368,962
Net position - end of year	$ 1,707,458	$ 1,869,005	$ 516,925	$ 282,325		$ 421,910
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities					8,797	
Change in net position of business-type activities					$ 232,600	

City of Au Gres
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2025

	Sewer	Water	Park	Nonmajor Boat Access and Harbor	Total	Internal Service Fund
Cash flows from operating activities						
Receipts from customers	$ 308,577	$ 390,542	$ 290,993	$ 6,686	$ 996,798	$ 18,393
Receipts from interfund users	-	-	-	-	-	65,406
Receipts from other funds	3,094	-	-	-	3,094	-
Payments to other funds	-	(937)	-	(3,982)	(4,919)	(250)
Payments to suppliers	(191,834)	(246,271)	(163,863)	(14,649)	(616,617)	(19,187)
Payments to employees	(89,136)	(44,385)	(64,366)	(6,000)	(203,887)	(20,729)
Payments for interfund services used	(8,159)	(5,336)	-	-	(13,495)	-
Net cash provided (used) by operating activities	22,542	93,613	62,764	(17,945)	160,974	43,633
Cash flows from noncapital financing activities						
Transfer from other funds	-	-	-	17,500	17,500	-
Transfers to other funds	(6,300)	(8,700)	(17,500)	-	(32,500)	-
Net cash provided (used) by noncapital financing activities	(6,300)	(8,700)	(17,500)	17,500	(15,000)	-
Cash flows from capital and related financing activities						
Capital contributions	-	-	-	17,500	17,500	-
Purchases/construction of capital assets	(1,169)	-	(2,120)	-	(3,289)	(9,289)
Principal and interest paid on long-term debt	-	(53,083)	-	-	(53,083)	-
Net cash provided (used) by capital and related financing activities	(1,169)	(53,083)	(2,120)	17,500	(38,872)	(8,989)
Cash flows from investing activities						
Interest received	24,357	31,529	9,993	1,180	67,059	10,454
Net increase (decrease) in cash and cash equivalents	39,430	63,359	53,137	18,235	174,161	45,098
Cash and cash equivalents - beginning of year	879,931	1,100,764	474,883	121,369	2,576,947	356,118
Cash and cash equivalents - end of year	$ 919,361	$ 1,164,123	$ 528,020	$ 139,604	$ 2,751,108	$ 401,216
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	$ 5,179	$ 90,879	$ 85,281	$ (25,006)	$ 156,333	$ 42,494
Adjustments to reconcile operating income to net cash from operating activities						
Depreciation expense	79,971	70,909	9,659	11,043	171,582	1,389
Changes in assets and liabilities						
Receivables (net)	(1,909)	(1,700)	-	-	(3,609)	-
Due from other units of government	-	(257)	-	-	(257)	-
Due from other funds	3,094	-	-	-	3,094	-
Pension related deferred outflows of resources	2,352	2,352	1,680	-	6,384	-
Accounts payable	(250)	-	-	-	(250)	-
Due to other funds	-	(937)	-	(3,982)	(4,919)	(250)
Unearned revenue	-	-	5,735	-	5,735	-
Net pension liability	(55,427)	(55,427)	(39,591)	-	(150,445)	-
Net OPEB liability	(10,835)	(10,835)	-	-	(21,670)	-
Net cash provided (used) by operating activities	$ 22,542	$ 93,613	$ 62,764	$ (17,945)	$ 160,974	$ 43,633

City of Au Gres
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2025

	OPEB Trust Fund	Custodial Fund
Assets		
Cash and cash equivalents	$ -	$ 1,844
Investments	118,184	-
Total assets	118,184	1,844
Liabilities		
Accrued and other liabilities	-	1,844
Net Position		
Restricted for:		
Other postemployment benefits	$ 118,184	$ -

See Accompanying Notes to the Financial Statements

City of Au Gres
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2025

	OPEB Trust Fund	Custodial Fund
Additions		
Contributions		
Employer	$ 58,488	$ -
Investment earnings		
Net increase in fair value of investments	9,368	-
Property tax collections for other governments	-	1,951,299
Total additions	67,856	1,951,299
Deductions		
Benefits paid to participants or beneficiaries	33,488	-
Administrative expense	221	-
Payments of property tax to other governments	-	1,951,299
Total deductions	33,709	1,951,299
Change in net position	34,147	-
Net position - beginning of year	84,037	-
Net position - end of year	$ 118,184	$ -

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Au Gres (the City) is governed by an elected five-member Board. The accompanying financial statements present the City and its component unit, an entity for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Unit – The component unit column in the entity wide financial statements include the financial data of the City's Tax Increment Financing Authority. The members of the Governing Board of the Tax Increment Financing Authority are appointed by the City Council. The budgets and expenditures of the Tax Increment Financing Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Tax Increment Financing Authority. The Tax Increment Financing Authority does not issue any other form of financial statements except as contained in the June 30, 2025 annual City financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. *Government activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the maintenance and improvement activities for streets designated as "major" within the City. Funding is primarily through state-shared gas and weight taxes.

The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is primarily through state-shared gas and weight taxes.

The Library Fund accounts for all financial resources of the library.

The Capital Projects Fund records the revenue and expense related to capital projects.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

The Park Fund accounts for the costs of maintaining a park and recreation program.

Additionally, the City reports the following:

The Nonmajor Special Revenue Funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The Nonmajor Capital Projects Fund records the revenue and expense related to the library building.

The Nonmajor Enterprise Fund records the revenue and expense related to the boat access and harbor.

The Internal Service Fund accounts for major machinery and equipment purchases and maintenance provided to other departments of the City on a cost reimbursement basis.

The OPEB Trust Fund accounts for the activities of the defined benefit OPEB plan which accumulates resources for OPEB payments to qualified employees.

The Custodial Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer, water, park and boat access and harbor funds and the internal service fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the sewer, water, park and boat access and harbor funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Net Position or Fund Balance

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of a lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The City considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2024 taxable valuation of the City totaled $33,986,055, on which ad valorem taxes consisted of 12.2041 mills for operating purposes, 3.0021 for police protection services, and 1.7162 for mosquito control service. This resulted in $277,785 for operating expenses, $68,333 for police protection, and $39,064 for mosquito control services.

In addition, the Library fund receives an annual disbursement from property taxes collected by the Iosco-Arenac District Library. During the year the City received $77,615.

Capital assets – Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated acquisition value of the item at the date of its donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Vehicles	5 to 10 years
Office equipment	5 to 10 years
Computer equipment	3 to 7 years
Land improvements	10 to 20 years
Roads	25 years
Other infrastructure	20 to 40 years
Heavy duty equipment	20 to 40 years
Buildings	25 to 40 years
Building improvements	25 to 40 years
Water and sewer lines	25 to 40 years

Deferred outflows of resources – A deferred outflow of resources represents a consumption of net assets by the City that applies to future periods. The City may report deferred outflows of resources as a result of the following:

- Pension and OPEB earnings which are the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense.
- Changes in assumptions and experience differences relating to the net pension and net OPEB liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan.
- Pension and OPEB contributions made after the measurement date. This amount will reduce the net pension liability and net OPEB liability in the following year.
- Deferred amounts on bond refundings represent the difference between the reacquisition price and the net carrying amount of the prior debt. This amount is amortized over the life of the related debt.

Compensated absences – Full time employees receive 40 hours annually after 6 months of employment and 80 hours annually every year thereafter. They are able to carry over up to 75 days (in total) to the next year and upon retirement or death are paid out 50% of their total accumulated sick pay. Employees are able to comp their overtime hours. They are able to carry over up to 80 hours per fiscal year. Upon retirement, etc., the employee with be paid out 100% of the amount owed at the current hourly rate times one and a half. Several employees also receive vacation time. Vacation time is not allowed to be carried over. It is a use it or lost it system. Therefore, the amount of vacation time is not accrued for compensated absences. All sick and comp pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only for terminations as of yearend.

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported to MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the net OPEB liability of the City's OPEB plan (the Plan) and additions to/deductions from the Plan have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred inflows of resources – A deferred inflow of resources represents an acquisition of net assets by the City that applies to future periods. The City may report deferred inflows of resources as a result of the following:

- Unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.
- Lease revenue related to leases receivable which is being amortized to recognize lease revenue in a systematic and rational manner over the term of the lease.
- Pension and OPEB earnings which are the result of a difference between what the plan expected to earn from plan investments and what is actually earned. This amount will be amortized over the next four years and included in pension and OPEB expense.
- Changes in assumptions and experience differences relating to the net pension and net OPEB liability are deferred and amortized over the expected remaining service lives of the employees and retirees in the plan.
- Deferred amounts on bond refundings represent the difference between the reacquisition price and the net carrying amount of the prior debt. This amount is amortized over the life of the related debt.

Fund Balances – In the fund financial statements, governmental funds report fund balances in the following categories:

Non-spendable – assets that are not available in a spendable form.

Restricted – amounts that are legally imposed or otherwise required by external parties to be used for a specific purpose.

Committed – amounts constrained on use imposed by the government's highest level of decision-making, its City Council. A fund balance commitment may be established, modified, or rescinded by a resolution of the City Council.

Assigned – amounts intended to be used for specific purposes, as determined by City Council. The City Council has granted the City Manager the authority to commit funds. Residual amounts in governmental funds other than the general fund are automatically assigned by their nature.

Unassigned – all other resources; the remaining fund balances after non-spendable, restrictions, commitments and assignments.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City's policy is to consider restricted funds spent first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned amounts could be used, the City's policy is to consider the funds to be spent in the following order: (1) committed, (2) assigned, (3) unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Standards

Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Statement No. 102, *Certain Risk Disclosures*, requires organizations to provide users of the financial statements with essential information about risks related to the organization's vulnerabilities due to certain concentrations or constraints.

Upcoming Accounting and Reporting Changes

Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an organization's accountability while also addressing certain application issues. This statement includes changes to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information. This statement is effective for the year ending June 30, 2026.

Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. This statement is effective for the year ending June 30, 2026.

The City is evaluating the impact that the above GASB statements will have on its financial reporting.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The City is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 2 of 1968, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to June 30, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are held to obtain taxpayer comments and the budget is legally enacted through passage of a resolution prior to June 30.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The City Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the City Council.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received, or services rendered.

Expenditures in Excess of Appropriations

	Appropriations	Actual	Budget Variance
General Fund			
Public safety	$ 600	$ 1,545	$ 945
Transfers out	20,000	22,358	2,358
Major Street Fund			
Transfers out	28,000	28,428	428

Note 3 - Deposits and Investments

At year end the City's deposits and investments were reported in the financial statements in the following categories:

	Cash and Cash Equivalents	Investments	Total
Governmental activities	$ 2,657,507	$ 74,568	$ 2,732,075
Business-type activities	2,751,108	-	2,751,108
Total	5,408,615	74,568	5,483,183
Fiduciary funds	1,844	118,184	120,028
Component unit	1,025,392	-	1,025,392
Total	$ 6,435,851	$ 192,752	$ 6,628,603

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit	Total
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	$ 5,408,215	$ 1,844	$ 1,025,392	$ 6,435,451
Investments in securities, mutual funds and similar vehicles	74,568	118,184	-	192,752
Petty cash and cash on hand	400	-	-	400
	$ 5,483,183	$ 120,028	$ 1,025,392	$ 6,628,603

Interest rate risk – The City does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes and the City's investment policy authorize the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The City has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of yearend, $6,122,464 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The City has the following recurring fair value measurements as of year end:

Investment Type	Level 1	Total
Stocks	$ 74,568	$ 74,568
Investments carried at net asset value		
MERS retiree health funding vehicle		118,184
Total investments		$ 192,752

Stocks of $74,568 are valued using quoted market prices (Level 1 inputs).

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At year end, the net asset value of the City's investment in the MERS Retiree Health Funding Vehicle Total Market Fund ("the Fund") was $118,184. The Fund is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity and commodities and is carried at net asset value. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers. There is no redemption period and no unfunded commitments.

Note 5 - Unearned Revenue

Unearned revenue is reported in connection with resources that have been received but not yet earned. At the end of the current fiscal year unearned revenue is as follows:

Primary government	
Tower rental	$ 16,860
Park seasonal rentals	119,291
Total	$ 136,151

Note 6 - Capital Assets

Capital assets activity of the primary government for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 323,706	$ -	$ -	$ 323,706
Construction-in-progress	-	53,936	-	53,936
Total capital assets not being depreciated	323,706	53,936	-	377,642
Capital assets being depreciated				
Land improvements	295,828	-	-	295,828
Infrastructure	3,368,663	-	-	3,368,663
Buildings, additions and improvements	1,420,499	-	-	1,420,499
Machinery and equipment	740,082	120,048	300	859,830
Total capital assets being depreciated	5,825,072	120,048	300	5,944,820
Less accumulated depreciation for				
Land improvements	286,646	862	-	287,508
Infrastructure	1,682,588	138,262	-	1,820,850
Buildings, additions and improvements	826,829	40,344	-	867,173
Machinery and equipment	629,161	33,340	-	662,501
Total accumulated depreciation	3,425,224	212,808	-	3,638,032
Net capital assets being depreciated	2,399,848	(92,760)	300	2,306,788
Governmental activities net capital assets	$ 2,723,554	$ (38,824)	$ 300	$ 2,684,430

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 16,163	$ -	$ -	$ 16,163
Capital assets being depreciated				
Land improvements	605,164	-	-	605,164
Buildings, additions and improvements	66,353	-	-	66,353
Machinery and equipment	80,690	-	-	80,690
Vehicles	41,136	3,289	-	44,425
Water system	3,015,805	-	-	3,015,805
Sewer system	3,671,750	-	-	3,671,750
Total capital assets being depreciated	7,480,898	3,289	-	7,484,187
Less accumulated depreciation for				
Land improvements	374,656	16,804	-	391,460
Buildings, additions and improvements	31,022	1,398	-	32,420
Machinery and equipment	65,101	3,946	-	69,047
Vehicles	33,530	1,449	-	34,979
Water system	2,231,047	78,525	-	2,309,572
Sewer system	2,840,035	69,460	-	2,909,495
Total accumulated depreciation	5,575,391	171,582	-	5,746,973
Net capital assets being depreciated	1,905,507	(168,293)	-	1,737,214
Business-type capital assets, net	$ 1,921,670	$ (168,293)	$ -	$ 1,753,377

Capital assets activity of the component unit for the current year is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit				
Capital assets not being depreciated				
Land	$ 80,081	$ -	$ -	$ 80,081
Capital assets being depreciated				
Buildings, additions and improvements	513,782	-	-	513,782
Machinery and equipment	54,801	-	-	54,801
Vehicles	28,667	-	-	28,667
Total capital assets being depreciated	597,250	-	-	597,250
Less accumulated depreciation for				
Buildings, additions and improvements	117,313	23,740	-	141,053
Machinery and equipment	40,344	3,614	-	43,958
Vehicles	28,667	-	-	28,667
Total accumulated depreciation	186,324	27,354	-	213,678
Net capital assets being depreciated	410,926	(27,354)	-	383,572
Component unit capital assets, net	$ 491,007	$ (27,354)	$ -	$ 463,653

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	$ 46,512
Public safety	19,028
Public works	63,426
Recreation and culture	82,453
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,389
Total governmental activities	212,808
Business-type activities	
Park Fund	9,659
Sewer Fund	79,971
Water Fund	70,909
Boat Access and Harbor Fund	11,043
Total business-type activities	171,582
Total primary government	$ 384,390
Component unit	
Tax Increment Financing Authority	$ 27,354

Note 7 - Construction Commitments

The City has committed $100,000 to the ballfield relocation project. These commitments represent obligations for work not yet completed. As of June 30, 2025, total expenditures were $53,936. The remaining commitment as of June 30, 2025, was $46,064. The City expects to fulfill these commitments using available resources and future appropriations.

Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Local Street	$ 32
General Fund	Sewer Fund	4,630
General Fund	Water Fund	4,843
General Fund	Library Fund	342
General Fund	Nonmajor Enterprise Fund	2,002
General Fund	Internal Service Fund	32
		$ 11,881

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The composition of due to/from the primary government and component unit is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Tax Increment Financing Authority Component Unit	$ 6,286

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General Fund	Local Street Fund	$ 22,358
Major Street Fund	Local Street Fund	28,428
Sewer Fund	General Fund	6,300
Water Fund	General Fund	8,700
Park Fund	Nonmajor Enterprise Fund	17,500
		$ 83,286

The transfers between Water Fund, Sewer Fund and General Fund were to make contributions toward debt service expenditures. The transfer between the General Fund and the Local Street Fund and the transfer between the Major Street Fund and Local Street Fund was to transfer funds for road projects. The transfer between the Park Fund and the Nonmajor Enterprise Fund was to transfer funds for projects at the harbor.

Note 9 - Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term obligations include compensated absences. Compensated absences additions and reductions are reported net.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds payable									
City improvement bonds	$ 995,000	2030	3.300 - 3.700%	$70,000 - $80,000	$ 450,000	$ -	$ 70,000	$ 380,000	$ 70,000
Compensated absences					15,830	6,447	-	22,277	22,277
Total governmental activities					$ 465,830	$ 6,447	$ 70,000	$ 402,277	$ 92,277
Business-type activities									
Bonds payable									
Notes payable - TIFA	$ 250,000	2026	2.000%	$52,027	$ 103,021	$ -	$ 50,994	$ 52,027	$ 52,027

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending	Governmental Activities		Business-type Activities	
	Bonds		Bonds	
June 30,	Principal	Interest	Principal	Interest
2026	$ 70,000	$ 13,440	$ 52,027	$ 1,055
2027	75,000	11,130	-	-
2028	75,000	8,542	-	-
2029	80,000	5,880	-	-
2030	80,000	2,960	-	-
	$ 380,000	$ 41,952	$ 52,027	$ 1,055

Note 10 - Net Investment in Capital Assets

The composition of net investment in capital assets as of year end, was as follows:

	Governmental Activities	Business-type Activities	Component Unit
Capital assets			
Capital assets not being depreciated	$ 377,642	$ 16,163	$ 80,081
Capital assets, net of accumulated depreciation	2,306,788	1,737,214	383,572
Total capital assets	2,684,430	1,753,377	463,653
Unspent bond proceeds	305,923	-	-
Related debt			
General obligation bonds	(380,000)	-	-
Net investment in capital assets	$ 2,610,353	$ 1,753,377	$ 463,653

Note 11 - Jointly Governed Organizations

Au Gres-Sims-Whitney Fire and Rescue Authority
The City is a member of an inter-governmental agreement to operate a joint fire and rescue authority with Sims, Au Gres, and Whitney Townships. The participating communities provide annual funding for its operations. During the current year, the City's portion was fulfilled through property taxes of $21,892 for operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the year ended March 31, 2025 can be obtained from the administrative offices at: 201 N. Court, Au Gres, Michigan 48703.

Note 12 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 13 - Employee Retirement and Benefit Systems

Defined Benefit Pension Plan
Plan description – The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer, statewide public employee defined benefit pension plan that covers all employees of the government. The plan was established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917 or on the web at http://www.mersofmich.com.

Benefits provided – Benefits provided include plans with multipliers of 2.50%. Vesting periods range from 6 to 10 years. Normal retirement age is 60 with early retirement at 50 with 25 years of service and 55 with 15 years of service. Final average compensation is calculated based on 3 years. Member contributions are 0.00%.

Employees covered by benefit terms – At the December 31, 2024 valuation date, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9

Contributions – The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions ranged from $8,193 to $8,421 per month during fiscal year 2025. The pension plan is closed to new employees.

Net pension liability – The employer's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2024 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement include: 1) Inflation 2.50%; 2) Salary increases 3.00% in the long-term; 3) Investment rate of return of 6.93%, net of investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 2.5%.

Mortality rates used were based on the Pub-2010 Mortality Tables. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates or arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate Of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global fixed income	20.00%	4.66%	93.00%	2.50%	0.43%
Private investments	20.00%	9.00%	1.80%	2.50%	1.30%
	100.00%		6.93%		4.43%

Discount rate – The discount rate used to measure the total pension liability is 7.18%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plans fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2023	$ 2,203,654	$ 1,614,823	$ 588,831
Changes for the year			
Interest on total pension liability	151,017	-	151,017
Experience differences	(254,786)	-	(254,786)
Changes in assumptions	(9,294)	-	(9,294)
Employer contributions	-	165,210	(165,210)
Net investment income (loss)	-	121,234	(121,234)
Benefit payments and refunds	(200,714)	(200,714)	-
Administrative expense	-	(3,598)	3,598
Net changes	(313,777)	82,132	(395,909)
Balances as of December 31, 2024	$ 1,889,877	$ 1,696,955	$ 192,922

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the employer, calculated using the discount rate of 7.18%, as well as what the employer's net pension liability would be using a discount rate that is 1% point lower or 1% higher than the current rate.

1% Decrease	Current Discount Rate	1% Increase
$ 338,040	$ 192,922	$ 66,593

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2025 the employer recognized pension expense of $(211,587). The employer reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Total to Amortize
Net difference between projected and actual earning on plan investments	$ 60,774	$ 60,774
Contributions subsequent to the measurement date*	83,760	-
Total	$ 144,534	$ 60,774

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in subsequent years.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,		
2026	$	27,393
2027		48,598
2028		(13,880)
2029		(1,337)
	$	60,774

Defined Contribution Pension Plan

The City of Au Gres Public Employees Retirement System (PERS) is a single employer PERS that administers the City's defined contribution pension plan for its employees. The City is the only nonemployee contributor to the pension plan. Certain employees are covered by the defined contribution plan. As of June 30, 2025, the pension plan's membership was 4 employees.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. As established by state statute, all full-time municipal employees of the City must participate in the pension plan from the date they are hired. The City is required to contribute an amount equal to 8.00% of the employee's gross earnings. For the year ended June 30, 2025, the City contributed $25,590 and employees contributed $6,050.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The law was changed to allow trusts to be created for the plan assets, thereby insulating the assets from the unit of City's general creditors. The City's plan administrator, ICMA, created the trust and placed the assets of the plan within the trust. As a result, the plan assets are not shown on the City's financial statements to reflect that the City no longer has any fiduciary or administrative responsibility for the plan. For the year ended June 30, 2025, the City contributed $3,768 and employees contributed $26,981.

Note 14 - Other Postemployment Benefits

Plan description – The City's Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the City. Employees hired before January 1, 2005, are eligible to participate in the Plan.

Benefits provided – The Plan provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the City pays 90% of the entire cost of health insurance premiums for 60 months for the employee and their spouse.

Employees covered by benefit terms – At June 30, 2025, the plan membership consisted of the following:

Retired members	1
Active members	2
	3

Contributions –The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). An OPEB trust was established in January 2022 with the MERS retiree healthcare funding vehicle. The City contributed $25,000 in fiscal year 2025.

Investment policy – The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the City Council by a majority vote of its members. It is the policy of the City Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of return – For the year ended June 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 8.98%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

Net OPEB liability – The net OPEB liability was measured as of June 30, 2025 and the total OPEB liability used to calculate the net OPEB liability was determined by an alternative measurement method calculation. The components of the net OPEB liability as of June 30, 2025 were as follows:

Total OPEB liability	$	164,061
Plan fiduciary net position		118,184
Net OPEB liability	$	45,877

Plan fiduciary net position as a percentage of the total OPEB liability is 72.04%.

Actuarial assumptions – The total OPEB liability was determined using the alternative measurement method, as of June 30, 2025, using the following actuarial assumptions, applied to all periods included in the measurement.

Cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	24 years, closed
Discount rate:	7.00%
Salary increases:	365%
Investment rate of return	7.00%
Retirement age	60
Mortality	Pub 2010 using scale MP-2021
Healthcare Cost Trend Rate	Pre-65: 7.50% gradually decreasing 0.25% per year to an ultimate rate of 4.50% Post-65: 5.75% gradually decreasing .25% per year to an ultimate rate of 4.50%

Discount rate – The discount rate used to measure the total OPEB liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

	Increase (Decrease)		
	Total Pension OPEB (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of June 30, 2024	$ 184,090	$ 84,037	$ 100,053
Changes for the year			
Service cost	2,380	-	2,380
Interest on total OPEB liability	11,629	-	11,629
Changes in assumptions	(550)	-	(550)
Employer contributions	-	58,488	(58,488)
Net investment income (loss)	-	9,368	(9,368)
Benefit payments and refunds	(33,488)	(33,488)	-
Administrative expense	-	(221)	221
Net changes	(20,029)	34,147	(54,176)
Balances as of June 30, 2025	$ 164,061	$ 118,184	$ 45,877

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate.

1% Decrease	Current Discount Rate	1% Increase
$ 55,612	$ 45,877	$ 36,218

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

1% Decrease	Healthcare Cost Trend Rates	1% Increase
$ 33,299	$ 45,877	$ 59,594

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended June 30, 2025 the employer recognized OPEB expense of $6,145. The employer reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Total to Amortize
Net difference between projected and actual earning on plan investments	$ (4,386)	$ (4,386)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,		
2026	$	(882)
2027		(1,608)
2028		(1,353)
2029		(543)
	$	(4,386)

Note 15 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

City of Au Gres
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Actual Over (Under) Final
	Original	Final	Actual	Budget
Revenues				
Taxes				
Property taxes	$ 290,200	$ 290,200	$ 301,449	$ 11,249
Penalties and interest	1,500	1,500	2,600	1,100
Administration fee	16,500	16,500	18,353	1,853
Licenses and permits	10,000	10,000	8,597	(1,403)
State-shared revenue	114,000	114,000	114,082	82
State grants	5,000	5,000	10,000	5,000
Local contributions	54,600	54,600	58,451	3,851
Charges for services	91,750	91,750	93,514	1,764
Rental income	6,000	6,000	6,200	200
Investment income	30,000	30,000	31,212	1,212
Other revenue	5,000	5,000	7,803	2,803
Transfers in	15,000	15,000	15,000	-
Total revenues	639,550	639,550	667,261	27,711
Expenditures				
General government				
City council	5,000	5,000	4,138	(862)
Manager	39,900	39,900	38,191	(1,709)
Clerk	71,600	71,600	66,599	(5,001)
Board of review	2,100	2,100	1,578	(522)
Assessor	24,100	24,100	23,268	(832)
Elections	3,100	3,100	3,426	326
Building and grounds	18,800	18,800	10,611	(8,189)
Cemetery	7,000	9,100	9,078	(22)
Total general government	171,600	173,700	156,889	(16,811)
Public safety				
Police/sheriff/constable	500	600	1,545	945
Public works				
Department of public works	54,200	54,200	44,083	(10,117)
Drains	200	200	200	-
Street lighting	34,000	34,000	31,808	(2,192)
Trash removal	78,200	78,200	73,915	(4,285)
Total public works	166,600	166,600	150,006	(16,594)
Recreation and culture				
Parks and recreation department	57,100	57,100	18,807	(38,293)

City of Au Gres
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Other functions				
Insurance and bonds	$ 13,000	$ 13,000	$ 12,960	$ (40)
Unallocated employee fringe benefits	182,600	182,600	160,370	(22,230)
Total other functions	195,600	195,600	173,330	(22,270)
Capital outlay	5,000	5,000	4,812	(188)
Debt service				
Principal retirement	70,000	70,000	70,000	-
Interest and fiscal charges	16,110	16,110	16,110	-
Total debt service	86,110	86,110	86,110	-
Transfers out	20,000	20,000	22,358	2,358
Total expenditures	702,510	704,710	613,857	(90,853)
Excess (deficiency) of revenues over expenditures	(62,960)	(65,160)	53,404	118,564
Fund balance - beginning of year	934,242	934,242	934,242	-
Fund balance - end of year	$ 871,282	$ 869,082	$ 987,646	$ 118,564

City of Au Gres
Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Actual Over (Under) Final
	Original	Final	Actual	Budget
Revenues				
State grants	$ 109,500	$ 109,500	$ 117,131	$ 7,631
Local contributions	2,000	2,000	2,000	-
Charges for services	8,000	8,000	8,019	19
Investment income	12,000	12,000	16,089	4,089
Total revenues	131,500	131,500	143,239	11,739
Expenditures				
Current				
Public works	185,325	185,325	150,448	(34,877)
Transfers out	28,000	28,000	28,428	428
Total expenditures	213,325	213,325	178,876	(34,449)
Excess of revenues (deficiency) over expenditures	(81,825)	(81,825)	(35,637)	46,188
Fund balance - beginning of year	574,278	574,278	574,278	-
Fund balance - end of year	$ 492,453	$ 492,453	$ 538,641	$ 46,188

See Accompanying Notes to the Required Supplementary Information

City of Au Gres
Required Supplementary Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Actual Over (Under) Final
	Original	Final	Actual	Budget
Revenues				
State grants	$ 62,000	$ 62,000	$ 67,709	$ 5,709
Local contributions	-	25,000	25,000	-
Investment income	500	500	2,711	2,211
Other revenue	500	500	634	134
Transfers in	48,000	48,000	50,786	2,786
Total revenues	111,000	136,000	146,840	10,840
Expenditures				
Current				
Public works	31,350	31,350	20,901	(10,449)
Capital outlay	95,000	106,000	85,608	(20,392)
Total expenditures	126,350	137,350	106,509	(30,841)
Excess of revenues (deficiency) over expenditures	(15,350)	(1,350)	40,331	41,681
Fund balance - beginning of year	229,913	229,913	229,913	-
Fund balance - end of year	$ 214,563	$ 228,563	$ 270,244	$ 41,681

City of Au Gres
Required Supplementary Information
Budgetary Comparison Schedule
Library Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Actual Over (Under) Final
	Original	Final	Actual	Budget
Revenues				
Taxes	$ 50,000	$ 50,000	$ 77,615	$ 27,615
Investment income	2,500	2,500	3,370	870
Other revenue	50	50	95	45
Total revenues	52,550	52,550	81,080	28,530
Expenditures				
Current				
Recreation and culture	69,200	71,900	64,461	(7,439)
Excess of revenues (deficiency) over expenditures	(16,650)	(19,350)	16,619	35,969
Fund balance - beginning of year	158,717	158,717	158,717	-
Fund balance - end of year	$ 142,067	$ 139,367	$ 175,336	$ 35,969

See Accompanying Notes to the Required Supplementary Information

City of Au Gres
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2025

Fiscal year ended June 30,	2025	2024	2023	2022	2021
Total Pension Liability					
Service cost	$ -	$ -	$ -	$ -	$ -
Interest	151,017	154,174	156,207	161,390	162,018
Changes of benefit terms	-	-	44,496	25,137	(30,929)
Experience differences	(254,786)	31,539	-	61,477	76,493
Changes in assumptions	(9,294)	11,076	-	-	-
Benefit payments and refunds	(200,714)	(239,348)	(218,124)	(215,844)	(215,844)
Net change in total pension liability	(313,777)	(42,559)	(17,421)	32,160	(8,262)
Total pension liability - beginning	2,203,654	2,246,213	2,263,634	2,231,474	2,239,736
Total pension liability - ending (a)	$ 1,889,877	$ 2,203,654	$ 2,246,213	$ 2,263,634	$ 2,231,474
Plan Fiduciary Net Position					
Employer contributions	$ 165,210	$ 159,900	$ 154,452	$ 143,502	$ 133,746
Net investment income (loss)	121,234	170,839	(185,805)	226,901	187,552
Benefit payments and refunds	(200,714)	(239,348)	(218,124)	(215,844)	(215,844)
Administrative expense	(3,598)	(3,548)	(3,263)	(2,603)	(3,020)
Net change in plan fiduciary net position	82,132	87,843	(252,740)	151,956	102,434
Plan fiduciary net position - beginning	1,614,823	1,526,980	1,779,720	1,627,764	1,525,330
Plan fiduciary net position - ending (b)	$ 1,696,955	$ 1,614,823	$ 1,526,980	$ 1,779,720	$ 1,627,764
Net pension liability (a-b)	$ 192,922	$ 588,831	$ 719,233	$ 483,914	$ 603,710
Plan fiduciary net position as a percentage of total pension liability	89.79%	73.28%	67.98%	78.62%	72.95%
Covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*
Net pension liability as a percentage of covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*

*Payroll is no longer a part of this calculation

City of Au Gres
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2025

Fiscal year ended June 30,	2020	2019	2018	2017	2016
Total Pension Liability					
Service cost	$ 5,251	$ 5,191	$ 5,117	$ 5,201	$ 5,276
Interest	167,977	169,852	172,169	174,415	167,238
Changes of benefit terms	18,237	17,332	9,556	8,195	26,413
Experience differences	59,110	-	-	-	101,443
Changes in assumptions	-	-	-	(1)	5,224
Benefit payments and refunds	(215,844)	(215,844)	(215,844)	(215,844)	(215,844)
Net change in total pension liability	34,731	(23,469)	(29,002)	(28,034)	89,750
Total pension liability - beginning	2,205,005	2,228,474	2,257,476	2,285,510	2,195,759
Total pension liability - ending (a)	$ 2,239,736	$ 2,205,005	$ 2,228,474	$ 2,257,476	$ 2,285,509
Plan Fiduciary Net Position					
Employer contributions	$ 127,494	$ 107,418	$ 84,810	$ 71,256	$ 65,232
Net investment income (loss)	189,995	(59,231)	195,927	165,606	(23,723)
Benefit payments and refunds	(215,844)	(215,844)	(215,844)	(215,844)	(215,844)
Administrative expense	(3,270)	(3,017)	(3,115)	(3,278)	(3,577)
Net change in plan fiduciary net position	98,375	(170,674)	61,778	17,740	(177,912)
Plan fiduciary net position - beginning	1,426,955	1,597,629	1,535,851	1,518,111	1,696,023
Plan fiduciary net position - ending (b)	$ 1,525,330	$ 1,426,955	$ 1,597,629	$ 1,535,851	$ 1,518,111
Net pension liability (a-b)	$ 714,406	$ 778,050	$ 630,845	$ 721,625	$ 767,398
Plan fiduciary net position as a percentage of total pension liability	68.10%	64.71%	71.69%	68.03%	66.42%
Covered payroll	$ 49,869	$ 49,248	$ 48,547	$ 49,345	$ 50,249
Net pension liability as a percentage of covered payroll	1,432.57%	1,579.86%	1,299.45%	1,462.41%	1,527.19%

See Accompanying Notes to the Required Supplementary Information

City of Au Gres
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions
For the Year Ended June 30, 2025

Fiscal Year Ended	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2016	$ 65,232	$ 65,232	$ -	$ 48,962	133.23%
2017	71,256	71,256	-	49,517	143.90%
2018	84,810	84,810	-	48,531	174.75%
2019	122,496	122,496	-	49,586	247.04%
2020	132,492	132,492	-	50,566	262.02%
2021	135,000	135,000	-	-	N/A*
2022	108,696	108,696	-	-	N/A*
2023	113,868	156,900	(43,032)	-	N/A*
2024	125,259	162,900	(37,641)	-	N/A*
2025	99,000	167,520	(68,520)	-	N/A*

* Payroll is no longer a part of this calculation

City of Au Gres
Required Supplementary Information
Other Postemployment Benefits
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2025

Fiscal year ended June 30,	2025	2024	2023
Total OPEB Liability			
Service cost	$ 2,380	$ 2,401	$ 2,623
Interest	11,629	13,193	13,720
Changes of benefit terms	-	-	5,413
Changes in assumptions	(550)	(5,267)	-
Benefit payments and refunds	(33,488)	(35,272)	(23,398)
Net change in total OPEB liability	(20,029)	(24,945)	(1,642)
Total OPEB liability - beginning	184,090	209,035	210,677
Total OPEB liability - ending (a)	$ 164,061	$ 184,090	$ 209,035
Plan Fiduciary Net Position			
Employer contributions	$ 58,488	$ 60,272	$ 48,398
Net investment income (loss)	9,368	8,407	3,655
Benefit payments and refunds	(33,488)	(35,272)	(23,398)
Administrative expense	(221)	(153)	(79)
Net change in plan fiduciary net position	34,147	33,254	28,576
Plan fiduciary net position - beginning	84,037	50,783	22,207
Plan fiduciary net position - ending (b)	$ 118,184	$ 84,037	$ 50,783
Net OPEB liability (a-b)	$ 45,877	$ 100,053	$ 158,252
Plan fiduciary net position as a percentage of total OPEB liability	72.04%	45.65%	24.29%
Covered payroll	N/A*	N/A*	N/A*
Net OPEB liability as a percentage of covered payroll	N/A*	N/A*	N/A*

* Contributions are not based on a measure of pay

City of Au Gres
Required Supplementary Information
Other Postemployment Benefits
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2025

Fiscal year ended June 30,	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 2,443	$ 6,473	$ 9,776	$ 11,297	$ 10,203
Interest	5,289	9,588	9,157	6,704	5,985
Changes of benefit terms	(18,510)	-	-	-	-
Changes in assumptions	-	(9,359)	(28,147)	65,699	(30,695)
Benefit payments and refunds	(35,507)	(40,866)	-	(2,360)	(20,493)
Net change in total OPEB liability	(46,285)	(34,164)	(9,214)	81,340	(35,000)
Total OPEB liability - beginning	256,962	291,126	300,340	219,000	254,000
Total OPEB liability - ending (a)	$ 210,677	$ 256,962	$ 291,126	$ 300,340	$ 219,000
Plan Fiduciary Net Position					
Employer contributions	$ 60,507	$ -	$ -	$ -	$ -
Net investment income (loss)	(2,774)	-	-	-	-
Benefit payments and refunds	(35,507)	-	-	-	-
Administrative expense	(19)	-	-	-	-
Net change in plan fiduciary net position	22,207	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending (b)	$ 22,207	$ -	$ -	$ -	$ -
Net OPEB liability (a-b)	$ 188,470	$ 256,962	$ 291,126	$ 300,340	$ 219,000
Plan fiduciary net position as a percentage of total OPEB liability	10.54%	- %	- %	- %	- %
Covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*
Net OPEB liability as a percentage of covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*

* Contributions are not based on a measure of pay

City of Au Gres
Required Supplementary Information
Other Postemployment Benefits
Schedule of Employer Contributions
For the Year Ended June 30, 2025

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2018	$ 32,558	$ 20,493	$ 12,065	N/A*	N/A*
2019	26,620	2,360	24,260	N/A*	N/A*
2020	27,758	-	27,758	N/A*	N/A*
2021	25,605	-	25,605	N/A*	N/A*
2022	18,907	60,507	(41,600)	N/A*	N/A*
2023	19,551	48,398	(28,847)	N/A*	N/A*
2024	20,107	60,272	(40,165)	N/A*	N/A*
2025	18,109	58,488	(40,379)	N/A*	N/A*

* Contributions are not based on a measure of pay

City of Au Gres
Required Supplementary Information
Other Postemployment Benefits
Schedule of Investment Returns
For the Year Ended June 30, 2025

Fiscal Year Ended June 30,	Annual Return % *
2018	0.00%
2019	0.00%
2020	0.00%
2021	0.00%
2022	0.00%
2023	7.60%
2024	6.68%
2025	8.95%

* Annual money-weighted rate of return, net of investment expenses

Pension Information

Notes to the Schedule of Changes in Net Pension Liability and Related Ratios – Municipal Employees Retirement System of Michigan

The December 31, 2024, changes in assumptions are due to the following:

- Investment rate of return remained the same at 6.93%

Notes to the Schedule of Employer Contributions – Municipal Employees Retirement System of Michigan

- Valuation date: December 31, 2024
- Actuarially determined contribution amounts are calculated as of December 31 each year, which is 6 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry age normal
- Amortization method: Level dollar, open
- Remaining amortization period: 14 years
- Asset valuation method: Level percentage of payroll, closed
- Inflation: 2.50%
- Salary increase: 3.00%
- Investment rate of return: 6.93% net of pension plan investment expense, including inflation
- Mortality rates: Pub-2010 Healthy Annuitant Mortality Tables – 50% male and 50% female blend

OPEB Information

Notes to the Schedule of Changes in Net OPEB and Related Ratios – Other Postemployment Benefits

The June 30, 2025, changes in assumptions are due to the following:

- The discount rate and investment rate of return were raised from 6.90% to 7.00%.

Notes to the Schedule of Employer Contributions – Other Postemployment Benefits

- Valuation date: June 30, 2025
- Actuarially determined contribution rates are calculated as of June 30

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry-age normal
- Amortization method: Level dollar
- Remaining amortization period: 24 years, closed
- Discount rate: 7.00%
- Salary increases: 3.65%
- Investment rate of return: 7.00%
- Retirement age: 60
- Mortality: Pub-2010 using scale MP-2021
- Healthcare cost trend rate: Pre-65: 7.50% gradually decreasing 0.25% per year to an ultimate rate of 4.50%. Post-65: 5.75% gradually decreasing 0.25% per year to an ultimate rate of 4.50%

City of Au Gres
Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds		Capital Projects Fund	
	Police Fund	Mosquito Fund	Library Building Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	$ 106,484	$ 31,794	$ 91,407	$ 229,685
Investments	-	-	74,568	74,568
Total assets	$ 106,484	$ 31,794	$ 165,975	$ 304,253
Fund Balances				
Restricted for				
Mosquito control	$ -	$ 31,794	$ -	$ 31,794
Capital projects	-	-	165,975	165,975
Police protection	106,484	-	-	106,484
Total fund balances	$ 106,484	$ 31,794	$ 165,975	$ 304,253

City of Au Gres
Other Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds		Capital Projects Fund	
	Police Fund	Mosquito Fund	Library Building Fund	Total Nonmajor Governmental Funds
Revenues				
Taxes	$ 68,182	$ 38,974	$ -	$ 107,156
Federal grants	1,043	-	-	1,043
State grants	894	-	-	894
Investment income	1,061	519	27,821	29,401
Other revenue	-	-	200	200
Total revenues	71,180	39,493	28,021	138,694
Expenditures				
Current				
Public safety	42,183	-	-	42,183
Recreation and culture	-	29,400	62	29,462
Total expenditures	42,183	29,400	62	71,645
Net change in fund balances	28,997	10,093	27,959	67,049
Fund balances - beginning of year	77,487	21,701	138,016	237,204
Fund balances - end of year	$ 106,484	$ 31,794	$ 165,975	$ 304,253

City of Au Gres
Other Supplementary Information
Schedule of Indebtedness
June 30, 2025

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Principal	Interest	Total
Governmental Activities						
City Improvement Bonds						
Date of issue 10/21/15						
amount of issue $ 995,000						
	3.300%	5/1/2026	$ 70,000	$ 70,000	$ 13,440	$ 83,440
	3.450%	5/1/2027	75,000	75,000	11,130	86,130
	3.550%	5/1/2028	75,000	75,000	8,542	83,542
	3.650%	5/1/2029	80,000	80,000	5,880	85,880
	3.700%	5/1/2030	80,000	80,000	2,960	82,960
Total governmental activities				380,000	41,952	421,952
Business-type Activities						
Notes Payable - TIFA						
Date of issue 1/5/21						
amount of issue $ 250,000						
	2.000%	10/1/2025	52,027	52,027	1,055	53,082
Total indebtedness				$ 432,027	$ 43,007	$ 475,034

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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

City Council and Management
City of Au Gres
Au Gres, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Au Gres, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise City of Au Gres's basic financial statements, and have issued our report thereon dated August 7, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Au Gres'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 City of Au Gres's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Au Gres'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Au Gres'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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.

August 7, 2025

Annual Report on Status of Tax Increment Financing Plan

Send completed form to: Treas-StateSharePropTaxes@michigan.gov	Enter Municipality Name in this cell	TIF Plan Name	For Fiscal Years ending in
Issued pursuant to 2018 PA 57, MCL 125.4911 Filing is required within 180 days of end of authority's fiscal year ending in 2024. MCL 125.4911(2)	Tax Increment Finance Authority	City of Au Gres TIFA	2025

Year AUTHORITY (not TIF plan) was created:	1985
Year TIF plan was created or last amended to extend its duration:	10/6/2015
Current TIF plan scheduled expiration date:	6/30/2040
Did TIF plan expire in FY24?	NO
Year of first tax increment revenue capture:	1986
Does the authority capture taxes from local or intermediate school districts, or capture the state education tax? Yes or no?	NO
If yes, authorization for capturing school tax:	
Year school tax capture is scheduled to expire:	

Revenue:	Tax Increment Revenue	$	332,534
	Property taxes - from DDA millage only	$	-
	Interest	$	33,077
	State reimbursement for PPT loss (Forms 5176 and 4650)	$	45,502
	Other income (grants, fees, donations, etc.)	$	10,600
	Total	$	421,712

Tax Increment Revenues Received			Revenue Captured	Millage Rate Captured
	From counties		$ 104,392	8.8518
	From cities		$ 211,364	17.9224
	From townships		$ -	
	From villages		$ -	
	From libraries (if levied separately)		$ 5,769	0.4892
	From community colleges		$ -	
	From regional authorities (type name in next cell)	AGS Fire	$ 11,395	0.9588
	From regional authorities (type name in next cell)		$ -	
	From regional authorities (type name in next cell)		$ -	
	From local school districts-operating		$ -	
	From local school districts-debt		$ -	
	From intermediate school districts		$ -	
	From State Education Tax (SET)		$ -	
	From state share of IFT and other specific taxes (school taxes)		$ -	
		Total	**$ 332,920**	

Expenditures	Adminstrative Wages	$	26,846
	DPW/Maintenance/Streetscape	$	13,572
	Fringe Benefits	$	15,331
	Supplies-Maintenance/Streestcape/Bridge	$	10,056
	Supplies- Administrative	$	363
	Professional Services	$	18,153
	Computer Maintenance	$	600
	Equipment Rental	$	8,901
	TIFA Inflation	$	5,407
	Capital Outlay	$	120,875
		$	-
Transfers to other municipal fund (list fund name)	Transfer to Local Street	$	25,000
Transfers to other municipal fund (list fund name)	Transfers to Major Street	$	2,000
	Transfers to General Fund	$	48,610
	Total	$	295,714
Total outstanding non-bonded Indebtedness	Principal	$	-
	Interest	$	-
Total outstanding bonded Indebtedness	Principal	$	380,000
	Interest	$	41,952
	Total	$	421,952
Bond Reserve Fund Balance		$	-
Unencumbered Fund Balance		$	949,076
Encumbered Fund Balance		$	-

CAPTURED VALUES

PROPERTY CATEGORY	Current Taxable Value	Initial (base year) Assessed Value	Captured Value	Overall Tax rates captured by TIF plan	TIF Revenue
Ad valorem PRE Real	$ 4,575,388	$ 583,400	$ 3,991,988	28.2296000	$112,692.22
Ad valorem non-PRE Real	$ 11,085,619	$ 3,582,500	$ 7,503,119	28.2296000	$211,810.05
Ad valorem industrial personal	$ -	$ 560,000	$ (560,000)	28.2296000	($15,808.58)
Ad valorem commercial personal	$ 321,300	$ 115,300	$ 206,000	28.2296000	$5,815.30
Ad valorem utility personal	$ 506,200	$ 110,100	$ 396,100	28.2296000	$11,181.74
Ad valorem other personal	$ -	$ -	$ -	0.0000000	$0.00
IFT New Facility real property, 0% SET exemption	$ -	$ -	$ -	0.0000000	$0.00
IFT New Facility real property, 50% SET exemption	$ -	$ -	$ -	0.0000000	$0.00
IFT New Facility real property, 100% SET exemption	$ -	$ -	$ -	0.0000000	$0.00
IFT New Facility personal property on industrial class land	$ 269,438	$ -	$ 269,438	14.1148000	$3,803.06
IFT New Facility personal property on commercial class land	$ -	$ -	$ -	0.0000000	$0.00
IFT New Facility personal property, all other	$ -	$ -	$ -	0.0000000	$0.00
Commercial Facility Tax New Facility	$ -	$ -	$ -	0.0000000	$0.00
IFT Replacement Facility (frozen values)	$ -	$ -	$ -	0.0000000	$0.00
Commercial Facility Tax Restored Facility (frozen values)	$ 121,380	$ -	$ 121,380	28.2296000	$3,426.51
Commercial Rehabilitation Act	$ 296,133	$ -	$ 296,133	0.0000000	$0.00
Neighborhood Enterprise Zone Act	$ -	$ -	$ -	0.0000000	$0.00
Obsolete Property Rehabilitation Act	$ -	$ -	$ -	0.0000000	$0.00
Eligible Tax Reverted Property (Land Bank Sale)	$ -	$ -	$ -	**0.0000000**	$0.00
Exempt (from all property tax) Real Property	$ -	$ -	$ -	**0.0000000**	$0.00
Total Captured Value		$ 4,951,300	$ 12,224,158	**Total TIF Revenue**	**$332,920.31**

CITY OF AU GRES
TIFA MEETING
MONDAY, OCTOBER 27, 2025
5:00 P.M.

AGENDA

1). CALL TO ORDER

2). ROLL CALL

3). MINUTES
TIFA Meeting April 28, 2025

4). CITIZEN'S COMMENTS

5). OLD BUSINESS

6). NEW BUSINESS
6.1 Informational Meeting to all jurisdictions levying taxes subject to TIFA capture
6.2 Brainstorm/Discussion of New Capital Projects
6.3 TIF Business Attraction Grant

7). CITIZEN'S COMMENTS

8). CITY MANAGER COMMENTS

9). ADJOURNMENT

CITY OF AU GRES
TIFA MEETING
MONDAY, APRIL 28, 2025
5:00 P.M.

AGENDA

1). CALL TO ORDER

2). ROLL CALL

3). MINUTES
TIFA Meeting November 25, 2024

4). CITIZEN'S COMMENTS

5). OLD BUSINESS

6). NEW BUSINESS
- 6.1 Informational Meeting to all jurisdictions levying taxes subject to TIFA capture
- 6.2 Adopt Capital Project Listing 2025/26 year
- 6.2 Adopt TIFA Budget 2025/26 year
- 6.3 TIFA Business Grant

7). CITIZEN'S COMMENTS

8). CITY MANAGER COMMENTS

9). ADJOURNMENT

BALANCE SHEET FOR CITY OF AU GRES
Period Ending 06/30/2025

Fund 247 TAX INCREMENT FINANCE AUTHORITY

GL Number	Description	Balance
*** Assets ***		
CASH & INVESTMENTS		
247-000-002.000	MONEY FUND-TIFA 020-800-477-2	474,415.60
247-000-002.001	MONEY FUND-NORTHLAND CU	976.16
247-000-003.000	CERTIFICATE OF DEPOSIT	550,000.00
247-000-005.100	IMPROVEMENT-MONEY FUND	0.00
247-000-019.000	TAXES RECEIVABLE -IFT SUMMER	0.00
247-000-019.001	TAXES-CFT/IFT WINTER	0.00
247-000-020.000	TAXES RECEIVABLE/REAL-SUMMER	0.00
247-000-020.001	TAXES RECEIVABLE/REAL-WINTER	0.00
247-000-022.000	TAXES-PERSONAL SUMMER	0.00
247-000-022.001	TAXES-PERSONAL WINTER	258.61
247-000-056.000	INTEREST RECEIVABLE	2,533.83
247-000-061.000	LOAN RECEIVABLE	52,027.36
247-000-084.101	DUE FROM GENERAL FUND	0.00
247-000-084.401	DUE FROM CAPITAL PROJECTS	0.00
247-000-084.591	DUE FROM WATER	0.00
247-000-084.594	DUE FROM HARBOR/BOAT	0.00
247-000-084.703	DUE FROM TAX ACCOUNT	0.00
CASH & INVESTMENTS		1,080,211.56
Total Assets		**1,080,211.56**
*** Liabilities ***		
TOTAL LIABILITIES		
247-000-202.000	ACCOUNTS PAYABLE	0.00
247-000-214.101	DUE TO GENERAL FUND	6,286.18
247-000-214.207	DUE TO POLICE	0.00
247-000-214.590	DUE TO SEWER	0.00
247-000-214.661	DUE TO EQUIPMENT	0.00
247-000-214.703	DUE TO TAX ACCOUNT	0.00
247-000-214.704	DUE TO PAYROLL	0.00
247-000-257.000	ACCRUED WAGES PAYABLE	0.00
247-000-339.000	UNEARNED REVENUE	0.00
TOTAL LIABILITIES		6,286.18
Total Liabilities		**6,286.18**
*** Fund Balance ***		
FUND BALANCE		
247-000-390.000	FUND BALANCE	949,075.66
FUND BALANCE		949,075.66
Total Fund Balance		**949,075.66**
Beginning Fund Balance		**949,076.66**
Net of Revenues VS Expenditures		**124,849.72**
Fund Balance Adjustments		**(1.00)**
Ending Fund Balance		**1,073,925.38**
Total Liabilities And Fund Balance		**1,080,211.56**

CITY OF AU GRES
TIFA MEETING
MONDAY, OCTOBER 27, 2025
5:00 PM

PRESENT: <u>TIFA Board</u>: Tom Nixon, Jon Sanford, John Popovich, Dan Tolliver, William Borushko, Allison Wiltse, Marcia Zoyiopoulos (arrived late 5:07 p.m.)
ABSENT: None
ALSO PRESENT: City Manager Dale Wiltse, Arenac County Treasurer Julie Hazeltine (left at 5:32 pm)

1). CALL TO ORDER
Meeting called to order by Chairman Nixon at 5:00 p.m.

2). ROLL CALL
Roll call noted Marcia Zoyiopoulos absent (entered 5:07 pm).

3). MINUTES
MOTION (Popovich) to approve TIFA Meeting minutes April 28, 2025; support (Borushko). Motion carried.

4). CITIZEN'S COMMENTS:
Julie Hazeltine, Arenac County Treasurer was present tonight to observe meeting only and to learn about TIFA.

5). OLD BUSINESS: None

6). NEW BUSINESS
<u>6.1 Informational Meeting to all Jurisdictions levying taxes subject to TIFA capture</u>
City needs to hold two informational meetings per year to all units who have TIFA capture withheld from taxes.
MOTION (Borushko) to open public hearing at 5:01 p.m.; support (Popovich). Motion carried.
No public comments.
MOTION (Borushko) to close public hearing at 5:07 p.m.; support (Popovich). Motion carried.

<u>6.2 Adopt Capital Project Listing 2025/26 year</u>
City Manager explained the MSHDA Housing Development. City was awarded $400,000 from MSHDA towards the purchase of four modular houses. Houses have been ordered and City paid a $100,000 deposit. Looking at end of November-December 2025 when houses will be on site. Hoping to get houses set and on my market ASAP to get TIFA money back into the account and to list before John Rollins who is building spec homes on four lots that he purchased in the same subdivision. City can ask for a draw of $100,000 to get started from MSHDA. MSHDA Grant does have an income criteria that one of the homes must be sold to someone with a 60% Area Median Income (AMI) and the other three at 120% AMI. Purchaser would need to own the house for five years.

<u>Borushko</u>: Would like to ask TIFA to spend $7000 on a Christmas light train display for his ACE Group. The display has been ordered and paid for and was hoping to apply for grant from the Arenac Community Funds and missed the deadline. Consensus of TIFA Board was for City to buy display in full from ACE Group and ACE Group will maintain and put up display yearly.

<u>Tolliver</u>: Waiting on bids from Ryan from Design Company on signs and Bilacic Trucking for parking lot improvements at the disc golf course. Received bid for t-pads, installation, etc at a cost of $62,000. Disc golfers plan to sell signs to raise money towards this expense. Would like to see line item added in the 2026/27 listing of $80,000 towards this project. Hoping to host 3 tournaments at the Au Gres course in the 2026 year and have a QR Code set up for donations. Disc golf committee members are Dan Tolliver and Nate Bladecki.

<u>Nixon:</u> Been in contact with Saginaw-Midland Water on their property on N Main Street. They have no problems with Car Cruisers using property and turning into a parking lot for overflow events. Only problem, the farmer to the South has encroached on Saginaw-Midland property and is farming the entire parcel. Will need to get in touch with the farmer and see if he would be willing to stop farming that portion; don't want an argument with farmer and property owners. Costs would be for culvert to extend driveway entrance and stone for parking lot. Other option would be to take out berm at City Park to add additional parking. Tom will get prices on both options but would like to see a line item of $50,000 added in the 25/26 capital projects listing for TIFA.

MOTION (Borushko) to approve additions on the capital project lasting for the 2025/26 year of $7,000 for ACE Group train display and $50,000 for overflow parking and for the 2026/27 year of $80,000 for disc golf improvements; support (Zoyiopoulos). Motion carried.

6.4 TIFA Commercial Property Improvement Grant

City Manager had in agenda packet a rough draft of the City's Commercial Property Improvement Grant. He would like to proceed with this grant and start accepting grant applications now. Grant will cap out at $10,000 with a 1:1 match from property owners. Suggest have an advisory board to go over applications and then recommend to TIFA board at the April meeting for approval.

Popovich: He feels City Council should approve applications and award grant; not TIFA Board.

Tollvier: Add verbage in application packet, if denied, can appeal to City Council.
Suggestion was to set up an Advisory Board with City Council, Planning Commission and TIFA Board members. Take out 3-year business plan required in the application packet. City Manager recommended that the TIFA Commercial Property Improvement Grant program be approved by City Council at the next meeting.

MOTION (Popovich) to approve TIFA Commercial Property Improvement Grant criteria submitted with modifications and appoint Advisory Board members as City Manager/Zoning Administer (Non-voting), City Council member John Popovich, TIFA Board member Dan Tolliver and Planning Commission member Tom Nixon; support (Borushko). Motin carried.

7). CITIZEN'S COMMENTS: None

8). CITY MANAGER COMMENTS: None

9). ADJOURNMENT

MOTION (Borushko) to adjourn meeting at 6:30 p.m. support (Popovich). Motion carried.

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Tom Nixon, Chairman LaVonne Pritchard, City Clerk

CITY OF AU GRES
TIFA MEETING
MONDAY, APRIL 28, 2025
5:00 PM

PRESENT: TIFA Board: Tom Nixon, Jon Sanford, John Popovich, Dan Tolliver, William Borushko, Marcia Zoyiopoulos, Allison Wiltse (entered 5:07 p.m.)
ABSENT: None
ALSO PRESENT: City Manager Dale Wiltse, Joe Warr, Jane Barbour, Dan Heinrich, Nate Bladecki

1). CALL TO ORDER
Meeting called to order by Chairman Nixon at 5:00 p.m.

2). ROLL CALL
Roll call noted all members present.

3). MINUTES
MOTION (Borushko) to approve TIFA Meeting minutes November 25, 2024; support (Popovich). Motion carried.

4). CITIZEN'S COMMENTS:
Nate Bladecki was present tonight to ask TIFA Board if they could help with some improvements to the disc golf course. They are in need of signs, picnic tables, tee pads and boxes. The course consists of a total of 20 holes. Nate can get a sign quote from Ryan at Design Company in Standish and come back to the next Park & Recreation meeting in May to discuss further. City never really knows who is in charge out there and what improvements are needed; just recently the City took over the mowing. If the disc golfers can create a committee and would be willing to put in some sweat equity for these improvements, city would be willing to put in some money.

5). OLD BUSINESS: None

6). NEW BUSINESS
6.1 Informational Meeting to all Jurisdictions levying taxes subject to TIFA capture
City Clerk explained that City needs to hold two informational meetings per year to all units who have TIFA capture withheld from taxes. Nobody else was present tonight for comments.

6.2 Adopt Capital Project Listing 2025/26 year
City Manager went through proposed 2025/26 list of projects included in packet. Big items moving forward this next fiscal year is the campground expansion Phase I, MSHDA Housing project, along with the Chapel & Michigan Avenue Park improvements. City received a $400,000 grant on the campground expansion from the DNR. City is in the running of receiving $400,000 from MSHDA towards our housing project if we get the missing paperwork done before the other two finalists. City needs a Phase I Environmental Study Done ASAP to secure funding.

Ballfields have been tiled already and hoping to have rest of work done this year and be playing ballgames on fields next year. City received a $10,000 grant from the 2% tribe for this project.

Tom Nixon suggested updating park pavilion bathrooms now that rest of pavilion looks so nice. Campground expansion probably won't start until after Car Show 2025 and will give the Cruisers one more year of parking. This will allow the City and the Cruisers a chance to work on obtaining parking from Saginaw Midland on their ROW; sounds like they would give permission but would include some work involved in putting in a culvert, driveway and gravel parking lot.

MOTION (Borushko) to adopt 5-year capital project listing as presented for the TIFA fund and recommend to City Council; support (Sanford). Motion carried.

6.3 Adopt TIFA Budget 2025/26 year
MOTION (Borushko) to adopt TIFA budget for fiscal year 2025/26 year as presented and recommend City Council to approve as well; support (Popovich). Motion carried.

6.4 TIFA Business Attraction Grant

City Manager had in agenda packet an example from Hillsdale on setting up a TIFA Business Attraction Grant. Dale feels that this is a good idea with so many new businesses coming in and sprucing up their buildings. City can set the criteria to their whatever; for restaurants, for façade improvements, the maximum dollar amount of the grant, how many grants awarded yearly, etc. Heard the new owners of the McDonald's building are struggling with renovations exceeding cost estimates for the post office; might just put back on the market for sale instead of trying to lease to post office. City would really hate to see post office close up or move outside city limits. This would be a grant and not a loan and would require a 50/50 match. Dale will send out several examples of the different programs and criteria out there to all TIFA members to take a look at and offer input and suggestions for our own grant. Once come up with our own application, suggestion would be to run by City Attorney and City Council. Might have to meet sooner than the fall TIFA meeting to approve application and start application process.

7). CITIZEN'S COMMENTS: None

8). CITY MANAGER COMMENTS: None

9). ADJOURNMENT

MOTION (Borushko) to adjourn meeting at 5:52 p.m. support (Popovich). Motion carried.

______________________________ ______________________________

Tom Nixon, Chairman LaVonne Pritchard, City Clerk

CITY OF AU GRES

TAX INCREMENT FINANCE AUTHORITY

2015 AMENDED

DEVELOPMENT AND TAX INCREMENT FINANCING PLAN

Prepared By:

Axe & Ecklund, P.C.
21 Kercheval Avenue, Suite 360
Grosse Pointe Farms, MI 48236
(313) 884-1550

Project Engineers
Shellenbarger Engineering and Surveying, P.C.
5910 North Hagadorn Road
East Lansing, MI 48823

Dated:

July 29, 2015

Approved by City Council

Oct 6, 2015

LIST OF OFFICIALS

TAX INCREMENT FINANCE AUTHORITY BOARD

1. Ron Christie, Chairman
2. Dennis Nixon, Vice Chairman
3. Eathel Davis, Secretary
4. La Vern Dittenber
5. Tim Kelley
6. Tom Ennes
7. Marvin Ittner
8. William Borushko

DEVELOPMENT AREA CITIZENS COUNCIL*

1. William Richardson
2. Caryle Baum
3. Rene Torella
4. Dale Dittenber
5. Peter Quigley
6. Terri Wilk
7. Theresa Quigley
8. Harold O'Neil
9. Diane Lynch

ALTERNATES

1. Donn Engelhardt
2. Chris Orman
3. Dale Mc Court
4. Jean Grabowski

CITY COUNCIL

1. William Borushko, Mayor
2. Keith Edmonds, Mayor Pro Tem
3. Robert Proulx
4. Linda Martin
5. Danny Pockrandt

*Original Members

DEVELOPMENT PLAN AS AMENDED IN 2015

a. Designation of the Boundaries of the Development Area in Relation to the Boundaries of the Authority District

Unchanged, this was set forth on page 3 of the Tax Increment Development Plan and Financing Plan adopted by the City Council on December 17, 1985. A new, updated copy is attached as Appendix A.

b. Designation of the Boundaries of the Development Area in Relation to Highways, Streets, or Otherwise

Unchanged, this is set forth in the Tax Increment Development Plan and Financing Plan adopted by the City Council on December 17, 1985. A new, updated copy is attached as Appendix B.

c. The location and extent of existing streets and other public facilities within the development area and the location, character, and extent of the categories of public and private land uses then existing and proposed for the development area, including residential, recreational, commercial, industrial, educational, and other uses and shall include a legal description of the development area

Unchanged. This is set forth in the Tax Increment Development Plan and Financing Plan adopted by the City Council on December 17, 1985. A new, updated copy is attached as Appendix C.

d. A description of improvements to be made in the development area, a description of any repairs and alterations necessary to make those improvements, and an estimate of the time required for completion of the improvements

1. Court Street - Storm and Sanitary Sewer; Street and Sidewalk Improvements

South of Michigan Avenue, Court Street improvements will extend approximately 1300 feet. New construction will include storm sewer, catch basins, curb and gutter, asphalt road and sidewalks. A portion of storm water runoff will be discharged into the Michigan Avenue storm sewer. The Southerly area drainage within the Court Street road improvement project will discharge Easterly into an existing storm drainage line leading to the Au Gres River. Approximately 2500 feet of new gravity flow sanitary sewer will be constructed along Court Street between the school property and South Street. At approximately half the distance there will be a separation between collection line ends; half of the wastewater collected will be routed Northerly into an existing collection manhole; the other half will be routed Southerly to a new collection line within South Street. Existing ditches will be eliminated by constructing a storm sewer and enclosing the ditch as part of road reconstruction

Total Estimated Cost	$380,000
Time for Completion:	6 Years

2. **Main Street**

North of US 23, Main Street improvements include storm sewer, curb and gutter, park entrances and sidewalks. Approximately 1200 feet of storm sewer, and 3000 feet of curb and gutter will replace an existing open ditch surface water drainage pattern. Runoff collected within a Main Street storm sewer will be routed Westerly, into the Au Gres River. Approximately 3000 feet of sidewalk will be constructed along Main Street and into the City Park, in areas where currently there is no pedestrian walkways.

Estimated costs are as follows:

Main Street N. of US 23

Storm Sewer	$ 35,000
Sidewalk	35,000
Curb & Gutter	60,000
Bike Path	-0-
Time for Completion:	6 years

3. **Yacht Club Midshipman Drive**

Approximately 4000 lineal feet of new, five-feet wide concrete sidewalk will be constructed along one side of Midshipman Drive. This project will provide pedestrians a designated walkway location from the South Street area, Southeasterly into the Yacht Club development. Project cost is estimated to be approximately $55,000.

Time for Completion:	3 years

4. **Industrial Park**

Essentially this is the Industrial Park Project. To date the City has plotted the industrial park as a site condominium layout and constructed a partial entrance, Industrial Drive, with utilities that dead end (water, storm, sanitary and road).

To complete the Industrial Park this project will develop Industrial Drive throughout the park, looping back to Court Street. Each site condominium unit will be provided with complete utilities service, including road, storm sewer, water, fire protection, sanitary sewer, gas, electric, cable and phone. The total estimated cost for complete development of the Industrial Park is $600,000.

Total Estimated Cost:	$600,000
Time for Completion:	3 years

5. **US 23 Corridor Improvements**

This project description should supersede the "Old" US 23 Corridor description because it includes US23, in the downtown area, but also expands the corridor improvements along lateral streets including Court Street, Saginaw Street, Luke Street and Water Street. The Corridor Improvement project implements the Michigan concept of "Complete Street." Complete Street design incorporates promotion of healthy oriented layouts including bike paths, pedestrian and bike crossings. Other corridor improvements include tree plantings, off-street parking facilities, farm market and equipment for sidewalk maintenance and snow removal. The total estimates cost for complete development of the corridor project is $600,000.

Total Estimated Cost:	$600,000
Time for Completion:	6 years

6. **Future Off Street Parking Improvements**

It is felt that there will be a need for off street parking if improvements to US-23 are implemented and on street parking is prohibited.

Additional parking is needed in several locations including an off street lot near the Post Office. This new parking lot would consolidate the existing Post Office parking with the new parking to create a large landscaped lot accessible from US-23 and Saginaw Street.

Total Estimated Cost	$100,000
Time for Completion:	6 years

7. **Visitor's Information Center**

Several public features have been proposed to provide amenities and character that will make AU GRES a desirable setting for businesses. One feature includes a Visitor's Information Center. This improvement will contribute to an enhanced quality of life that is important in attracting and retaining business and visitors.

With the continued development of US 23 Heritage Route and Sunrise Coast promotion of US 23 from Arenac County to Mackinaw City, it is vital that Au Gres position itself as a destination for visitors. A Visitor's Information Center will assist attracting visitors off the freeway and invite them to visit the Au Gres Community.

Total Estimated Cost	$ 75,000
Time for Completion:	3 years

8. **City Park/And Recreation Improvements**

Proposed improvements for the City Park located on Main Street north of US-23 include the following:

(a) **Landscape Improvements**
Landscape screening is proposed along the northern boundary of the park and between the park and Bobb-Busch property to the south.

Total Estimated Cost	$ 20,000
Time for Completion:	2 years

(b) **Sanitary Sewers**
The addition of sanitary sewers in the campground to serve individual campsites will eliminate the current need for campers to use self-contained waste receptacles and dispose of those into a single on-site facility. This will make the campground more attractive, particularly to "long-term" campers. Sewer hookups will also help minimize any potential ground contamination problems from dumping or spillage of waste water.

Total Estimated Cost	$200,000
Time for Completion:	2 years

9. City of Au Gres Parks & Recreation Master Plan Miscellaneous Items, listed and adopted Recreation Master Plan, 2007

(a) Play equipment, improvements to ball fields, signage, seating & re-surface tennis courts..$80,000

(b) Frisbee Golf Course Development....................................$50,000

(c) Bike and walking paths (Parks)...$30,000

(d) Bandshell at Parks$80,000

(e) Blueway/Paddle Trail Au Gres River including signage $35,000

(f) Soccer Field Improvements, including seating, parking, lighting..$50,000

(g) Parks & Recreation Master Plan Update..............................$12,500

(h) Continue Development of pathway trails throughout Au Gres..$275,000

(i) Kinderplatz Park Enhancements Bldg., restrooms, play equipment...$110,000

(j) Riverfront Park Pavilion Development...............................$200,000

ADDITIONAL PROJECTS

10. PARKS

This project will upgrade existing and develop new park properties owned by the City of AuGres. Various upgrades and estimated costs include:

Christmas Decorations: Purchase Christmas decorations to be installed seasonally throughout the parks ($25,000).

Tree Plantings: Purchase and install various types of decorative and evergreen trees throughout all parks ($10,000).

Total Estimated Cost for Project 1 = $35,000.

Time for Completion = 6 years.

11. STREETS/DOWNTOWN/ECONOMIC DEVELOPMENT

An overall goal of the City is to improve the downtown area and attract economic development. Several construction segments will be implemented:

Downtown Streetscape Improvements: Colored brick pavers ($15,000).

Christmas decorations for streets ($10,000).

Main Street: Two segments of Main Street have been previously resurfaced (intersection with Baum Road and intersection with US 23). Along the remaining portions of Main Street, this project will upgrade storm sewer and resurface all of Main Street with new HMA and pavements markings ($608,800).

Of this amount, the City will apply for a potential 80% grant thru the MDOT local road programs.

If successful, the City would be responsible for 20% of estimated costs.

Industrial Park: This project is within Item d.1 of the existing Development Plan (No new cost).

US-23 Irrigation System: Along US 23 and other focal points, an underground irrigation system will be installed to water trees, seasonal plantings and landscaping ($40,000).

Downtown Façade Grants: Several years ago, the City received a downtown façade grant thru MDOT. The project required business owners to pay for a portion of façade construction, which decreased interest from business owners. Just one business participated.

This project will pay for costs of the application, design and implementation of the program, reducing the business owner share, with the intent of increasing business owner interest ($50,000).

Street Trees: Throughout City streets, trees will be planted to enhance existing landscape ($25,000).

Parking Lots: This planned improvement is included within Item d.6 of the existing Development Plan (No new costs).

Boulevard US 23: This planned improvement is included within Item d.5 of the existing Development Plan.

City Wide Signage: Replace and upgrade signage (street names, intersections, stop and yield, pedestrian crossings, speed, school zones) throughout City limits ($5,000).

Waterfront Development/Acquisitions: The intention with this project is to acquire property for access to the AuGres River (and Lake Huron), as properties become available. Examples of existing sites where the City previously acquired waterfront access include the South end of Main Street and AuGres River Drive. These sites are landscaped with decks and provide access for small watercraft such as canoes and kayaks ($50,000).

Total Estimated Cost for Project 2 = $803,800.

Time for Completion = 6 years.

12. INFRASTRUCTURE/MAINTENANCE/MISCELLANEOUS

Undeveloped areas within City limits do not have water and sewer service. Several properties have become foreclosed upon by lenders and are available for purchase or are vacant and for sale by property owners. This project involves extending utilities services to undeveloped areas and acquiring key properties to be used as economic development incentives:

Sewer and Water Main Extensions ($150,000).

Property Acquisition ($150,000).

Total Estimated Cost for Project 3 = $300,000.

Time for Completion = 6 years.

13. CITY BUILDINGS

Municipal Buildings: Project 4 lumps together "repair and replacement" costs for all municipal buildings. Ongoing expenses include funds for replacement of roofs, windows, doors, driveways, parking lots, electrical, plumbing, flooring, HVAC systems, communication systems and other building infrastructure needs ($200,000).

Total Estimated Cost for Project 4 = $200,000.

Time for Completion = 10 years.

14. MISCELLANEOUS

Project 5 consists of City planning for eight (8) miscellaneous projects and purchases:

Clean out sewer ponds: Involves a DEQ permit, bid process for cleaning contractors, the removal of biosolids and injection into farmland, inspection of underlying liner ($110,000).

Paint water tower: Includes preparation of details, specifications and bid documents, DEQ permit, competitive bid process for construction contract ($150,000).

Purchase new digital reads for water/sewer meters: Replacement of existing meter heads with automatic read equipment ($70,000).

Restore harbor facilities ($20,000).

Herman Street resurface ($45,000).

Total Estimated Cost for Project 5 = $395,000.

Time for Completion = 6 years.

Total Estimated Cost: **$4,816,300**

e. **The location, extent, character, and estimated cost of the improvements including rehabilitation contemplated for the development area and an estimate of the time required for completion**

See (d) above

f. **A statement of the construction or stages of construction planned, and the estimated time of completion of each stage**

See (d) above

g. **A description of any parts of the development area to be left as open space and the use contemplated for this space**

Unchanged from original plan

h. **A description of any portions of the development area which the authority desires to sell, donate, exchange, or lease to or from the municipality and the proposed terms**

None

i. **A description of desired zoning changes and changes in streets, street levels, intersections, and utilities**

None

j. **An estimate of the cost of the development, a statement of the proposed method of financing the development, and the ability of the authority to arrange the financing**

See Tax Increment Financing Plan

k. **Designation of the person or persons, natural or corporate, to whom all or a portion of the development is to be leased, sold, or conveyed and for whose benefit the project is being undertaken, if that information is available to the authority**

None

l. **The procedures for bidding for the leasing, purchasing, or conveying of all or a portion of the development upon its completion, if there is no express or implied agreement between the authority and persons, natural or corporate, that all or a portion of the development will be leased, sold, or conveyed to those persons**

Not Applicable

m. **Estimates of the number of persons residing in the development area and the <u>number of families and individuals to be displaced</u>**

220 persons reside in the Development Area. None are to be displaced.

n. **A plan for establishing priority for the relocation of persons displaced by the <u>development in any new housing in the development area</u>**

Not Applicable

o. **Provision for the costs of relocating persons displaced by the development, and financial assistance and reimbursement of expenses including litigation expenses and expenses incident to the transfer of title, in accordance with the standards and provisions of the federal uniform relocation assistance and real property acquisition <u>policies act of 1970, 2 U.S.A.. 4601 to 4655</u>**

Not Applicable

p. **A plan for compliance with Act No. 227 of the Public Acts of 1972, being sections <u>213.321 to 213.332 of the Michigan Compiled Laws</u>**

Not Applicable

q. **Other material which the authority, local public agency, or governing body <u>considers pertinent</u>**

None

TAX INCREMENT FINANCING PLAN

(a) A statement of the reasons that the plan will result in the development of captured assessed value that could not otherwise be expected.

The City of Au Gres Tax Increment Finance Authority has determined it is necessary to amend the development plan and tax increment financing plan, originally adopted by the City Council on December 17, 1985, amended on March 28, 1996, and Dec 6, 2011, to prevent a decline of growth which could lead to a general decline in property values. The various projects outlined in the development plan will encourage private investment in building improvements, expansion, and new construction.

(b) An estimate of the captured assessed value for each year of the plan.

The actual captured assessed value for 2015 is $295,850. The estimate of the future captured assessed value after 2015 (assuming an no increase in SEV over the remaining years of the Plan) is $295,850.

(c) The estimated tax increment revenues for each year of the plan.

The estimated tax increment revenues for the total remaining years of the Plan include no amounts to be captured from school taxes (as there are no eligible obligations issued prior to August of 1993). The only captured taxes are City taxes, County Taxes, Taxes from the Au Gres-Sims Whitney Fire Authority and Taxes from Iosco – Arenac Library and Iosco County Road Millage. These estimates are based on 2015 estimated capture (see Appendix D) and assume that there will be no annual increase.

Estimates of Amounts
Necessary to Retire to Existing Obligations

It is estimated that the amounts shown below will be needed to pay of the existing obligations of the Authority. The balance shown below will be available to use for the projects approved in the development plan either in cash or to be used to retire bonds issued for that purpose.

Estimated Revenues from Captured Taxes
Available to be Used for New Projects

The unallocated Fund cash balance on June 30, 2015 was $ 200,275. This is available for expenditure on the Development Plan.

In addition, the following amounts are estimated to be available for expenditures on the Development Plan in future years.

Year Ending June 30	Total Estimated Revenues	Due on Prior Obligations	Balance Available for Expenditure on Plan
2016	$295,850.00	$ 45,252.50	$250,597.50
2017	$295,850.00	$ 38,910.00	$256,940.00
2018	$295,850.00	$ 42,520.00	$253,330.00
2019	$295,850.00	$ 41,015.00	$254,835.00
2020	$295,850.00	$ 39,501.25	$256,348.75
2021	$295,850.00	$ 42,860.00	$252,990.00
2022	$295,850.00	$ 45,990.00	$249,860.00
2023	$295,850.00	$ 0	$295,850.00
2024	$295,850.00	$ 0	$295,850.00
2025	$295,850.00	$ 0	$295,850.00
2026	$295,850.00	$ 0	$295,850.00
2027	$295,850.00	$ 0	$295,850.00
2028	$295,850.00	$ 0	$295,850.00
2029	$295,850.00	$ 0	$295,850.00
2030	$295,850.00	$ 0	$295,850.00
2031	$295,850.00	$ 0	$295,850.00
2032	$295,850.00	$ 0	$295,850.00
2033	$295,850.00	$ 0	$295,850.00
2034	$295,850.00	$ 0	$295,850.00
2035	$295,850.00	$ 0	$295,850.00
2036	$295,850.00	$ 0	$295,850.00
2037	$295,850.00	$ 0	$295,850.00
2038	$295,850.00	$ 0	$295,850.00
2039	$295,850.00	$ 0	$295,850.00
2040	$295,850.00	$ 0	$295,850.00

(d) A detailed explanation of the tax increment procedure.

Tax increment financing permits the Authority to capture tax increment revenues attributable to increases in the value of real and personal property resulting from the acquisition and construction of property as defined in Act 450. Property value increases may or may not be directly attributable to the construction of the public facilities.

At the time the original tax increment financing plan was approved by the City Council the value of the eligible property to which the plan pertains (the "Initial Assessed Value") was established. The Initial Assessed Value is the State Equalized Value of the eligible property on that date.

In each subsequent year for the duration of the tax increment financing plan the "Current Assessed Value" of the eligible property will be determined. The Current Assessed Value for each year is the State Equalized Value of the eligible property for that year.

The amount by which the Current Assessed Value exceeds the Initial Assessed Value in any one year is the "Captured Assessed Value". For the duration of the tax increment financing plan the local taxing jurisdictions will continue to receive tax revenues based upon the Initial Assessed Value. The Authority, however, receives that portion of the tax levy of all taxing jurisdictions paid each year on the Captured Assessed Value of the eligible property included in the tax increment financing plan.

For example, in year one (1985) a tax increment financing plan relating to eligible property having a state equalized value of $1,000,000 has been established. The Initial Assessed Value was $1,000,000. Assume that the tax rate applicable to the eligible property is 21.27 mills. In year one no taxes on the eligible property will be paid to the Authority. In year two, because of the construction of eligible property, the state equalized valuation of the eligible property is $2,000,000. The Current Assessed Value in year 1985 is $2,000,000 and the captured Assessed Value of $1,000,000 ($2,000,000 less than the Initial Assessed Value of $1,000,000). The Authority would receive tax increments of $21,270 (21.27 mills times $1,000,000). The jurisdictions would receive $21,270 (21.27 mills times $1,000,000 which represents the Initial Assessed Value. In each subsequent year for the duration of the tax increment financing plan a similar computation would be made.

(e) The maximum amount of bonded indebtedness to be incurred.

The Authority and the City may issue bonds to finance some or all of the costs of any of the various projects described in the Development Plan. The actual amount of bonds to be issued will not exceed the total amount of bonds which can be repaid from the net TIF revenues to be collected in years ending June 30, 2016 through June 30, 2040 after the payment of prior obligations. The actual total principal amount of bonds which can be issued will depend upon the actual revenues in future years and the prevailing interest rates at the time the bonds are issued. At this time, it is not possible to specify a minimum or maximum amount except by reference to the estimated revenues to be collected. A pro forma bond issue using all of the estimated captured revenues and assuming an interest rate of _____% per annum is set forth on Appendix F. There may be several bond issues at various points and the capital interest rate on the issue or issue may be lower to higher than _____% per annum. If it is lower, more bonds could be issued than are shown.

(f) The amount of operating and planning expenditures of the authority and municipality, the amount of advances extended by or indebtedness incurred by the municipality, the amount of advances by others to be repaid from tax increment revenues.

These amounts are not yet established. The City may issue bonds to be paid in part from TIF revenues and, if so, these will be included in the maximum amount of bonded indebtedness.

(g) The costs of the plan anticipated to be paid from tax increment revenues as received.

This amount will vary depending upon the actual amount of bonds to be issued.

(h) The duration of the development plan and the tax increment financing plan.

The original development plan and tax increment plan adopted December 17, 1985 provided for capturing assessed value through June 30, 2004. The 2011 amended development plan and tax increment financing plan extended to June 30, 2035.

(i) An estimate of the impact of tax increment financing on the revenues of all taxing jurisdictions in which the development area is located.

The Amended Tax Increment Financing Plan will impact the City and County tax revenues by continuing to capture such revenues between the years 2011 and 2040. This will have the effect of reducing those tax revenues. However, the improvements made under the Development Plan may result in further future valuation increases for years after 2035, which will make up for the lost revenue. The impact of this continued capture is estimated in Appendix F. The amounts shown there will, assuming the increases projected, be lost revenues to the City, County and other taxing jurisdictions where taxes are captured.

APPENDIX D

CITY OF AU GRES

2016 Capture TV - $11, 400,000

ESTIMATED TIF COLLECTION

Unit	Millage Amount	Capture	Total Collection
City of AuGres	16.7558	$ 11,400,000	$ 191,000
Iosco Arenac Library	.4912	$ 11,400,000	$ 5,600
County of Arenac	6.7056	$ 11,400,000	$ 76,450
Fire Authority	1.0	$ 11,400,000	$ 11,400
County Road	1.0	$ 11,400,000	$ 11,400
Total Capture			$ 295,850

Estimated figures based on estimates from 2015 tax values and 2015 tax rates.

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MFCI

$995,000
CITY OF AU GRES
CAPITAL IMPROVEMENT BONDS, SERIES 2015

ESTIMATED DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total Debt Service	Annual Total
05/01/16	$55,000.00	2.00%	$14,300.00	$69,300.00	$69,300.00
11/01/16			13,750.00	13,750.00	
05/01/17	55,000.00	2.00%	13,750.00	68,750.00	82,500.00
11/01/17			13,200.00	13,200.00	
05/01/18	60,000.00	2.00%	13,200.00	73,200.00	86,400.00
11/01/18			12,600.00	12,600.00	
05/01/19	60,000.00	2.50%	12,600.00	72,600.00	85,200.00
11/01/19			11,850.00	11,850.00	
05/01/20	60,000.00	2.50%	11,850.00	71,850.00	83,700.00
11/01/20			11,100.00	11,100.00	
05/01/21	60,000.00	2.50%	11,100.00	71,100.00	82,200.00
11/01/21			10,350.00	10,350.00	
05/01/22	65,000.00	3.00%	10,350.00	75,350.00	85,700.00
11/01/22			9,375.00	9,375.00	
05/01/23	65,000.00	3.00%	9,375.00	74,375.00	83,750.00
11/01/23			8,400.00	8,400.00	
05/01/24	65,000.00	3.00%	8,400.00	73,400.00	81,800.00
11/01/24			7,425.00	7,425.00	
05/01/25	70,000.00	3.00%	7,425.00	77,425.00	84,850.00
11/01/25			6,375.00	6,375.00	
05/01/26	70,000.00	3.25%	6,375.00	76,375.00	82,750.00
11/01/26			5,237.50	5,237.50	
05/01/27	75,000.00	3.25%	5,237.50	80,237.50	85,475.00
11/01/27			4,018.75	4,018.75	
05/01/28	75,000.00	3.25%	4,018.75	79,018.75	83,037.50
11/01/28			2,800.00	2,800.00	
05/01/29	80,000.00	3.50%	2,800.00	82,800.00	85,600.00
11/01/29			1,400.00	1,400.00	
05/01/30	80,000.00	3.50%	1,400.00	81,400.00	82,800.00
	$995,000.00		$250,062.50	$1,245,062.50	$1,245,062.50

Interest Start Date (Dated Date): 11/01/15

PERIOD ENDING 06/30/2025

GL NUMBER	DESCRIPTION	PERIOD BALANCE DR (CR)	2024-25 AMENDED BUDGET	AVAILABLE BALANCE NORMAL (ABNORMAL)
Fund 247 - TAX INCREMENT FINANCE AUTHORITY				
Revenues				
TOTAL REVENUE				
247-000-402.000	CURRENT PROPERTY TAXES-REAL	(331,344.33)	310,000.00	(21,344.33)
247-000-410.000	CURRENT PROPERTY TAX-PERSONAL	(1,189.47)	1,000.00	(189.47)
247-000-437.000	INDUSTRIAL FACILITY ACT 198	0.00	0.00	0.00
247-000-445.000	INTEREST & PENALTIES/TAXES	0.00	0.00	0.00
247-000-581.000	CONTRIBUTION FROM STATE	0.00	0.00	0.00
247-000-581.101	CONTRIBUTION FROM GENERAL FUND	0.00	0.00	0.00
247-000-581.202	CONTRIBUTION FROM MAJOR STREET	0.00	0.00	0.00
247-000-581.203	CONTRIBUTION FROM LOCAL STREET	0.00	0.00	0.00
247-000-581.401	CONTRIBUTION FROM CAPITAL PROJECTS	0.00	0.00	0.00
247-000-581.590	CONTRIBUTION FROM SEWER FUND	0.00	0.00	0.00
247-000-581.591	CONTRIBUTION FROM WATER FUND	0.00	0.00	0.00
247-000-665.000	INTEREST EARNINGS	(33,076.75)	24,000.00	(9,076.75)
247-000-670.000	OTHER REVENUE	(54,953.52)	40,000.00	(14,953.52)
247-000-699.100	APPROPRIATED FUND BALANCE	0.00	465,210.00	465,210.00
TOTAL REVENUE		(420,564.07)	840,210.00	419,645.93
TOTAL REVENUES		(420,564.07)	840,210.00	419,645.93
Expenditures				
LEGISLATIVE				
247-733-702.000	WAGES-ADMINISTRATIVE	26,845.58	30,000.00	3,154.42
247-733-704.000	DPW-MTNCE-STREETSCAPE	13,572.42	20,000.00	6,427.58
247-733-725.000	FRINGE BENEFITS	15,331.05	16,000.00	668.95
247-733-727.000	MTNCE/EXP-STREETSCAPE/BRIDGE	10,056.25	20,000.00	9,943.75
247-733-752.000	SUPPLIES-ADMINISTRATIVE	362.61	1,000.00	637.39
247-733-801.000	PROFESSIONAL SERVICES	18,153.12	4,000.00	(14,153.12)
247-733-861.000	TRANSPORTATION/SEMINARS	0.00	0.00	0.00
247-733-900.000	PRITING & PUBLICATIONS	0.00	0.00	0.00
247-733-933.000	COMPUTER MAINTENANCE	600.00	1,100.00	500.00
247-733-940.000	EQUIPMENT RENTAL	8,900.58	12,000.00	3,099.42
247-733-946.000	ENGINEERING SERVICES	0.00	0.00	0.00
247-733-963.000	TIFA INFLATION	5,407.38	5,500.00	92.62
247-733-964.000	REFUNDS	0.00	0.00	0.00
247-733-965.000	REFUND COUNTY-TAX TRIBUNAL	0.00	2,500.00	2,500.00
247-900-970.000	CAPTIAL OUTLAY	120,875.36	652,500.00	531,624.64
247-905-991.000	2015 CAPITAL IMPROVEMENT BOND PRINCIPAL	0.00	0.00	0.00
247-905-993.000	AGENT FEES-2015 CAPITAL IMPT	0.00	0.00	0.00
247-907-991.000	PRINC 98 BLDG AUTHORITY-PARK	0.00	0.00	0.00
247-907-992.000	INTEREST 98 BLDG AUTHORITY	0.00	0.00	0.00
247-907-993.000	AGT FEE 98 BLDG AUTHORITY-PARK	0.00	0.00	0.00
247-965-995.101	CONTRIBUTION TO GENERAL FUND	48,610.00	48,610.00	0.00
247-965-995.202	CONTRIBUTION TO MAJOR STREET	2,000.00	2,000.00	0.00
247-965-995.203	CONTRIBUTION TO LOCAL STREET	25,000.00	25,000.00	0.00
247-965-995.401	CONTRIBUTION TO CAPITAL PROJECTS	0.00	0.00	0.00
247-965-995.508	CONTRIBUTION TO PARK	0.00	0.00	0.00
247-965-995.591	CONTRIBUTION TO WATER FUND	0.00	0.00	0.00
LEGISLATIVE		295,714.35	840,210.00	544,495.65
TOTAL EXPENDITURES		295,714.35	840,210.00	544,495.65
Fund 247 - TAX INCREMENT FINANCE AUTHORITY:				
TOTAL REVENUES		420,564.07	840,210.00	419,645.93
TOTAL EXPENDITURES		295,714.35	840,210.00	544,495.65
NET OF REVENUES & EXPENDITURES		124,849.72	0.00	(124,849.72)