City of Au Gres

Financial Statements

June 30, 2026

YEO & YEO

BUSINESS SUCCESS
PARTNERS

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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, 2026, 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, 2026, 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.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, during the year ended June 30, 2026, the City adopted new accounting guidance, GASB Statement No. 103, *Financial Reporting Model Improvements*. Our opinions are not modified with respect to this matter.

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 31, 2026, 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 31, 2026

As management of the City of Au Gres (the City), we offer the residents and other readers of the City's financial statements this management discussion and analysis (MD&A). The MD&A provides a narrative overview and analysis of the financial statements of the City for the fiscal year ended June 30, 2026, focusing on why amounts changed from the prior year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a board overview of the City's finances, in manner similar to private-sector business. The government-wide financial statements include the governmental activities, the business-type activities and the City's discretely presented component units.

The *statement of net position* presents financial information on the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, health and welfare, community and economic development, and recreation and culture. The business-type activities of the City include water and sewer operations.

The government-wide financial statements can be found on pages 3-1 through 3-2 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the Library can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as a on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund. Local Street Fund and Library Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining fund statements and schedules section of this report.

The basic governmental fund financial statements can be found on pages 3-3 through 3-6 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its park, water and sewer operations, and boat access and harbor. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the equipment motor pool.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 3-7 through 3-9.

Fiduciary Funds

Fiduciary funds are used to account for resources for which the City acts as a trustee or custodian. Resources held in fiduciary funds are not available to support the City's own programs and therefore, are not reported in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains two fiduciary funds. The *pension (and other employee benefit) trust funds* are used to report resources held in trust for retirees and beneficiaries. The custodial funds report resources, not in a trust, which are held by the City for other parties outside of the City's reporting entity.

The fiduciary fund financial statements can be found on pages 3-10 through 3-11 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements. The City uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies). The notes to the financial statements can be found on pages 3-12 through 3-33 of this report.

Other Information
In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information*. The City presented budgetary comparison schedules for the General Fund, the Major and Local Street Funds and the Library Fund; and the City's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements on page 4-1 through 4-16.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on budgetary comparisons, and pension and OPEB. Combining fund statements and schedules can be found on pages 5-1 through 5-3.

Financial Summary and Detailed Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred inflows of resources exceeded liabilities and deferred inflows of resources by $10,189,726, at the close of the most recent fiscal year, an increase of $566,068 from the previous year.

City of Au Gres' Net Position

	Governmental Activities		Business-type Activities		Total	
	2026	2025	2026	2025	2026	2025
Assets						
Current and other assets	$ 3,262,295	$ 3,046,778	$ 2,697,949	$ 2,877,541	$ 5,960,244	$ 5,924,319
Capital assets	2,771,096	2,684,430	2,025,847	1,753,377	4,796,943	4,437,807
Total assets	6,033,391	5,731,208	4,723,796	4,630,918	10,757,187	10,362,126
Deferred outflows of resources	51,930	89,611	31,830	54,923	83,760	144,534
Liabilities						
Current liabilities	74,204	49,505	139,307	136,008	213,511	185,513
Long-term liabilities	334,778	549,414	-	143,689	334,778	693,103
Total liabilities	408,982	598,919	139,307	279,697	548,289	878,616
Deferred inflows of resources	63,546	2,632	39,386	1,754	102,932	4,386
Net assets						
Net investment in capital assets	2,777,825	2,610,353	2,025,847	1,753,377	4,803,672	4,363,730
Restricted	1,416,704	1,333,437	35,018	-	1,451,722	1,333,437
Unrestricted	1,418,264	1,275,478	2,516,068	2,651,013	3,934,332	3,926,491
Total net position	$ 5,612,793	$ 5,219,268	$ 4,576,933	$ 4,404,390	$ 10,189,726	$ 9,623,658

By far the largest portion of the City's net position, $4,803,672, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another significant portion of the City's net position, $1,451,722 represents resources that are subject to external restrictions on how they may be used. As of the end of the current year, the City's unrestricted net position was a positive balance of $3,934,332.

Governmental Activities
Capital assets increased in governmental activities by $88,666 from the prior year. The increase was due to

sidewalk improvements. Additionally, land was purchased during the year for the construction of new houses.

Other liabilities in governmental activities decreased by $214,636 from the previous year. This was the result of the City paying down on the one outstanding bond.

Business-Type Activities
Capital assets increased in business-type activities by $272,470. During the current year, the City started construction on an additional 28 campsites as well as building ADA Cabins.

City of Au Gres' Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2026	2025	2026	2025	2026	2025
Revenue						
Program revenue						
Charges for services	$ 118,314	$ 116,321	$ 948,844	$ 886,852	$ 1,067,158	$ 1,003,173
Operating grants and contributions	415,854	284,206	-	17,500	415,854	301,706
Capital grants and contributions	4,361	1,677	44,135	-	48,496	1,677
General revenue						
Property taxes	508,923	503,009	-	-	508,923	503,009
State-shared revenue	110,487	114,976	-	-	110,487	114,976
Unrestricted investment earnings	78,968	103,310	56,314	67,059	135,282	170,369
Gain on sale of capital assets	66,920	-	-	-	66,920	-
Transfers	15,000	15,000	110,266	(15,000)	125,266	-
Miscellaneous	10,889	7,907	(15,000)	108,077	(4,111)	115,984
Total revenue	1,329,716	1,146,406	1,144,559	1,064,488	2,474,275	2,210,894
Program expenses						
General government	290,540	127,334	-	-	290,540	127,334
Public safety	55,531	49,065	-	-	55,531	49,065
Public works	365,921	377,632	-	-	365,921	377,632
Health and welfare	43,096	-	-	-	43,096	-
Community and economic development	414	-	-	-	414	-
Recreation and culture	167,134	212,200	-	-	167,134	212,200
Interest on long-term debt	13,555	15,748	-	-	13,555	15,748
Water, sewer, park and boat access harbor	-	-	972,016	831,888	972,016	831,888
Total program expenses	936,191	781,979	972,016	831,888	1,908,207	1,613,867
Increase (decrease) in net position	$ 393,525	$ 364,427	$ 172,543	$ 232,600	$ 566,068	$ 597,027

Governmental Activities
During the current fiscal year, net position for governmental activities increased $393,525 from the prior year. Revenues increased by about $183,310 from the prior year. This was mainly due to a large gain on the sale of several assets, along with an increase in operating grants and contributions during the year. Expenses increased during the year by about $154,212 from the prior year.

Business-Type Activities
For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased by $172,543. Total revenues increased by $80,071 from the prior year due to increased water and sewer rates. Expenses increased by $140,128 from the prior year due to increased repairs on water and sewer infrastructure due to aging system and equipment.

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 increased effective July 1, 2025. Additionally, the City signed a new water contract with Au Gres Township through 2045.

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 increased 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 started construction of an additional 28 sites as well as moved the ballfields to a central location and started 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.

Detailed Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City reports four major funds individually in the governmental fund financial statements, the General Fund, the Major Street Fund, the Local Street Fund, and the Library Fund.

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.

Detailed Analysis of Enterprise Funds

The City reports three enterprise funds as major funds in the proprietary fund financial statements, the Sewer Fund, the Water fund, and the Park Fund.

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 and 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.

Significant Capital Asset and Long-Term Financing Activity

At the end of fiscal year 2026, the City has $4,796,943, 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 $2,771,096.

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.

Currently Known Facts, Decisions or Conditions

City officials are still dealing with the aftermath of 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.

City is finishing construction of four new homes in the Southcourt Estates subdivision to be sold to add to tax base and increase housing in the City.

Request for Information

This financial report is designed to provide a general overview of the City of Au Gres' finances and to show all those with an interest in the government's finances. 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, 2026

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Cash and cash equivalents	$ 2,518,241	$ 2,843,455	$ 5,361,696	$ 234,282
Investments	75,882	-	75,882	-
Receivables				
Accounts	4,019	122,368	126,387	-
Taxes	47,568	-	47,568	75,101
Interest	-	182	182	-
Notes receivable	201,600	-	201,600	-
Due from other units of government	49,137	6,876	56,013	-
Internal balances	309,950	(309,950)	-	-
Capital assets not being depreciated	323,706	433,735	757,441	1,271,171
Capital assets, net of accumulated depreciation	2,447,390	1,592,112	4,039,502	565,041
Net pension asset	41,769	25,597	67,366	-
Net OPEB asset	14,129	9,421	23,550	-
Total assets	6,033,391	4,723,796	10,757,187	2,145,595
Deferred outflows of resources				
Pension related	51,930	31,830	83,760	-
Liabilities				
Accounts payable	69,709	1,950	71,659	-
Contracts payable - retainage	-	-	-	57,277
Due to other units of government	-	-	-	1,616
Interest payable	1,855	-	1,855	-
Unearned revenue	2,640	137,357	139,997	-
Noncurrent liabilities				
Due within one year				
Bonds, notes, and other long-term liabilities	99,778	-	99,778	-
Due in more than one year				
Bonds, notes, and other long-term liabilities	235,000	-	235,000	-
Total liabilities	408,982	139,307	548,289	58,893
Deferred inflows of resources				
Pension related	55,399	33,955	89,354	-
OPEB related	8,147	5,431	13,578	-
Total deferred inflows of resources	63,546	39,386	102,932	-
Net position				
Net investment in capital assets	2,777,825	2,025,847	4,803,672	1,778,935
Restricted for				
Major streets	519,947	-	519,947	-
Local streets	244,728	-	244,728	-
Library	235,473	-	235,473	-
Police protection	143,046	-	143,046	-
Mosquito control	39,698	-	39,698	-
Capital projects - library	177,914	-	177,914	-
Pensions	41,769	25,597	67,366	-
Postemployment benefits other than pension	14,129	9,421	23,550	-
Unrestricted	1,418,264	2,516,068	3,934,332	307,767
Total net position	$ 5,612,793	$ 4,576,933	$ 10,189,726	$ 2,086,702

See Accompanying Notes to the Financial Statements

City of Au Gres
Statement of Activities
For the Year Ended June 30, 2026

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
Functions/programs								
Primary government								
Governmental activities								
General government	$ 290,540	$ 35,454	$ 51,847	$ -	$ (203,239)	$ -	$ (203,239)	$ -
Public safety	55,531	-	1,000	3,822	(50,709)	-	(50,709)	-
Public works	365,921	82,860	350,327	539	67,805	-	67,805	-
Health and welfare	43,096	-	-	-	(43,096)	-	(43,096)	-
Community and economic development	414	-	-	-	(414)	-	(414)	-
Recreation and culture	167,134	-	12,680	-	(154,454)	-	(154,454)	-
Interest	13,555	-	-	-	(13,555)	-	(13,555)	-
Total governmental activities	936,191	118,314	415,854	4,361	(397,662)	-	(397,662)	-
Business-type activities								
Park	274,074	261,744	-	-	-	(12,330)	(12,330)	-
Sewer	330,572	322,493	-	-	-	(8,079)	(8,079)	-
Water	327,104	364,607	-	26,635	-	64,138	64,138	-
Boat access and harbor	40,266	-	-	17,500	-	(22,766)	(22,766)	-
Total business-type activities	972,016	948,844	-	44,135	-	20,963	20,963	-
Total primary government	$ 1,908,207	$ 1,067,158	$ 415,854	$ 48,496	(397,662)	20,963	(376,699)	-
Component units								
Tax Increment Financing Authority	183,947	-	-	300,000	-	-	-	116,053
General revenues								
Property taxes					508,923	-	508,923	353,847
Unrestricted state-shared revenue					110,487	-	110,487	-
Unrestricted investment earnings					78,968	56,314	135,282	22,468
Gain on sale of capital assets					66,920	-	66,920	-
Miscellaneous					10,889	110,266	121,155	56,755
Transfers					15,000	(15,000)	-	-
Total general revenues and transfers					791,187	151,580	942,767	433,070
Change in net position					393,525	172,543	566,068	549,123
Net position - beginning of year					5,219,268	4,404,390	9,623,658	1,537,579
Net position - end of year					$ 5,612,793	$ 4,576,933	$ 10,189,726	$ 2,086,702

City of Au Gres
Governmental Funds
Balance Sheet
June 30, 2026

	General	Special Revenue Funds Major Street Fund	Local Street Fund	Library Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 468,996	$ 524,607	$ 254,783	$ 190,233	$ 601,505	$ 2,040,124
Investments	-	-	-	-	75,882	75,882
Receivables						
Accounts	4,019	-	-	-	-	4,019
Taxes	8,260	-	-	39,308	-	47,568
Notes receivable	201,600	-	-	-	-	201,600
Due from other units of government	18,961	19,275	10,901	-	-	49,137
Due from other funds	55,214	-	-	-	-	55,214
Advances to other funds	340,000	-	-	-	-	340,000
Total assets	$ 1,097,050	$ 543,882	$ 265,684	$ 229,541	$ 677,387	$ 2,813,544
Liabilities						
Accounts payable	$ 69,709	$ -	$ -	$ -	$ -	$ 69,709
Due to other funds	-	23,935	20,956	260	-	45,151
Unearned revenue	2,640	-	-	-	-	2,640
Total liabilities	72,349	23,935	20,956	260	-	117,500
Deferred inflows of resources						
Unavailable revenue - receivables	-	-	-	39,308	-	39,308
Fund balances						
Non-spendable						
Advances	340,000	-	-	-	-	340,000
Restricted for						
Major streets	-	519,947	-	-	-	519,947
Local streets	-	-	244,728	-	-	244,728
Library	-	-	-	189,973	-	189,973
Police protection	-	-	-	-	143,046	143,046
Mosquito control	-	-	-	-	39,698	39,698
Capital projects	-	-	-	-	494,643	494,643
Unassigned	684,701	-	-	-	-	684,701
Total fund balances	1,024,701	519,947	244,728	189,973	677,387	2,656,736
Total liabilities, deferred inflows of resources, and fund balances	$ 1,097,050	$ 543,882	$ 265,684	$ 229,541	$ 677,387	$ 2,813,544

City of Au Gres
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2026

Total fund balances for governmental funds	$ 2,656,736
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	323,706
Capital assets, net of accumulated depreciation	2,428,582
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	39,308
Deferred outflows (inflows) of resources.	
Deferred outflows of resources resulting from net pension asset	51,930
Deferred inflows of resources resulting from net pension asset	(55,399)
Deferred inflows of resources resulting from net OPEB asset	(8,147)
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
Accrued interest	(1,855)
Compensated absences	(24,778)
Bonds, notes, premiums and discounts	(310,000)
Net pension asset	41,769
Net OPEB asset	14,129
Internal service funds are included as part of governmental activities.	456,812
Net position of governmental activities	$ 5,612,793

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, 2026

	General	Special Revenue Funds: Major Street	Special Revenue Funds: Local Street	Special Revenue Funds: Library	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Taxes	$ 330,797	$ -	$ -	$ 73,462		$ 110,319	$ 514,578
Licenses and permits	5,653	-	-	-		-	5,653
Federal grants	-	-	-	-		3,822	3,822
State grants	108,439	116,713	231,614	-		3,048	459,814
Local contributions	53,902	2,000	-	-		-	55,902
Charges for services	96,059	13,102	-	-		-	109,161
Rental income	6,200	-	-	-		-	6,200
Investment income	21,692	17,684	7,378	4,979		19,610	71,343
Other revenue	8,029	-	539	160		5,258	13,986
Total revenues	630,771	149,499	239,531	78,601		142,057	1,240,459
Expenditures							
Current							
General government	190,140	-	-	-		-	190,140
Public safety	-	-	-	-		41,211	41,211
Public works	163,232	54,139	50,530	-		-	267,901
Health and welfare	-	-	-	-		33,435	33,435
Community and economic development	321	-	-	-		-	321
Recreation and culture	10,423	-	-	63,777		-	74,200
Other functions	175,446	-	-	-		-	175,446
Capital outlay	5,213	85,866	266,276	187		200	357,742
Debt service							
Principal retirement	70,000	-	-	-		-	70,000
Interest and fiscal charges	13,940	-	-	-		-	13,940
Total expenditures	628,715	140,005	316,806	63,964		74,846	1,224,336
Excess (deficiency) of revenues over expenditures	2,056	9,494	(77,275)	14,637		67,211	16,123
Other financing sources (uses)							
Transfers in	15,000	-	51,759	-		-	66,759
Transfers out	(23,571)	(28,188)	-	-		-	(51,759)
Sale of capital assets	43,570	-	-	-		-	43,570
Total other financing sources (uses)	34,999	(28,188)	51,759	-		-	58,570
Net change in fund balances	37,055	(18,694)	(25,516)	14,637		67,211	74,693
Fund balances - beginning of year, as previously presented	987,646	538,641	270,244	175,336	305,923	304,253	2,582,043
Changes within financial reporting entity (major to nonmajor fund)	-	-	-	-	(305,923)	305,923	-
Fund balances - beginning of year, as adjusted	987,646	538,641	270,244	175,336		610,176	2,582,043
Fund balances - end of year	$ 1,024,701	$ 519,947	$ 244,728	$ 189,973		$ 677,387	$ 2,656,736

See Accompanying Notes to the Financial Statements

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, 2026

Net change in fund balances - total governmental funds	$	74,693
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 and amortization expense.		
Depreciation and amortization expense		(209,621)
Capital outlay		298,205
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		(5,655)
Expenses are recorded when incurred in the statement of activities.		
Accrued interest		385
Compensated absences		(2,501)
The statement of net position reports the net pension asset and deferred outflows of resources and deferred inflows related to the net pension asset and pension expense. However, the amount recorded on the governmental funds equals actual pension contributions.		
Net change in the net pension asset		161,379
Net change in the deferred outflow of resources related to the net pension asset		(37,681)
Net change in the deferred inflow of resources related to the net pension asset		(55,399)
The statement of net position reports the net OPEB asset and deferred outflows of resources and deferred inflows related to the net OPEB asset and pension expense. However, the amount recorded on the governmental funds equals actual OPEB contributions.		
Net change in the net OPEB asset		41,656
Net change in the deferred inflow of resources related to the net OPEB asset		(5,515)
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		63,579
Change in net position of governmental activities	$	393,525

City of Au Gres
Proprietary Funds
Statement of Net Position
June 30, 2026

	Enterprise Funds					
				Nonmajor Enterprise Fund		
	Park	Sewer	Water	Boat Access and Harbor	Total	Internal Service Fund
Assets						
Current assets						
Cash and cash equivalents	$ 451,859	$ 969,462	$ 1,268,195	$ 153,939	$ 2,843,455	$ 478,117
Receivables				-		
Accounts	-	60,846	61,522	-	122,368	-
Interest	-	-	182	-	182	-
Due from other units of government	-	-	6,876	-	6,876	-
Total current assets	451,859	1,030,308	1,336,775	153,939	2,972,881	478,117
Noncurrent assets						
Capital assets not being depreciated	418,072	15,663	-	-	433,735	-
Capital assets, net of accumulated depreciation	106,643	678,456	673,335	133,678	1,592,112	18,808
Net pension asset	6,739	9,430	9,428	-	25,597	-
Net OPEB asset	-	4,710	4,711	-	9,421	-
Total noncurrent assets	531,454	708,259	687,474	133,678	2,060,865	18,808
Total assets	983,313	1,738,567	2,024,249	287,617	5,033,746	496,925
Deferred outflows of resources						
Pension related	8,374	11,727	11,729	-	31,830	-
Liabilities						
Current liabilities						
Accounts payable	-	1,950	-	-	1,950	-
Due to other funds	-	4,589	4,832	384	9,805	258
Unearned revenue	123,137	7,110	7,110	-	137,357	-
Total current liabilities	123,137	13,649	11,942	384	149,112	258
Noncurrent liabilities						
Advances from other funds	340,000	-	-	-	340,000	-
Total liabilities	463,137	13,649	11,942	384	489,112	258
Deferred inflows of resources						
Pension related	8,935	12,510	12,510	-	33,955	-
OPEB related	-	2,716	2,715	-	5,431	-
Total deferred inflows of resources	8,935	15,226	15,225	-	39,386	-
Net position						
Net investment in capital assets	524,715	694,119	673,335	133,678	2,025,847	18,808
Restricted for						
Pensions	6,739	9,430	9,428	-	25,597	-
Postemployment benefits other than pensions	-	4,710	4,711	-	9,421	-
Unrestricted (deficit)	(11,839)	1,013,160	1,321,337	153,555	2,476,213	477,859
Total net position	$ 519,615	$ 1,721,419	$ 2,008,811	$ 287,233	4,537,078	$ 496,667
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					39,855	
Net position of business-type activities					$ 4,576,933	

City of Au Gres
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended June 30, 2026

	Enterprise Funds					
				Nonmajor Enterprise Fund		
	Park	Sewer	Water	Boat Access and Harbor	Total	Internal Service Fund
Operating revenue						
Customer fees	$ 261,744	$ 322,493	$ 364,607	$ -	$ 948,844	$ -
Billings to other funds	-	-	-	-	-	78,326
Rental income	-	-	6,600	-	6,600	-
Other revenue	23,933	15,881	57,492	6,360	103,666	10,000
Total operating revenue	285,677	338,374	428,699	6,360	1,059,110	88,326
Operating expenses						
Personnel services	124,784	124,016	85,391	9,294	343,485	23,638
Supplies	18,218	19,674	60,476	1,841	100,209	16,604
Contractual services	30,822	24,737	25,092	3,458	84,109	-
Utilities	54,532	56,121	23,349	9,720	143,722	-
Repairs and maintenance	35,665	12,119	53,341	-	101,125	7,751
Other expenses	-	18,002	12,779	4,908	35,689	-
Depreciation	10,053	82,049	70,653	11,045	173,800	1,918
Total operating expenses	274,074	336,718	331,081	40,266	982,139	49,911
Operating income (loss)	11,603	1,656	97,618	(33,906)	76,971	38,415
Noncapital subsidies						
Transfers in	-	-	-	17,500	17,500	-
Transfers out	(17,500)	(6,300)	(8,700)	-	(32,500)	-
Total noncapital subsidies	(17,500)	(6,300)	(8,700)	17,500	(15,000)	-
Operating income (loss) and noncapital subsidies	(5,897)	(4,644)	88,918	(16,406)	61,971	38,415
Nonoperating revenues (expenses)						
Investment income	8,587	18,605	25,308	3,814	56,314	12,992
Gain on sale of capital assets	-	-	-	-	-	23,350
Interest expense	-	-	(1,055)	-	(1,055)	-
Capital contributions	-	-	26,635	17,500	44,135	-
Total nonoperating revenues (expenses)	8,587	18,605	50,888	21,314	99,394	36,342
Change in net position	2,690	13,961	139,806	4,908	161,365	74,757
Net position - beginning of year	516,925	1,707,458	1,869,005	282,325		421,910
Net position - end of year	$ 519,615	$ 1,721,419	$ 2,008,811	$ 287,233		$ 496,667
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					11,178	
Change in net position of business-type activities					$ 172,543	

City of Au Gres
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2026

	Enterprise Funds					
				Nonmajor Enterprise Fund		
	Park	Sewer	Water	Boat Access and Harbor	Total	Internal Service Fund
Cash flows from operating activities						
Receipts from customers	$ 289,523	$ 330,794	$ 416,084	$ 6,360	$ 1,042,761	$ -
Receipts from interfund users	-	-	-	-	-	88,326
Receipts from other funds	-	-	-	-	-	226
Payments to other funds	-	(41)	(11)	(1,618)	(1,670)	-
Payments to suppliers	(150,254)	(145,360)	(193,017)	(19,927)	(508,558)	(24,355)
Payments to employees	(124,784)	(124,016)	(85,391)	(9,294)	(343,485)	(23,638)
Payments for interfund services used	-	(12,512)	(10,286)	-	(22,798)	-
Net cash provided (used) by operating activities	14,485	48,865	127,379	(24,479)	166,250	40,559
Cash flows from noncapital financing activities						
Transfers from other funds	-	-	-	17,500	17,500	-
Transfers to other funds	(17,500)	(6,300)	(8,700)	-	(32,500)	-
Net cash provided (used) by noncapital financing activities	(17,500)	(6,300)	(8,700)	17,500	(15,000)	-
Cash flows from capital and related financing activities						
Capital contributions	-	-	26,635	17,500	44,135	-
Advances from other funds	340,000	-	-	-	340,000	-
Purchases/construction of capital assets	(421,733)	(11,069)	(13,468)	-	(446,270)	-
Principal and interest paid on long-term debt	-	-	(53,082)	-	(53,082)	-
Proceeds from sale of capital assets	-	-	-	-	-	23,350
Net cash provided (used) by capital and related financing activities	(81,733)	(11,069)	(39,915)	17,500	(115,217)	23,350
Cash flows from investing activities						
Interest received	8,587	18,605	25,308	3,814	56,314	12,992
Net change in cash and cash equivalents	(76,161)	50,101	104,072	14,335	92,347	76,901
Cash and cash equivalents - beginning of year	528,020	919,361	1,164,123	139,604	2,751,108	401,216
Cash and cash equivalents - end of year	$ 451,859	$ 969,462	$ 1,268,195	$ 153,939	$ 2,843,455	$ 478,117
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	$ 11,603	$ 1,656	$ 97,618	$ (33,906)	$ 76,971	$ 38,415
Adjustments to reconcile operating income to net cash from operating activities						
Depreciation and amortization expense	10,053	82,049	70,653	11,045	173,800	1,918
Changes in assets and liabilities						
Receivables (net)	-	(7,580)	(12,253)	-	(19,833)	-
Due from other units of government	-	-	(362)	-	(362)	-
Net pension asset	(26,029)	(36,440)	(36,440)	-	(98,909)	-
Net OPEB asset	-	(13,885)	(13,886)	-	(27,771)	-
Pension related deferred outflows of resources	6,077	8,508	8,508	-	23,093	-
Accounts payable	-	250	-	-	250	-
Accrued and other liabilities	-	-	(797)	-	(797)	-
Due to other funds	-	(41)	(11)	(1,618)	(1,670)	226
Unearned revenue	3,846	-	-	-	3,846	-
Pension related deferred inflows of resources	8,935	12,510	12,510	-	33,955	-
OPEB related deferred inflows of resources	-	1,838	1,839	-	3,677	-
Net cash provided (used) by operating activities	$ 14,485	$ 48,865	$ 127,379	$ (24,479)	$ 166,250	$ 40,559

City of Au Gres
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2026

	Pension and Other Employee Benefit Trust Funds	Custodial Funds
Assets		
Cash and cash equivalents	$ -	$ 33,630
Investments		
Interest in pooled investments	164,635	-
Total assets	164,635	33,630
Liabilities		
Accounts payable	-	2,577
Accrued and other liabilities	-	1,956
Due to other units of government	-	29,097
Total liabilities	-	33,630
Net position		
Restricted for:		
Postemployment benefits other than pension	$ 164,635	$ -

City of Au Gres
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2026

	Pension and Other Employee Benefit Trust Funds	Custodial Funds
Additions		
Contributions		
Employer	$ 55,880	$ -
Investment earnings		
Net increase in fair value of investments	21,731	-
Property tax collections for other governments	-	1,896,359
Total additions	77,611	1,896,359
Deductions		
Benefits paid to participants or beneficiaries	30,880	-
Administrative expense	280	-
Payments of property tax to other governments	-	1,896,359
Total deductions	31,160	1,896,359
Change in net position	46,451	-
Net position - beginning of year	118,184	-
Net position - end of year	$ 164,635	$ -

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, 2026 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 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 Project Funds records the revenue and expense related to the library building and capital projects.

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 *noncapital subsidies*, and other *nonoperating* revenues and expenses. Nonoperating revenues and expenses are any (1) contributions to permanent and term endowments; (2) finance related revenues and expenses; (3) gain and losses from disposals of capital assets and inventory; (4) investment income and expenses; and (5) subsidies received and provided. A *subsidy* represents amounts received from or provided to another party or fund of the City. Amounts received from another party or fund are considered a subsidy if it is unrelated to the services provided by the proprietary fund and keeps the fees charged at the same amount or lower if the subsidy was not received. Amounts provided to the other party or fund are considered a subsidy if it is unrelated to the goods or services provided by those parties and will generally result in the proprietary fund charging higher fees in the future. All revenues and expenses not meeting the definitions of nonoperating revenues and expenses are reported as operating 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 2025 taxable valuation of the City totaled $35,787,567, on which ad valorem taxes consisted of 12.1052 mills for operating purposes, 2.9777 for police protection services, and 1.7022 for mosquito control services. This resulted in $285,381 for operating expenses, $70,195 for police protection, and $40,411 for mosquito control services, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

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 $73,462.

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 asset 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 asset and net OPEB asset 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 will 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 lose 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 asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of 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 asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the net OPEB asset 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 asset 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. 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.

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.

Upcoming Accounting and Reporting Changes
Statement No. 105, *Subsequent Events*, establishes accounting and financial reporting standards for events or transactions that occur after the measurement date of the financial statements but before the date the financial statements are available to be issued. This Statement distinguishes between events that provide additional evidence about conditions that existed at the date of the financial statements and events that provide evidence about conditions that did not exist at that date. Events that provide additional evidence about conditions existing at the financial statement date are recognized in the financial statements, whereas events that provide evidence about conditions arising after the financial statement date are not recognized but should be disclosed if they are essential for users' understanding of the financial statements. This Statement also clarifies the definition of the date the financial statements are available to be issued for disclosure purposes. This Statement is effective for the year ending June 30, 2027.

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

Note 2 - Stewardship, Compliance and Accountability

Fund Deficit

The City has an accumulated net position deficit in the Park Fund in the amount of $11,839 as of June 30, 2026. A deficit elimination plan is not required to be submitted to the Michigan Department of Treasury as current assets exceed current liabilities.

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	$ 2,518,241	$ 75,882	$ 2,594,123
Business-type activities	2,843,455	-	2,843,455
Total	5,361,696	75,882	5,437,578
Fiduciary funds	33,630	164,635	198,265
Component unit	234,282	-	234,282
Total	$ 5,629,608	$ 240,517	$ 5,870,125

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)	$ 5,361,296	$ 33,630	$ 234,282	$ 5,629,208
Investments in securities, mutual funds and similar vehicles	75,882	164,635	-	240,517
Petty cash and cash on hand	400	-	-	400
	$ 5,437,578	$ 198,265	$ 234,282	$ 5,870,125

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, $5,797,520 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	$ 75,882	$ 75,882
Investments carried at net asset value		
MERS retiree health funding vehicle		164,635
Total investments		$ 240,517

Stocks of $75,882 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 $164,635. 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	123,137
Total	$ 139,997

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	377,642	-	53,936	323,706
Capital assets being depreciated				
Land improvements	295,828	28,440	-	324,268
Infrastructure	3,368,663	323,701	-	3,692,364
Buildings, additions and improvements	1,420,499	-	-	1,420,499
Machinery and equipment	859,830	-	77,217	782,613
Total capital assets being depreciated	5,944,820	352,141	77,217	6,219,744
Less accumulated depreciation for				
Land improvements	287,508	862	-	288,370
Infrastructure	1,820,850	138,260	-	1,959,110
Buildings, additions and improvements	867,173	37,119	-	904,292
Machinery and equipment	662,501	35,298	77,217	620,582
Total accumulated depreciation	3,638,032	211,539	77,217	3,772,354
Net capital assets being depreciated	2,306,788	140,602	-	2,447,390
Governmental activities net capital assets	$ 2,684,430	$ 140,602	$ 53,936	$ 2,771,096

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 16,163	$ -	$ -	$ 16,163
Construction-in-progress	-	417,572	-	417,572
Total capital assets not being depreciated	16,163	417,572	-	433,735
Capital assets being depreciated				
Land improvements	605,164	-	-	605,164
Buildings, additions and improvements	66,353	4,161	-	70,514
Machinery and equipment	80,690	11,069	11,997	79,762
Vehicles	44,425	13,468	11,997	45,896
Water system	3,015,805	-	-	3,015,805
Sewer system	3,671,750	-	-	3,671,750
Total capital assets being depreciated	7,484,187	28,698	23,994	7,488,891
Less accumulated depreciation for				
Land improvements	391,460	16,810	-	408,270
Buildings, additions and improvements	32,420	1,399	-	33,819
Machinery and equipment	69,047	6,415	11,997	63,465
Vehicles	34,979	1,671	11,997	24,653
Water system	2,309,572	78,523	-	2,388,095
Sewer system	2,909,495	68,982	-	2,978,477
Total accumulated depreciation	5,746,973	173,800	23,994	5,896,779
Net capital assets being depreciated	1,737,214	(145,102)	-	1,592,112
Business-type capital assets, net	$ 1,753,377	$ 272,470	$ -	$ 2,025,847

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

	Beginning Balance	Increases	Decreases	Ending Balance
Component Units				
Capital assets not being depreciated				
Land	$ 80,081	$ 45,558	$ -	$ 125,639
Construction-in-progress	-	1,145,532	-	1,145,532
Total capital assets not being depreciated	80,081	1,191,090	-	1,271,171
Capital assets being depreciated				
Buildings, additions and improvements	513,782	208,827	-	722,609
Machinery and equipment	54,801	-	-	54,801
Vehicles	28,667	-	-	28,667
Total capital assets being depreciated	597,250	208,827	-	806,077
Less accumulated depreciation for				
Buildings, additions and improvements	141,053	23,743	-	164,796
Machinery and equipment	43,958	3,615	-	47,573
Vehicles	28,667	-	-	28,667
Total accumulated depreciation	213,678	27,358	-	241,036
Net capital assets being depreciated	383,572	181,469	-	565,041
Component units capital assets, net	$ 463,653	$ 1,372,559	$ -	$ 1,836,212

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

Governmental activities	
General government	$ 46,117
Public safety	18,866
Public works	62,886
Recreation and culture	81,752
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	1,918
Total governmental activities	211,539
Business-type activities	
Park Fund	10,053
Sewer Fund	82,049
Water Fund	70,653
Boat Access and Harbor Fund	11,045
Total business-type activities	173,800
Total primary government	$ 385,339
Component unit	
Tax Increment Financing Authority	$ 27,358

Note 7 - Construction Commitments

The City has committed $600,000 to the park expansion project. These commitments represent obligations for work not yet completed. As of June 30, 2026, total expenditures were $0. 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	Major Street Fund	$ 23,935
General Fund	Local Street Fund	20,956
General Fund	Library Fund	260
General Fund	Sewer Fund	4,589
General Fund	Water Fund	4,832
General Fund	Nonmajor Enterprise Fund	384
General Fund	Internal Service Fund	258
		$ 55,214

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	$ 1,616

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
General Fund	Local Street Fund	$ 23,571
Major Street Fund	Local Street Fund	28,188
Park Fund	Nonmajor Enterprise Fund	17,500
Sewer Fund	General Fund	6,300
Water Fund	General Fund	8,700
		$ 84,259

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.

Advances at year end are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Park Fund	$ 340,000

Note 9 - Long-Term Liabilities

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 and notes payable									
General obligation bonds									
City improvement bonds	$ 995,000	2030	3.450 - 3.700%	$75,000 - $80,000	$ 380,000	$ -	$ 70,000	$ 310,000	$ 75,000
Compensated absences					22,277	2,501	-	24,778	24,778
Total governmental activities					$ 402,277	$ 2,501	$ 70,000	$ 334,778	$ 99,778
Business-type activities									
Bonds and notes payable									
Notes from direct borrowings and direct placements									
Notes payable - TIFA	$ 250,000	2026	-	-	$ 52,027	$ -	$ 52,027	$ -	$ -

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

Year Ending	Governmental Activities	
	Bonds	
June 30,	Principal	Interest
2027	$ 75,000	$ 11,130
2028	75,000	8,542
2029	80,000	5,880
2030	80,000	2,960
	$ 310,000	$ 28,512

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	$ 323,706	$ 433,735	$ 1,271,171
Capital assets, net of accumulated depreciation	2,447,390	1,592,112	565,041
Total capital assets	2,771,096	2,025,847	1,836,212
Unspent bond proceeds	316,729	-	-
Related debt			
General obligation bonds	(310,000)	-	-
Capital accounts payable and retainage payable	-	-	(57,277)
Total related debt	(310,000)	-	(57,277)
Net investment in capital assets	$ 2,777,825	$ 2,025,847	$ 1,778,935

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 $21,917 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, 2026 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, 2025 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 $5,372 to $8,421 per month during fiscal year 2026. The pension plan is closed to new employees.

Net pension asset – The employer's net pension asset was measured as of December 31, 2025, and the total pension liability used to calculate the net pension asset was determined by an annual actuarial valuation as of that date. The pension asset is typically liquidated by the General Fund, Water Fund, and Sewer Fund.

Actuarial assumptions – The total pension liability in the December 31, 2025 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%	0.93%	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 7.04%. 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 plan's 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 asset.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of December 31, 2024	$ 1,889,877	$ 1,696,955	$ 192,922
Changes for the year			
Interest on total pension liability	128,210	-	128,210
Experience differences	31,061	-	31,061
Changes in assumptions	18,194	-	18,194
Employer contributions	-	167,520	(167,520)
Net investment income (loss)	-	273,668	(273,668)
Benefit payments and refunds	(208,441)	(208,441)	-
Administrative expense	-	(3,435)	3,435
Net changes	(30,976)	229,312	(260,288)
Balances as of December 31, 2025	$ 1,858,901	$ 1,926,267	$ (67,366)

Sensitivity of the net pension asset to changes in the discount rate – The following presents the net pension asset of the employer, calculated using the discount rate of 7.04%, as well as what the employer's net pension asset 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
Net pension asset	$ 73,476	$ (67,366)	$ (190,104)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions – For the year ended June 30, 2026, the employer recognized pension expense of $57,360. The employer reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total to Amortize
Net difference between projected and actual earnings on plan investments	$ -	$ (89,354)	$ (89,354)
Contributions subsequent to the measurement date*	83,760	-	-
Total	$ 83,760	$ (89,354)	$ (89,354)

*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 asset 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,		
2027	$	17,914
2028		(44,564)
2029		(32,021)
2030		(30,683)
	$	(89,354)

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, 2026, 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, 2026, the City contributed $26,920 and employees contributed $6,375.

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, 2026, the City contributed $4,167 and employees contributed $29,778.

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, 2026, the plan membership consisted of the following:

Active employees	2

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 2026.

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, 2026, the annual money-weighted rate of return on investments, net of investment expense, was 15.76%. 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, 2026 and the total OPEB liability used to calculate the net OPEB asset was determined by an alternative measurement method calculation. The OPEB liability is typically liquidated by the General Fund, Water Fund, and Sewer Fund.

The components of the net OPEB asset as of June 30, 2026 were as follows:

Total OPEB liability	$ 141,085
Plan fiduciary net position	164,635
Net OPEB asset	$ (23,550)

Plan fiduciary net position as a percentage of the total OPEB asset is 116.69%.

Actuarial assumptions – The total OPEB liability was determined using the alternative measurement method, as of June 30, 2026, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	23 years, closed
Discount rate:	7.00%
Salary increases:	3.50%
Investment rate of return	7.00%
Retirement age	60
Mortality	Pub-2010 using scale MP-2021
Healthcare Cost Trend Rate	Pre-65: 7.75% gradually decreasing 0.25% per year to an ultimate rate of 4.50% Post-65: 6.50% gradually decreasing 0.25% per year to an ultimate rate of 4.50%

Discount rate – The discount rate used to measure the total OPEB liability was 7.00%. 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 OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances as of June 30, 2025	$ 164,061	$ 118,184	$ 45,877
Changes for the year			
Service cost	1,736	-	1,736
Interest on total OPEB liability	10,464	-	10,464
Changes in assumptions	(4,296)	-	(4,296)
Employer contributions	-	55,880	(55,880)
Net investment income (loss)	-	21,731	(21,731)
Benefit payments and refunds	(30,880)	(30,880)	-
Administrative expense	-	(280)	280
Net changes	(22,976)	46,451	(69,427)
Balances as of June 30, 2026	$ 141,085	$ 164,635	$ (23,550)

Sensitivity of the net OPEB asset to changes in the discount rate – The following presents the net OPEB asset of the City, as well as what the City's net OPEB asset 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
Net OPEB asset	$ (13,590)	$ (23,550)	$ (33,365)

Sensitivity of the net OPEB asset to changes in the healthcare cost trend rates – The following presents the net OPEB asset of the City, as well as what the City's net OPEB asset would be if it 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
Net OPEB asset	$ (35,822)	$ (23,550)	$ (10,151)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB – For the year ended June 30, 2026, the employer recognized OPEB expense of $4,355. 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 earnings on plan investments	$ 13,578	$ 13,578

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

Year ended June 30,		
2027	$	4,127
2028		3,872
2029		3,062
2030		2,517
	$	13,578

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.

Note 16 - Changes Within Financial Reporting Entity

The Capital Projects Fund ("the Fund") was previously reported as a major fund within the governmental funds; however, the Fund no longer meets the quantitative threshold for presentation as a major fund.

	June 30, 2025 As Previously Reported	Change Within the Financial Reporting Entity	June 30, 2025 As Restated
Governmental Funds			
Major Funds:			
Capital Projects Fund	$ 305,923	$ (305,923)	$ -
Nonmajor Funds	304,253	305,923	610,176
Total Governmental Funds	$ 610,176	$ -	$ 610,176

City of Au Gres
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2026

	Budgeted Amounts Original	Budgeted Amounts Final	Final Budget-Over (Under) Original Budget	Actual	Variance with Final Budget-Over (Under) Actual
Revenues					
Taxes					
Property taxes	$ 295,200	$ 295,200	$ -	$ 310,429	$ 15,229
Penalties and interest	1,500	1,500	-	1,565	65
Administration fee	17,000	17,000	-	18,803	1,803
Licenses and permits	10,000	10,000	-	5,653	(4,347)
State-shared revenue	114,000	114,000	-	108,439	(5,561)
State grants	5,000	5,000	-	-	(5,000)
Local contributions	54,600	54,600	-	53,902	(698)
Charges for services	89,750	91,950	2,200	96,059	4,109
Rental income	6,000	6,000	-	6,200	200
Investment income	30,000	30,000	-	21,692	(8,308)
Other revenue	5,000	5,000	-	8,029	3,029
Total revenues	628,050	630,250	2,200	630,771	521
Expenditures					
General government					
Governing body	5,700	5,700	-	4,067	(1,633)
Administrator, manager, or supervisor	43,100	43,100	-	40,221	(2,879)
Clerk	77,500	85,500	8,000	82,209	(3,291)
Board of review	2,100	2,100	-	1,720	(380)
Assessor/equalization department	24,200	24,200	-	23,896	(304)
Elections	1,400	1,900	500	1,844	(56)
Building and grounds	33,900	33,900	-	27,956	(5,944)
Attorney/corporation counsel	2,000	10,000	8,000	8,227	(1,773)
Total general government	189,900	206,400	16,500	190,140	(16,260)
Public works					
Department of public works	53,700	53,700	-	43,010	(10,690)
Drains-public benefit	200	200	-	200	-
Street lighting	34,000	34,000	-	28,489	(5,511)
Sanitary landfill	78,700	78,700	-	78,088	(612)
Cemetery	8,000	13,500	5,500	13,445	(55)
Total public works	174,600	180,100	5,500	163,232	(16,868)
Community and economic development					
Planning	1,500	1,500	-	321	(1,179)
Recreation and culture					
Parks and recreation department	7,200	8,400	1,200	10,423	2,023
Museum	250	250	-	-	(250)
Total recreation and culture	7,450	8,650	1,200	10,423	1,773
Other functions					
Insurance and bonds	15,000	15,000	-	14,673	(327)
Unallocated employee fringe benefits	183,600	194,600	11,000	160,773	(33,827)
Total other functions	198,600	209,600	11,000	175,446	(34,154)
Capital outlay	5,000	5,000	-	5,213	213

City of Au Gres
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2026

	Budgeted Amounts Original	Budgeted Amounts Final	Final Budget-Over (Under) Original Budget	Actual	Variance with Final Budget-Over (Under) Actual
Debt service					
Principal retirement	70,000	70,000	-	70,000	-
Interest and fiscal charges	13,940	13,940	-	13,940	-
Total debt service	83,940	83,940	-	83,940	-
Total expenditures	660,990	695,190	34,200	628,715	(66,475)
Excess (deficiency) of revenues over expenditures	(32,940)	(64,940)	(32,000)	2,056	66,996
Other financing sources (uses)					
Transfers in	15,000	15,000	-	15,000	-
Transfers out	(360,000)	(360,000)	-	(23,571)	336,429
Sale of capital assets	-	43,000	43,000	43,570	570
Total other financing sources (uses)	(345,000)	(302,000)	43,000	34,999	336,999
Net change in fund balance	(377,940)	(366,940)	11,000	37,055	403,995
Fund balance - beginning of year	987,646	987,646	-	987,646	-
Fund balance - end of year	$ 609,706	$ 620,706	$ 11,000	$ 1,024,701	$ 403,995

City of Au Gres
Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2026

	Budgeted Amounts Original	Budgeted Amounts Final	Final Budget-Over (Under) Original Budget	Actual	Variance with Final Budget-Over (Under) Actual
Revenues					
State grants	$ 110,500	$ 110,500	$ -	$ 116,713	$ 6,213
Local contributions	2,000	2,000	-	2,000	-
Charges for services	8,000	8,000	-	13,102	5,102
Investment income	12,000	12,000	-	17,684	5,684
Total revenues	132,500	132,500	-	149,499	16,999
Expenditures					
Current					
General government	275	275	-	-	(275)
Public works	56,450	78,575	22,125	54,139	(24,436)
Capital outlay	4,000	88,500	84,500	85,866	(2,634)
Total expenditures	60,725	167,350	106,625	140,005	(27,345)
Excess of revenues (deficiency) over expenditures	71,775	(34,850)	(106,625)	9,494	44,344
Other financing sources (uses)					
Transfers out	(28,000)	(28,000)	-	(28,188)	(188)
Net change in fund balance	43,775	(62,850)	(106,625)	(18,694)	44,156
Fund balance - beginning of year	538,641	538,641	-	538,641	-
Fund balance - end of year	$ 582,416	$ 475,791	$ (106,625)	$ 519,947	$ 44,156

City of Au Gres
Required Supplementary Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2026

	Budgeted Amounts Original	Budgeted Amounts Final	Final Budget- Over (Under) Original Budget	Actual	Variance with Final Budget- Over (Under) Actual
Revenues					
State grants	$ 64,000	$ 228,000	$ 164,000	$ 231,614	$ 3,614
Investment income	500	500	-	7,378	6,878
Other revenue	500	500	-	539	39
Total revenues	65,000	229,000	164,000	239,531	10,531
Expenditures					
Current					
General government	700	700	-	-	(700)
Public works	46,550	99,850	53,300	50,530	(49,320)
Capital outlay	130,000	317,500	187,500	266,276	(51,224)
Total expenditures	177,250	418,050	240,800	316,806	(101,244)
Excess of revenues (deficiency) over expenditures	(112,250)	(189,050)	(76,800)	(77,275)	111,775
Other financing sources (uses)					
Transfers in	48,000	48,000	-	51,759	3,759
Net change in fund balance	(64,250)	(141,050)	(76,800)	(25,516)	115,534
Fund balance - beginning of year	270,244	270,244	-	270,244	-
Fund balance - end of year	$ 205,994	$ 129,194	$ (76,800)	$ 244,728	$ 115,534

See Accompanying Notes to Required Supplementary Information

City of Au Gres
Required Supplementary Information
Budgetary Comparison Schedule
Library Fund
For the Year Ended June 30, 2026

	Budgeted Amounts		Final Budget-Over (Under) Original Budget		Variance with Final Budget-Over (Under) Actual
	Original	Final		Actual	
Revenues					
Taxes	$ 50,000	$ 50,000	$ -	$ 73,462	$ 23,462
Investment income	2,500	2,900	400	4,979	2,079
Other revenue	-	100	100	160	60
Total revenues	52,500	53,000	500	78,601	25,601
Expenditures					
Current					
Recreation and culture	69,700	70,200	500	63,777	(6,423)
Capital outlay	500	500	-	187	(313)
Total expenditures	70,200	70,700	500	63,964	(6,736)
Excess of revenues (deficiency) over expenditures	(17,700)	(17,700)	-	14,637	32,337
Fund balance - beginning of year	175,336	175,336	-	175,336	-
Fund balance - end of year	$ 157,636	$ 157,636	$ -	$ 189,973	$ 32,337

City of Au Gres
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Changes in Net Pension (Asset) Liability and Related Ratios

Fiscal year ended June 30,	2026	2025	2024	2023	2022
Total pension liability					
Service cost	$ -	$ -	$ -	$ -	$ -
Interest	128,210	151,017	154,174	156,207	161,390
Changes of benefit terms	-	-	-	44,496	25,137
Experience differences	31,061	(254,786)	31,539	-	61,477
Changes in assumptions	18,194	(9,294)	11,076	-	-
Benefit payments and refunds	(208,441)	(200,714)	(239,348)	(218,124)	(215,844)
Net change in total pension liability	(30,976)	(313,777)	(42,559)	(17,421)	32,160
Total pension liability - beginning	1,889,877	2,203,654	2,246,213	2,263,634	2,231,474
Total pension liability - ending (a)	$ 1,858,901	$ 1,889,877	$ 2,203,654	$ 2,246,213	$ 2,263,634
Plan fiduciary net position					
Employer contributions	$ 167,520	$ 165,210	$ 159,900	$ 154,452	$ 143,502
Employee contributions					
Net investment income (loss)	273,668	121,234	170,839	(185,805)	226,901
Benefit payments and refunds	(208,441)	(200,714)	(239,348)	(218,124)	(215,844)
Administrative expense	(3,435)	(3,598)	(3,548)	(3,263)	(2,603)
Net change in plan fiduciary net position	229,312	82,132	87,843	(252,740)	151,956
Plan fiduciary net position - beginning	1,696,955	1,614,823	1,526,980	1,779,720	1,627,764
Plan fiduciary net position - ending (b)	$ 1,926,267	$ 1,696,955	$ 1,614,823	$ 1,526,980	$ 1,779,720
Net pension liability (asset) (a-b)	$ (67,366)	$ 192,922	$ 588,831	$ 719,233	$ 483,914
Plan fiduciary net position as a percentage of total pension liability (asset)	103.62%	89.79%	73.28%	67.98%	78.62%
Covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*
Net pension liability (asset) 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 (Asset) Liability and Related Ratios

Fiscal year ended June 30,	2021	2020	2019	2018	2017
Total pension liability					
Service cost	$ -	$ 5,251	$ 5,191	$ 5,117	$ 5,201
Interest	162,018	167,977	169,852	172,169	174,415
Changes of benefit terms	(30,929)	18,237	17,332	9,556	8,195
Experience differences	76,493	59,110	-	-	-
Changes in assumptions	-	-	-	-	(1)
Benefit payments and refunds	(215,844)	(215,844)	(215,844)	(215,844)	(215,844)
Net change in total pension liability	(8,262)	34,731	(23,469)	(29,002)	(28,034)
Total pension liability - beginning	2,239,736	2,205,005	2,228,474	2,257,476	2,285,510
Total pension liability - ending (a)	$ 2,231,474	$ 2,239,736	$ 2,205,005	$ 2,228,474	$ 2,257,476
Plan fiduciary net position					
Employer contributions	$ 133,746	$ 127,494	$ 107,418	$ 84,810	$ 71,256
Employee contributions					
Net investment income (loss)	187,552	189,995	(59,231)	195,927	165,606
Benefit payments and refunds	(215,844)	(215,844)	(215,844)	(215,844)	(215,844)
Administrative expense	(3,020)	(3,270)	(3,017)	(3,115)	(3,278)
Net change in plan fiduciary net position	102,434	98,375	(170,674)	61,778	17,740
Plan fiduciary net position - beginning	1,525,330	1,426,955	1,597,629	1,535,851	1,518,111
Plan fiduciary net position - ending (b)	$ 1,627,764	$ 1,525,330	$ 1,426,955	$ 1,597,629	$ 1,535,851
Net pension liability (asset) (a-b)	$ 603,710	$ 714,406	$ 778,050	$ 630,845	$ 721,625
Plan fiduciary net position as a percentage of total pension liability (asset)	72.95%	68.10%	64.71%	71.69%	68.03%
Covered payroll	N/A*	$ 49,869	$ 49,248	$ 48,547	$ 49,345
Net pension liability (asset) as a percentage of covered payroll	N/A*	1,432.57%	1,579.86%	1,299.45%	1,462.41%

*Payroll is no longer a part of this calculation

City of Au Gres
Required Supplementary Information
Municipal Employees Retirement System of Michigan
Schedule of Employer Contributions

Fiscal Year Ended	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
6/30/2017	$ 71,256	$ 71,256	$ -	$ 49,517	143.90%
6/30/2018	84,810	84,810	-	48,531	174.75%
6/30/2019	122,496	122,496	-	49,586	247.04%
6/30/2020	132,492	132,492	-	50,566	262.02%
6/30/2021	135,000	135,000	-	-	N/A*
6/30/2022	108,696	108,696	-	-	N/A*
6/30/2023	113,868	156,900	(43,032)	-	N/A*
6/30/2024	125,259	162,900	(37,641)	-	N/A*
6/30/2025	99,000	167,520	(68,520)	-	N/A*
6/30/2026	91,905	167,520	(75,615)	-	N/A*

* Payroll is no longer a part of this calculation

See Accompanying Notes to Required Supplementary Information

City of Au Gres
Required Supplementary Information
Other Postemployment Benefits
Schedule of Changes in Net OPEB (Asset) Liability and Related Ratios

Fiscal year ended June 30,	2026	2025	2024	2023	2022
Total OPEB liability					
Service cost	$ 1,736	$ 2,380	$ 2,401	$ 2,623	$ 2,443
Interest	10,464	11,629	13,193	13,720	5,289
Changes of benefit terms	-	-	-	5,413	(18,510)
Changes in assumptions	(4,296)	(550)	(5,267)	-	-
Benefit payments and refunds	(30,880)	(33,488)	(35,272)	(23,398)	(35,507)
Net change in total OPEB liability	(22,976)	(20,029)	(24,945)	(1,642)	(46,285)
Total OPEB liability - beginning	164,061	184,090	209,035	210,677	256,962
Total OPEB liability - ending (a)	$ 141,085	$ 164,061	$ 184,090	$ 209,035	$ 210,677
Plan fiduciary net position					
Employer contributions	$ 55,880	$ 58,488	$ 60,272	$ 48,398	$ 60,507
Net investment income (loss)	21,731	9,368	8,407	3,655	(2,774)
Benefit payments and refunds	(30,880)	(33,488)	(35,272)	(23,398)	(35,507)
Administrative expense	(280)	(221)	(153)	(79)	(19)
Net change in plan fiduciary net position	46,451	34,147	33,254	28,576	22,207
Plan fiduciary net position - beginning	118,184	84,037	50,783	22,207	-
Plan fiduciary net position - ending (b)	$ 164,635	$ 118,184	$ 84,037	$ 50,783	$ 22,207
Net OPEB liability (asset) (a-b)	$ (23,550)	$ 45,877	$ 100,053	$ 158,252	$ 188,470
Plan fiduciary net position as a percentage of total OPEB liability (asset)	116.69%	72.04%	45.65%	24.29%	10.54%
Covered payroll	N/A*	N/A*	N/A*	N/A*	N/A*
Net OPEB liability (asset) 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 Changes in Net OPEB (Asset) Liability and Related Ratios

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

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*
2026	16,665	55,880	(39,215)	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

Fiscal Year Ended June 30,	Money-weighted Rate of 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%
2026	15.76%

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

Note 1 - Budgetary Information

Budgetary Basis of Accounting

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.

Excess of Expenditures over Appropriations

For the year ended June 30, 2026, the City had the following expenditures in excess of appropriations:

	Appropriations	Actual	Budget Variance
General Fund			
Recreation and culture	$ 8,650	$ 10,423	$ 1,773
Capital outlay	5,000	5,213	213

Budgetary Highlights

The following provides an explanation of significant variances for the General Fund and major special revenue funds when comparing the original budget to final budget and final budget to actual results:

	Budgeted Amounts		Variance With Final Budget- Over (Under)			Variance with Final Budget- Over (Under)	
	Original	Final	Original Budget		Actual	Actual	
General Fund							
Other functions							
Unallocated employee fringe benefits		$ 194,600			$ 160,773	$ (33,827)	(a)
Transfers out		360,000			23,571	(336,429)	(b)
Sale of capital assets	-	43,000	43,000	(c)			
Major Street Fund							
Public works	56,450	78,575	22,125	(d)	55,464	(23,111)	(d)
Capital outlay	4,000	88,500	84,500	(d)			
Local Street Fund							
State grants	64,000	228,000	164,000	(e)			
Public works	46,550	99,850	53,300	(f)	51,880	(47,970)	(f)
Capital outlay	130,000	317,500	187,500	(f)	264,926	(52,574)	(f)
Library Fund							
Taxes		50,000			73,462	23,462	(g)
Recreation and culture		70,200			63,777	(6,423)	(h)

(a) During the year, there were two new, full-time employees that were starting to receive fringe benefits. At the time of the budget, the City Clerk budgeted higher to be conservative as they were unsure what the total cost would be.
(b) The City recorded a $340,000 advance to the Park Fund as a transfer and budgeted for it as a transfer. This was reclassified during the audit to an Advance.
(c) The City sold three lots in the industrial park that were not in the original budget during the fiscal year.
(d) Budgeted expenditures were increased for a new paving project that occurred during the year. The City thought this project would be completed in fiscal year 26-27; however, the project ended up being completed in the current fiscal year. The budget was amended conservatively to reflect the completion of the project, but total expenditure ended up being less than projected.
(e) The state grants budget increased for the paving project previously mentioned. A grant was received in the current year to help with the expenditure, and the budget was amended to account for this grant.
(f) Total expenditure increased as well for the paving project. The budget was amended conservatively to reflect the completion of the project, but total expenditure ended up being less than projected.
(g) Total revenue in the Library Fund exceeded budget due to the timing of distributions received from the Iosco-Arenac District Library to the Au Gres Community Library during the fiscal year. At the time of the budget being prepared, distributions were estimated conservatively due to timing and amount of payments being uncertain.
(h) The City budgeted conservatively for part-time employees. Total expenditure ended up being less than expected.

Note 2 - Pension Information

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

The following assumption changes were reflected in the 2025 valuation:

- The investment rate of return, net of pension plan investment expense including inflation, was decreased from 6.93% to 6.79%.

The following assumption changes were reflected in the 2024 valuation:

- Changes to assumptions as a result of the experience study for the period from 2019 through 2023. The changes related to mortality, retirement, disability, and termination rates.
- The investment rate of return, net of pension plan investment expense including inflation, was decreased from 7.00% to 6.93%.

The following assumption changes were reflected in the 2023 valuation:

- The investment rate of return, net of pension plan investment expense including inflation, was decreased from 7.25% to 7.18%.

The following assumption changes were reflected in the 2022 valuation:

- The investment rate of return, net of pension plan investment expense including inflation, was decreased from 7.60% to 7.25%.

The following assumption changes were reflected in the 2020 valuation:

- Changes to demographic assumptions as a result of the experience study for the period from 2013 through 2018. The changes related to mortality, retirement, disability, and termination rates.

The following assumption changes were reflected in the 2019 valuation:

- The investment rate of return, net of pension plan investment expense including inflation, was decreased from 7.75% to 7.60%.
- The rate of wage inflation was changed from 3.75% to 3.00%.

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

- Valuation date: December 31, 2024
- Actuarially determined contribution rates are calculated as of December 31, that is 18 months prior to the beginning of the fiscal year for which the contributions are presented.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Entry age normal level percent of pay
- Amortization method: Level percentage of payroll, closed
- Remaining amortization period: 0 years
- Asset valuation method: Market value of assets
- Inflation: 2.50%
- Salary increase: 3.00%
- Investment rate of return: 6.93%, net of administrative and investment expenditure
- Mortality rates: Pub-2010 Juvenile, Employee, and Healthy Retiree Tables and PubNS-2010 Disabled Retiree Tables.

OPEB Information

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

The June 30, 2026, changes in assumptions are due to the following:

- The salary increases rate was raised from 3.50% to 3.65%.

Notes to the Schedule of Employer Contributions – Other Postemployment Benefits

- Valuation date: June 30, 2026
- 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: 23 years, closed
- Discount rate: 7.00%
- Salary increases: 3.50%
- Investment rate of return: 7.00%
- Retirement age: 60
- Mortality: Pub-2010 using scale MP-2021
- Healthcare cost trend rate: Pre-65: 7.75% gradually decreasing 0.25% per year to an ultimate rate of 4.50%. Post-65: 6.50% 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, 2026

	Special Revenue Funds		Capital Projects Fund		
	Police	Mosquito	Capital Projects	Library Building	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	$ 143,046	$ 39,698	$ 316,729	$ 102,032	$ 601,505
Investments	-	-	-	75,882	75,882
Total assets	$ 143,046	$ 39,698	$ 316,729	$ 177,914	$ 677,387
Fund balances					
Restricted for					
Mosquito control	$ -	$ 39,698	$ -	$ -	$ 39,698
Police protection	143,046	-	-	-	143,046
Capital projects	-	-	316,729	177,914	494,643
Total fund balances	$ 143,046	$ 39,698	$ 316,729	$ 177,914	$ 677,387

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, 2026

	Special Revenue Funds		Capital Projects Fund		
	Police	Mosquito	Capital Projects	Library Building	Total Nonmajor Governmental Funds
Revenues					
Taxes	$ 70,195	$ 40,124	$ -	$ -	$ 110,319
Federal grants	3,822	-	-	-	3,822
State grants	3,048	-	-	-	3,048
Investment income	908	1,215	10,806	6,681	19,610
Other revenue	-	-	-	5,258	5,258
Total revenues	77,973	41,339	10,806	11,939	142,057
Expenditures					
Current					
Public safety	41,211	-	-	-	41,211
Health and welfare	-	33,435	-	-	33,435
Capital outlay	200	-	-	-	200
Total expenditures	41,411	33,435	-	-	74,846
Net change in fund balances	36,562	7,904	10,806	11,939	67,211
Fund balances - beginning of year, as previously presented	106,484	31,794	-	165,975	304,253
Changes within financial reporting entity (major to nonmajor fund)	-	-	305,923	-	305,923
Fund balances - beginning of year, as adjusted	106,484	31,794	305,923	165,975	610,176
Fund balances - end of year	$ 143,046	$ 39,698	$ 316,729	$ 177,914	$ 677,387

City of Au Gres
Other Supplementary Information
Schedule of Indebtedness
June 30, 2026

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						
	3.450%	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 indebtedness				$ 310,000	$ 28,512	$ 338,512

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, MI

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, 2026, 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 31, 2026.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2026-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of 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.

City of Au Gres' Response to Findings and Corrective Action Plan

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

Purpose of this Report

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

Yeo & Yeo, P.C.

Au Gres, MI
August 31, 2026

Section I – *Government Auditing Standards* Findings

Finding 2026-001 - Material Weakness - Audit Adjustment

Criteria:	Management is responsible for reporting complete and accurate financial data in accordance with Generally Accepted Accounting Principles (GAAP).
Condition:	A material adjustment was required during the audit to record retainage payable.
Cause and Effect:	The adjustment was posted as a result of audit procedures in order to fairly state the balance. This adjustment had a material effect on the financial statements.
Recommendation:	We recommend construction contracts be reviewed for retainage to ensure all outstanding liabilities are posted at year end.
Views of Responsible Officials:	Management agrees with the finding.
Corrective Action Plan:	See attached corrective action plan.

Section II – Summary of Prior Year Findings

There were no *Government Auditing Standards* findings noted for the year ended June 30, 2025.

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August 31, 2026

Yeo & Yeo, CPAs
5300 Bay Road Suite 100
Saginaw, Michigan 48604

RE: Corrective action to finding

Please note the following corrective action plan relating to the material weakness in the City's internal control as a result of the audit as of June 30, 2026.

2026-001 – Material Weakness – Audit Adjustment

Corrective Action Plan: Management has updated year-end closing procedures to include a detailed review and reconciliation of retainage payable for all construction projects. Enhanced reconciliation and management review controls have been implemented to ensure retainage liabilities are accurately recorded in the proper accounting period going forward.

Anticipated Completion Date: June 30, 2027

Thank you for your attention to this matter.

Very Truly Yours,

LaVonne Pritchard
City Clerk
City of Au Gres