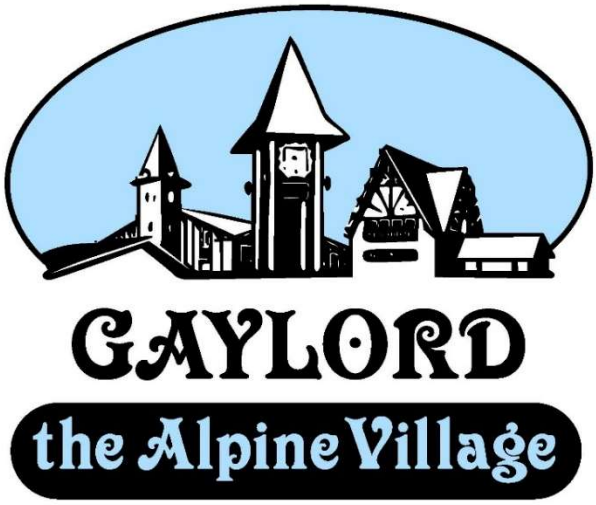


CITY OF GAYLORD

OTSEGO COUNTY, MICHIGAN

FINANCIAL STATEMENTS
For the year ended June 30, 2025

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FINANCIAL SECTION

HUNGERFORD
CPAs • ADVISORS • TECHNOLOGY • WEALTH

December 22, 2025

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Gaylord
Van Buren County, Michigan

Report on the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Gaylord as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Gaylord and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's 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 auditor's 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, and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 of the City's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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. In our opinion, the accompanying supplementary information 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 December 22, 2025 on our consideration of City of Gaylord's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 City of Gaylord's internal control over financial reporting and compliance.

Hungerford

Certified Public Accountants
St. Joseph, Michigan

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Gaylord (the "City"), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. To make this report more readable and easier to understand we will discuss what Management considers the financial highlights and the items with the most impact on this fiscal year's financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Gaylord's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two 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, respectively.

The *statement of activities* presents information showing how the government'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 the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the 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 major governmental activities of the City include general government, public safety, highways and streets, and public works. The business-type activities of the City include water distribution and sewer operations.

The government-wide financial statements include not only the City itself, (known as the primary government) but also a Downtown Development Authority, which although legally separate, functions for all practical purposes as a department of the City, and therefore, has been included as an integral part of the primary government. The Gaylord Downtown Development Authority, although also legally separate, has been included as a discretely presented component unit.

The government-wide financial statements can be found on pages 20 through 23 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, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City 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 on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The focus of governmental funds is narrower than that of the government-wide financial statements. As such, 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. Reconciliations between the governmental activities statements and the government-wide statements can be found on pages 25 and 27.

The City of Gaylord maintains seven individual governmental funds**.** Of these seven funds, three are *special revenue funds*, one is a *debt service fund*, one is a *capital projects fund,* and one is a *permanent fund*. *Special revenue funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. *Debt service funds* are used to account for resources that are restricted, committed, or assigned for expenditure for principal, interest and related costs. *Capital projects funds* are used to account for the acquisition or construction of major capital facilities or infrastructure by a governmental unit. *Permanent funds* are used to account for financial resources in which the principal portion of the funds must be held in perpetuity. 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 and the Municipal Steets Fund, which are considered major funds. Data from the other five 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* on pages 86 through 89.

The City of Gaylord adopts an annual appropriated budget for its General Fund and Municipal Street Fund. A *budgetary comparison schedule* has been provided for the General Fund and Municipal Steet Fund to demonstrate compliance with budgets.

The basic governmental fund financial statements can be found on pages 24 and 26 of this report**.**

Proprietary Funds - The City of Gaylord maintains two types of proprietary funds, *enterprise funds* and *internal service funds*. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. *Internal service funds* are used to allocate shared costs of the City and are reported with governmental activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer fund and an internal service fund to account for the activities of the motor pool.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide for separate information for the Water Fund, Sewer Funds, and Motor Pool all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 28 through 33 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of these funds are *not* available to support the City's own programs. The City of Gaylord collects taxes on behalf of other governments, and accounts for these tax collections in a fiduciary fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 34 and 35 of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 38 through 65 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Gaylord, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $35,869,729 at the close of the most recent fiscal year.

Referencing the table on the next page, $31,490,351 (87.79%) of the City's net position reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment, and infrastructure); less any related debt used to acquire these assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Only $6,485,454 (18.08%) of the City's net position represents resources that are subject to external restriction on how they may be used. The remaining deficit balance of *unrestricted assets* (2,106,076) (-5.87%) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in two of the three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Gaylord's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current assets	$ 8,179,422	$ 6,747,829	$ 1,965,790	$ 991,821	$ 10,145,212	$ 7,739,650
Noncurrent assets	17,788,415	15,903,638	18,318,745	20,335,747	36,107,160	36,239,385
Total Assets	25,967,837	22,651,467	20,284,535	21,327,568	46,252,372	43,979,035
Deferred outflows of resources	913,214	1,106,252	263,371	346,666	1,176,585	1,452,918
Current liabilities	1,258,710	712,947	74,629	1,895,186	1,333,339	2,608,133
Long-term liabilities	7,760,424	8,078,354	1,539,800	1,765,218	9,300,224	9,843,572
Total Liabilities	9,019,134	8,791,301	1,614,429	3,660,404	10,633,563	12,451,705
Deferred inflows of resources	703,404	1,173,824	222,261	399,248	925,665	1,573,072
Net Position						
Investment in capital assets net of related debt	14,596,938	12,717,622	16,893,413	17,172,015	31,490,351	29,889,637
Restricted net position	5,037,869	3,826,946	1,447,585	3,185,985	6,485,454	7,012,931
Unrestricted net position	(2,476,294)	(2,751,974)	370,218	(2,743,418)	(2,106,076)	(5,495,392)
Total Net Position	$ 17,158,513	$ 13,792,594	$ 18,711,216	$ 17,614,582	$ 35,869,729	$ 31,407,176

There was an increase of $4,462,553 in total net position for the 2024-2025 fiscal year. The net investment in capital assets increased by $1,600,714; restricted net position decreased by $527,477 for the year; and unrestricted net position increased by $3,389,316 this fiscal year. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

City of Gaylord's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenue:						
Program Revenue:						
Charges for services	$ 298,832	$ 330,287	$ 3,082,318	$ 3,023,107	$ 3,381,150	$ 3,353,394
Operating grants and contributions	903,872	786,851	-	-	903,872	786,851
General Revenue:						
Taxes	4,870,858	4,506,707	-	-	4,870,858	4,506,707
Federal revenue	625,900	69,292	209,272	-	835,172	69,292
State revenue	1,167,797	1,322,264	-	-	1,167,797	1,322,264
Interest and rentals	1,323,950	1,065,563	-	-	1,323,950	1,065,563
Other	246,132	272,450	145,974	149,186	392,106	421,636
Total Revenue	9,437,341	8,353,414	3,437,564	3,172,293	12,874,905	11,525,707
Expenses:						
General government	834,925	1,691,342	-	-	834,925	1,691,342
Public safety	2,327,380	1,778,084	-	-	2,327,380	1,778,084
Public works	2,516,244	2,016,928	-	-	2,516,244	2,016,928
Other governmental activities	612,918	488,809	-	-	612,918	488,809
Interest on long-term debt	91,628	103,902	-	-	91,628	103,902
Sewer	-	-	1,469,055	1,983,061	1,469,055	1,983,061
Water	-	-	1,051,713	969,288	1,051,713	969,288
Total Expenses	6,383,095	6,079,065	2,520,768	2,952,349	8,903,863	9,031,414
Change in net position, before transfers	3,054,246	2,274,349	916,796	219,944	3,971,042	2,494,293
Transfers	-	(1,219,069)	-	1,219,069	-	-
Change in Net Position	3,054,246	1,055,280	916,796	1,439,013	3,971,042	2,494,293
Net Position, Beginning of Year	13,792,594	12,737,314	17,614,582	16,175,569	31,407,176	28,912,883
Prior Year Adjustments	311,673	-	179,838	-	491,511	-
Net Position, Beginning of Year as Restated	14,104,267	12,737,314	17,794,420	16,175,569	31,898,687	28,912,883
Net Position, End of Year	$ 17,158,513	$ 13,792,594	$ 18,711,216	$ 17,614,582	$ 35,869,729	$ 31,407,176

Governmental Activities - The condensed statement of changes in net position on page 10 shows the effect of the City government's activities and decisions on both the Governmental and the Business-Type assets. In the Governmental funds, net position increased by $3,365,919. Key elements of this decrease are as follows:

Revenue -
Governmental activities revenue increased by $1,083,927
Charges for services decreased by $31,455
Operating grants and contribtions increased by $117,021
Taxes increased by $364,151
Federal revenue increased by $556,608
State shared revenue decreased by $154,467
Interest and rentals increased by $258,387

Expenses -
Governmental activities expenses increased by $304,030
General government decreased by $856,417
Public safety increased by $549,296
Public works increased by $499,316
Other governmental activities increased by increased by $124,109
Interest on long-term debt decreased by $12,274

Business-Type Activities - Business-type (for water and sewer service) activities increased the City of Gaylord's net position by $1,096,634. Note that on the condensed statement of changes in net position, page 10, that key elements of this decrease are as follows:

Revenue -
Total revenue from business-type activities increased by $265,271
Charges for services increased by $59,211
Other revenue decreased by $3,212

Expense - Business-type activities expense decreased by $431,581, with the Sewer Fund showing a decrease of $514,006 in expenses, and the Water Fund an increase of $82,425.

Financial Analysis of the Government's Funds - As noted earlier, the City of Gaylord uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Gaylord's governmental funds reported combined ending fund balances of $7,064,772, an increase of $638,088 from current activities plus an error correction of $123,360 for a total increase of $761,448 in comparison with the prior year. This includes $2,822,869 (39.96%) restricted for highways and streets, $750,715 (10.63%) restricted for debt service, $820,071 (11.61%) restricted for capital projects, $154,200 (2.18%) assigned for MERS increases, $342,737 (4.85%) for cemetery maintenance, and $350,189 (4.96%) non-spendable, leaving $1,823,991 (25.82%) unassigned.

Major Funds

General Fund

The General Fund is the chief operating fund of the City of Gaylord. At the end of the current fiscal year, unassigned fund balance of the General Fund was $1,823,991. As a measure of the General Fund's liquidity it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned General Fund balance represents 28.34% of total General Fund expenditures plus transfers to other funds, and total General Fund balance represents 31.49% of total General Fund expenditures plus transfers. Fund balance of the City's General Fund decreased by $572,835 during the current fiscal year from current activity. Key factors in this increase are as follows:

- General fund revenue increased by $640,999 from last fiscal year; property taxes increased $334,730, charges for services decreased $28,105, federal revenue increased $625,900, state revenue decreased $198,063, interest revenue decreased $7,985, and miscellaneous decreased $80,478 from last fiscal year.

- General fund expenditures increased by $1,659,996 from last fiscal year. General government increased by $69,719, public safety increased by $186,096, public works increased by $101,726, community and economic development increased by $280,263, recreation and culture increased by $1,072,134, and debt service decreased by $49,942.

Since the General Fund is the chief operating fund, it has the largest amount of expenditures of any governmental fund. Please note on page 26 of the financial report, that the total expenditures for the General Fund are $6,436,262 or 80.90% of all governmental funds. The expenditures are divided into several categories for easy comparison from fund to fund.

The general government category includes all general services of the City such as the clerk's, treasurer's and assessing offices, the administration of the City including the City manager's office, and the City Council. Public works category is the general maintenance of City property. The public safety category includes expenditures for the City's police department, zoning and ordinance enforcement with the largest portion being the City's police department.

Municipal Street Fund

The Municipal Steet Fund accounts for special revenue used to finance road and sidewalk projects. During the fiscal year the fund had revenues totaling $1,205,767 and expenditures totaling $597,995. The fund balance at year end was $1,393,183, up from $785,411 at June 30, 2024.

Nonmajor Funds

Special Revenue Funds

There are two nonmajor Special Revenue Funds: Major Street Fund and Local Steet Fund. Total revenues for the Special Revenue Funds were $928,805 and total expenditures of $663,901. The ending fund balances in the Special Revenue Funds totaled $1,429,686, up from $1,164,782 at June 30, 2024.

Debt Service Funds

There is one nonmajor Debt Service Fund: City Hall Debt Service Fund. Total revenues for the Debt Service Fund were $259,415, with total expenditures of $246,425. The ending fund balance in the Debt Service Fund totaled $750,715, up from $737,725 at June 30, 2024.

Capital Projects Fund

There is one nonmajor Capital Projects Fund: Industrial Park Development Fund. Total revenues for the Capital Project Fund were $324,935, with total expenditures of $10,864. The ending fund balances in the Capital Projects Funds totaled $1,098,393, up from $784,322 at June 30, 2024.

Permanent Funds

There is one Permanent Fund: Cemetery Perpetual Care Fund. Total revenues were $11,186, with no expenditures or other financing sources (uses). The ending fund balance totaled $365,892, up from $354,706 at June 30, 2024.

Proprietary Funds - The City of Gaylord's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. This information may be found on pages 28 through 33 in this report.

The unrestricted net position of the Water and Sewer Funds at the end of the year amounted to $370,218. The total change in net position for both funds was an increase of $374,727 and an increase of $721,907, respectively. Total net investment in capital assets decreased by $278,602. The total change in net investment in capital assets for both funds was a decrease of $68,804 and decrease of $209,798 , respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

The Internal Service Fund revenues included in governmental activities at the government-wide level totaled $843,806 and total expenditures of $626,488. The net income of $217,318 was eliminated at the government-wide level using an allocation method that mirrored the rental revenues received by the fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget in the General Fund were small. The actual revenue received was $110,122 less than the final budget and $881,698 less in appropriations was spent than the final budget. Other financing sources (uses) were $395,000 less than the final budget.

The differences in budget versus actual, regarding revenue, were caused by the following categories: Property taxes, State revenue, and miscellaneous revenues.

- The special assessment levy that is accounted for in the General Fund was renewed at 1 mill less in the current fiscal year than in the prior year. This caused property tax revenue to perform underbudget.
- The City budgeted for all the personal property tax reimbursements to be received by the General Fund. However, a portion of that revenue was restricted for use by other funds. This caused state revenue to perform under budget.
- The City was reimbursed through miscellaneous revenue for drainage repairs by a local business. This caused miscellaneous revenue to outperform the budget.

The difference between budget and actual regarding expenditures was the result of cost savings in the general government, public safety, and public works.

The difference between budget and actual regarding other financing uses was due to:

- The inception of operating leases was recorded as an audit adjustment and therefore not included in the final budget.
- The City did amend their budget for the transfer from the Municipal Streets fund.
- The City amended the budget for transfers out that were reclassified as part of the audit.

On page 76 of this report, the original budget, the final budget, and actual amounts for the General Fund are given and compared.

Capital Asset and Debt Administration

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of June 30, 2025 is $34,617,942 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, office furnishings, vehicles, machinery and equipment, utility systems, roads and sidewalks, and construction in progress. The total decrease in the City's investment in capital assets (net of depreciation) for the current fiscal year was $1,597,989 or a 4.6% decrease.

Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 1,370,598	$ 1,370,598	$ 414,080	$ 414,080	$ 1,784,678	$ 1,784,678
Construction in progress	2,068,187	67,600	-	-	2,068,187	67,600
Buildings and improvements	3,451,384	3,473,089	-	-	3,451,384	3,473,089
Tools and equipment	593,024	577,235	-	-	593,024	577,235
Vehicles	300,214	366,879	-	-	300,214	366,879
Roads and sidewalks	9,331,449	9,587,712	-	-	9,331,449	9,587,712
Right-to-use-asset	609,673	404,825	-	-	609,673	404,825
Buildings and equipment	-	-	1,082,137	1,157,509	1,082,137	1,157,509
Water and sewer system	-	-	15,397,196	15,600,426	15,397,196	15,600,426
Net Capital Assets	$17,724,529	$15,847,938	$16,893,413	$17,172,015	$34,617,942	$33,019,953

As you can see in the above table, capital assets for the governmental activities decreased by $1,876,591 (net of depreciation) compared to last fiscal year. Additionally, the business-type activities' capital assets decreased by $278,602 (net of depreciation).

The total for both governmental and business-type activities decreased the City's net position (net of depreciation) by $1,597,989.

Additional information on the City's capital assets can be found in Note C on pages 49 and 51 of this report.

Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	$ 2,395,000	$ 2,545,000	$ -	$ -	$ 2,395,000	$ 2,545,000
Financed purchases	11,647	59,104	-	-	11,647	59,104
Lease liabilities	609,673	404,825	-	-	609,673	404,825
Premium on bond issuance	111,271	121,387	-	-	111,271	121,387
Compensated absences	235,499	238,542	33,650	46,161	269,149	284,703
Total	$ 3,363,090	$ 3,368,858	$ 33,650	$ 46,161	$ 3,396,740	$ 3,415,019

Long-Term Debt - At the end of the current fiscal year, the City of Gaylord had total bonded debt outstanding of $2,395,000. The remainder of the City's debt represents financed purchases, lease liabilities, a premium on bond issuance, and compensated absences. The City's total long-term debt decreased by $18,279 during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue up to 10% of its total assessed valuation. The current debt limitation for the City of Gaylord is $27,243,150 which is significantly in excess of the City's outstanding general obligation debt.

Long-term debt and capital assets are not recorded as part of the *Governmental Funds* balance sheet as presented on page 24 of this report, but are included in the *Statement of Net Position* found on pages 20 and 21 of this report. On page 25 of this report the *Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities* is found. This reconciliation shows the effect of capital assets and long-term debt or liabilities on the balance sheets of the *Governmental Funds*.

Additional information on the City's long-term debt can be found in Note D on pages 52 to 54 of this report.

Economic Factors and Next Year's Budgets and Rates

The fiscal 2025 budget projects an increase of 9.34% in taxable property value. This addition is due to an overall rise in taxable property values and the addition of Amazon. The fiscal 2025 budget reflects a levy of 4.00 mills on the taxable value of real property to assist in financing essential services (police and fire) in the City. This levy is expected to generate approximately $828,000. 1 Mill is for the Otsego County Fire Authority to match funding from participating townships to provide fire services. This is the second year the city has given 1 Mill to the authority.

In November 2023, the street millage levy of 4.1513 mills was approved by City voters for a term of ten years and a county-wide road millage of 1 mill was also approved for 10 years. In total these two millages generate approximately $ 1,200,000 total for the city and will ensure the continuation of street improvements and related infrastructure without relying on general fund to finance this construction. We will begin reconstruction and utility improvements on N. Center Ave during the 25/26 fiscal year.

The city has a plow truck purchase budgeted for 2025. No financing will be needed for the purchase of the truck. Additional equipment to make the vehicle operational will not be available until August of 2026. The city anticipates purchasing this equipment with the fund balance in the Motor Pool. It has been over 20 years since any capital improvements have been completed at the Wastewater Treatment Plant. The City is currently working with engineers to design needed improvements and apply for funding from the USDA. Smaller projects that can be funded internally will begin in 2025.

Water usage on the south side of the city has caused current wells to run more often than recommended. In 2025 the city will explore adding a new well to our current water system. Contracts have been signed to help find a location for this well and allow for testing to be completed to comply per EGLE requirements. We anticipate that a new well will be drilled and added to water system in fiscal year 26/27. The city's attempt to get funding for lead service line replacements from the state revolving fund was not successful We will continue to apply for funding in future years to allow for this work to be completed. The estimates for completion are $4.5 million dollars.

The City will continue to monitor its capital needs, debt service requirements, and upcoming projects as they relate to the budget and projected revenue streams.

Request for Information

This financial report is designed to provide a general overview of the City of Gaylord's finances for all those with interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the City Manager, City of Gaylord, 305 E Main Street, Gaylord, Michigan, 49735.

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BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

City of Gaylord
June 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current Assets				
Cash equivalents and deposits	$ 6,939,225	$ 1,444,189	$ 8,383,414	$ 297,796
Accounts receivable	723,983	438,348	1,162,331	-
Due from other funds	-	61,000	61,000	-
Due from other governmental units	189,180	-	189,180	-
Inventory	20,698			
Prepaid expense	28,014	22,253	50,267	-
Real estate held for sale	278,322	-	278,322	-
Total Current Assets	8,179,422	1,965,790	10,124,514	297,796
Noncurrent Assets				
Restricted cash	-	1,291,590	1,291,590	-
Long-term receivables:				
Advances to developers	-	133,742	133,742	-
Capital assets not being depreciated	3,438,785	414,080	3,852,865	-
Capital assets being depreciated, net	14,285,744	16,479,333	30,765,077	333,166
Net OPEB asset	63,886	-	63,886	-
Total Noncurrent Assets	17,788,415	18,318,745	36,107,160	333,166
Total Assets	25,967,837	20,284,535	46,252,372	630,962
Deferred Outflows of Resources				
Deferred loss - bond refunding	79,703	-	79,703	-
Deferred pension amounts	833,511	263,371	1,096,882	-
Total Deferred Outflows of Resources	913,214	263,371	1,176,585	-

See accompanying notes to basic financial statements.

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Current Liabilities				
Accounts payable	$ 405,927	$ 55,134	$ 461,061	$ 11,320
Due to other funds	61,000	-	61,000	-
Due to other governmental units	311,528	-	311,528	-
Payroll liabilities	72,895	16,995	89,890	3,090
Accrued interest	30,142	-	30,142	-
Current portion of long-term debt	166,967	-	166,967	-
Current portion of lease liabilities	159,641	-	159,641	-
Current portion of compensated absences	50,610	2,500	53,110	-
Total Current Liabilities	1,258,710	74,629	1,333,339	14,410
Noncurrent Liabilities				
Long-term debt, net of current portion	2,350,951	-	2,350,951	-
Lease liabilities, net of current portion	450,032	-	450,032	-
Compensated absences, net of current portion	184,889	31,150	216,039	-
Net pension liability	4,774,552	1,508,650	6,283,202	-
Total Noncurrent Liabilities	7,760,424	1,539,800	9,300,224	-
Total Liabilities	9,019,134	1,614,429	10,633,563	14,410
Deferred Inflows of Resources				
Deferred pension amounts	703,404	222,261	925,665	-
Net Position				
Net investment in capital assets	14,596,938	16,893,413	31,490,351	333,166
Restricted	5,037,869	1,447,585	6,485,454	-
Unrestricted	(2,476,294)	370,218	(2,106,076)	283,386
Total Net Position	$ 17,158,513	$ 18,711,216	$ 35,869,729	$ 616,552

STATEMENT OF ACTIVITIES

City of Gaylord
For the year ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	$ 834,925	$ 296,482	$ -
Public safety	2,327,380	2,350	-
Public works	2,516,244	-	903,872
Community and economic development	532,865	-	-
Recreation and culture	80,053	-	-
Interest on long-term debt	91,628	-	-
Total Governmental Activities	6,383,095	298,832	903,872
Business-Type Activities			
Water fund	1,051,713	1,121,225	-
Sewer fund	1,469,055	1,961,093	-
Total Business-Type Activities	2,520,768	3,082,318	-
Total Primary Government	$ 8,903,863	$ 3,381,150	$ 903,872
Component Unit			
Downtown Development Authority	$ 329,071	$ -	$ -
Total Component Unit	$ 329,071	$ -	$ -

General Revenues
Property taxes
Federal revenue
State revenue
Interest and investment earnings
Other revenue

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning of Year

Error correction

Net Position, Beginning of Year, as Restated

Net Position, End of Year

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
$ (538,443)	$ -	$ (538,443)	$ -
(2,325,030)	-	(2,325,030)	-
(1,612,372)	-	(1,612,372)	-
(532,865)	-	(532,865)	-
(80,053)	-	(80,053)	-
(91,628)	-	(91,628)	-
(5,180,391)	-	(5,180,391)	-
-	69,512	69,512	-
-	492,038	492,038	-
-	561,550	561,550	-
(5,180,391)	561,550	(4,618,841)	-
-	-	-	(329,071)
-	-	-	(329,071)
4,870,858	-	4,870,858	313,179
625,900	209,272	835,172	-
1,167,797	-	1,167,797	24,031
1,323,950	-	1,323,950	7,725
246,132	145,974	392,106	12,567
8,234,637	355,246	8,589,883	357,502
3,054,246	916,796	3,971,042	28,431
13,792,594	17,614,582	31,407,176	588,121
311,673	179,838	491,511	-
14,104,267	17,794,420	31,898,687	588,121
$ 17,158,513	$ 18,711,216	$ 35,869,729	$ 616,552

BALANCE SHEET - GOVERNMENTAL FUNDS

City of Gaylord
June 30, 2025

	General Fund	Municipal Streets Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash equivalents and deposits	$ 1,597,487	$ 1,694,512	$ 3,261,145	$ 6,553,144
Accounts receivable	704,878	14,249	4,856	723,983
Due from other governmental units	85,728	-	103,452	189,180
Inventory	20,698	-	-	20,698
Prepaid expenditures	28,014	-	-	28,014
Real estate held for sale	-	-	278,322	278,322
Total Assets	$ 2,436,805	$ 1,708,761	$ 3,647,775	$ 7,793,341
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 340,227	$ 4,050	$ 2,200	$ 346,477
Due to other governmental units	-	311,528	-	311,528
Payroll liabilities	69,675	-	889	70,564
Total Liabilities	409,902	315,578	3,089	728,569
Fund Balances				
Nonspendable:				
Inventory	20,698	-	-	20,698
Prepaid expenditures	28,014	-	-	28,014
Real estate held for sale	-	-	278,322	278,322
Cemetery perpetual care	-	-	23,155	23,155
Restricted for:				
Highways and streets	-	1,393,183	1,429,686	2,822,869
Debt Service	-	-	750,715	750,715
Capital Projects	-	-	820,071	820,071
Cemetery maintenance	-	-	342,737	342,737
Assigned for:				
MERS increases	154,200	-	-	154,200
Unassigned for:				
General Fund	1,823,991	-	-	1,823,991
Total Fund Balances	2,026,903	1,393,183	3,644,686	7,064,772
Total Liabilities and Fund Balances	$ 2,436,805	$ 1,708,761	$ 3,647,775	$ 7,793,341

See accompanying notes to basic financial statements.

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

	City of Gaylord June 30, 2025
Fund balances of governmental funds	$ 7,064,772
Amounts reported for *governmental activities* in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of assets is $44,081,764 and the accumulated depreciation is $26,357,235 in the governmental funds.	17,724,529
Less: Capital assets not being depreciated, reported in internal service funds	(11,590)
Less: Capital assets being depreciated, net, reported in internal service funds	(1,262,337)
Deferred charge on bond refunding does not represent current financial resources	79,703
An Internal Service Fund is used by management to charge the cost of certain activities, such as fleet management, to individual funds. The assets and liabilities of the internal service fund is included in governmental activates.	729,309
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the governmental funds.	(3,363,090)
Less: Debt and compensated absences reported in internal service funds	614,852
Accrued interest is not recorded until due and payable in governmental funds.	(30,142)
Certain pension and other post-employment benefits and related deferred outflows/inflows of resources are not included as assets/labilities in governmental funds:	
Net pension liability	(4,774,552)
Less: net pension liability reported in internal service fund	198,475
Deferred inflows related to the net pension liability	(703,404)
Deferred outflows related to the net pension liability	833,511
Less: deferred inflows reported in internal service fund	29,240
Less: deferred outflows reported in internal service fund	(34,649)
OPEB asset	63,886
Net position of governmental activities	$ 17,158,513

See accompanying notes to basic financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

City of Gaylord
For the year ended June 30, 2025

	General Fund	Municipal Streets Fund	Nonmajor Funds	Total Governmental Funds
Revenues				
Taxes	$ 3,522,879	$ 1,127,912	$ 220,067	$ 4,870,858
Charges for services	296,482	-	2,350	298,832
Federal grant	625,900	-	-	625,900
State revenue	1,124,201	43,596	903,872	2,071,669
Interest and investment earnings	123,245	34,259	397,307	554,811
Other revenue	170,720	-	745	171,465
Total Revenues	5,863,427	1,205,767	1,524,341	8,593,535
Expenditures				
Current:				
General government	922,702	-	-	922,702
Public safety	2,607,627	-	-	2,607,627
Public works	1,093,225	597,995	674,765	2,365,985
Community and economic development	504,663	-	-	504,663
Recreation and culture	1,301,588	-	-	1,301,588
Debt service:				
Principal	6,457	-	150,000	156,457
Interest	-	-	96,425	96,425
Total Expenditures	6,436,262	597,995	921,190	7,955,447
Net Change in Fund Balances	(572,835)	607,772	603,151	638,088
Fund Balances, Beginning of Year as previously reported	2,476,378	785,411	3,041,535	6,303,324
Error correction	123,360	-	-	123,360
Fund Balances, Beginning of the Year, as Restated	2,599,738	785,411	3,041,535	6,426,684
Fund Balances, End of Year	$ 2,026,903	$ 1,393,183	$ 3,644,686	$ 7,064,772

See accompanying notes to basic financial statements

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

City of Gaylord
For the year ended June 30, 2025

Net change in fund balances - total governmental funds		$ 638,088
Amounts reported for *governmental activities* in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlay	$ 1,812,274	
Depreciation/amortization expense	(304,317)	1,507,957
Bond premium is amortized over the life of the new bond issue in the Statement of Activities		2,797
Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		156,457
In the statement of net position, compensated absences are measured by the amount earned during the year in the governmental activities, however, expenditures are measured by the amount of financial resources used.		7,612
Interest on long-term liabilities in the statement of activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as interest accrues regardless of when it is paid.		2,000
Changes in net pension liability and related deferred outflows and inflows of resources are not included as revenues/expenditures in governmental funds.		
Change in net pension liability	$ 241,976	
Change in deferred outflows	(171,339)	
Change in deferred inflows	443,194	513,831
Changes in net OPEB asset do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		8,186
The net revenue (expenses) of the internal service fund is reported with governmental activities.		217,318
Change in net position of governmental activities		$ 3,054,246

See accompanying notes to basic financial statements.

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

City of Gaylord
June 30, 2025

	Business-Type Activities			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Assets				
Current Assets				
Cash equivalents and deposits	$ 583,662	$ 860,527	$ 1,444,189	$ 386,081
Accounts receivable	168,679	269,669	438,348	-
Due from other funds	-	61,000	61,000	-
Advances to developers, current portion	8,242	14,011	22,253	-
Total Current Assets	760,583	1,205,207	1,965,790	386,081
Noncurrent Assets				
Restricted cash	319,728	971,862	1,291,590	-
Advances to developers, net of current portion	51,801	81,941	133,742	-
Capital assets not being depreciated	33,100	380,980	414,080	11,590
Capital assets being depreciated, net	5,659,903	10,819,430	16,479,333	1,262,337
Total Noncurrent Assets	6,064,532	12,254,213	18,318,745	1,273,927
Total Assets	6,825,115	13,459,420	20,284,535	1,660,008
Deferred Outflows of Resources				
Deferred pension amounts	91,664	171,707	263,371	34,649

See accompanying notes to basic financial statements.

	Business-Type Activities			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Liabilities				
Current Liabilities				
Accounts payable	$ 40,516	$ 14,618	$ 55,134	$ 59,450
Due to other funds	-	-	-	61,000
Payroll liabilities	4,891	12,104	16,995	2,331
Current portion of lease liabilities	-	-	-	159,641
Current portion of compensated absences	1,000	1,500	2,500	610
Total Current Liabilities	46,407	28,222	74,629	283,032
Noncurrent Liabilities				
Lease liabilities, net of current portion	-	-	-	450,032
Compensated absences, net current portion	10,255	20,895	31,150	4,569
Net pension liability	525,072	983,578	1,508,650	198,475
Total Noncurrent Liabilities	535,327	1,004,473	1,539,800	653,076
Total Liabilities	581,734	1,032,695	1,614,429	936,108
Deferred Inflows of Resources				
Deferred pension amounts	77,356	144,905	222,261	29,240
Net Position				
Net investment in capital assets	5,693,003	11,200,410	16,893,413	664,254
Restricted - capital improvements	379,771	1,067,814	1,447,585	-
Unrestricted deficit	184,915	185,303	370,218	65,055
Total Net Position	$ 6,257,689	$ 12,453,527	$ 18,711,216	$ 729,309

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

City of Gaylord
For the year ended June 30, 2025

	Business-Type Activities			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Operating Revenues				
Federal revenue	$ 209,272	$ -	$ 209,272	$ -
Sales and charge for services	1,121,225	1,961,093	3,082,318	765,211
Other revenue	-	-	-	38,679
Total Operating Revenues	1,330,497	1,961,093	3,291,590	803,890
Operating Expenses				
Personnel services	327,390	638,957	966,347	104,098
Contractual services	347,279	225,821	573,100	-
Professional services	5,500	7,500	13,000	-
Utilities	93,265	211,449	304,714	-
Repairs and maintenance	6,500	619	7,119	145,985
Supplies	103,946	89,434	193,380	83,015
Equipment rental	37,474	51,483	88,957	21,608
Insurance	3,128	11,035	14,163	38,010
Depreciation	100,604	205,741	306,345	204,485
Miscellaneous	26,627	27,016	53,643	-
Total Operating Expenses	1,051,713	1,469,055	2,520,768	597,201
Operating Income	278,784	492,038	770,822	206,689

See accompanying notes to basic financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS (Continued)

City of Gaylord
For the year ended June 30, 2025

	Business-Type Activities			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Nonoperating Revenue (Expense)				
Interest income	$ 26,933	$ 95,532	$ 122,465	$ 3,928
Interest expense	-	-	-	(29,287)
Gain on sale of capital assets	-	23,509	23,509	35,988
Total Nonoperating Revenue	26,933	119,041	145,974	10,629
Change in Net Position	305,717	611,079	916,796	217,318
Net Position, Beginning of Year	5,882,962	11,731,620	17,614,582	511,991
Error correction	69,010	110,828	179,838	-
Net Position, Beginning of Year, as Restated	5,951,972	11,842,448	17,794,420	511,991
Total Net Position, End of Year	$ 6,257,689	$ 12,453,527	$ 18,711,216	$ 729,309

See accompanying notes to basic financial statements

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

City of Gaylord
For the year ended June 30, 2025

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Cash Flows From Operating Activities				
Cash receipts from customers and taxpayers	$ 1,316,362	$ 1,938,460	$ 3,254,822	$ 803,890
Payments to employees and benefits on their behalf	(461,851)	(830,067)	(1,291,918)	(157,811)
Payments of benefits on behalf of employees				
Payments for interfund services	-	(61,000)	(61,000)	61,000
Payments to suppliers	(595,795)	(716,377)	(1,312,172)	(240,573)
Net Cash Provided by Operating Activities	258,716	331,016	589,732	466,506
Cash Flows From Capital and Related Financing Activities				
Refund of capital grants	-	(1,750,000)	(1,750,000)	-
Principal paid - financed purchases	-	-	-	(41,000)
Principal paid - lease liabilities	-	-	-	(121,383)
Interest paid on debt	-	-	-	(8,320)
Interest paid - lease liabilities	-	-	-	(20,967)
Purchase of fixed assets	(31,800)	(33,434)	(65,234)	(108,587)
Proceeds from sale of capital assets	-	61,000	61,000	86,000
Net Cash Used for Capital and Related Financing Activities	(31,800)	(1,722,434)	(1,754,234)	(214,257)
Cash Flows From Investing Activities				
Interest received	26,933	95,532	122,465	3,928
Net Change in Cash and Cash Equivalents	253,849	(1,295,886)	(1,042,037)	256,177
Balances, Beginning of Year	649,541	3,128,275	3,777,816	129,904
Balances, End of Year	$ 903,390	$ 1,832,389	$ 2,735,779	$ 386,081
Presented in the statement of net position as follows:				
Cash equivalents and deposits	$ 583,662	$ 860,527	$ 1,444,189	$ 386,081
Restricted cash	319,728	971,862	1,291,590	-
	$ 903,390	$ 1,832,389	$ 2,735,779	$ 386,081

See accompanying notes to basic financial statements

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS

City of Gaylord
For the year ended June 30, 2025

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Fund	Sewer Fund	Total	Internal Service Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	$ 278,784	$ 492,038	$ 770,822	$ 206,689
Adjustments to reconcile operating Income to net cash provided by operating activities:				
Depreciation and amortization expenses	100,604	205,741	306,345	204,485
(Increase) decrease in:				
Accounts receivable	(22,377)	(36,644)	(59,021)	-
Note receivable	8,242	14,011	22,253	-
Due from other funds	-	(61,000)	(61,000)	-
Pension related outflows	30,723	52,572	83,295	14,380
Increase (decrease) in:				
Accounts payable	27,924	(92,020)	(64,096)	48,045
Payroll liabilities	(3,667)	(2,794)	(6,461)	(430)
Due to other funds	-	-	-	61,000
Compensated absences	(15,218)	2,707	(12,511)	4,569
Pension liability	(82,705)	(130,202)	(212,907)	(45,006)
Pension related inflows	(63,594)	(113,393)	(176,987)	(27,226)
Total adjustments	(20,068)	(161,022)	(181,090)	259,817
Net Cash Provided by Operating Activities	$ 258,716	$ 331,016	$ 589,732	$ 466,506
Noncash Capital and Financing Activities				
Lease liability for the acquisition of right-to-use asset leased assets	$ -	$ -	$ -	$ 326,231

See accompanying notes to basic financial statements

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

City of Gaylord
June 30, 2025

	Other Post-Employment Benefits Trust	Custodial Fund	Total
Assets			
Cash and cash equivalents	$ -	$ 25,956	$ 25,956
Investments - MERS total market portfolio	71,723	-	71,723
Total Assets	71,723	25,956	97,679
Liabilities			
Due to other governments	-	25,956	25,956
Total Liabilities	-	25,956	25,956
Net Position			
Restricted for:			
Other postemployment benefits	$ 71,723	$ -	$ 71,723

See accompanying notes to basic financial statements

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

City of Gaylord
For the year ended June 30, 2025

	Other Post-Employment Benefits Trust	Custodial Fund	Total
Additions			
Employer contributions	$ 2,460	$ -	$ 2,460
Investment earnings (losses):			
Appreciation in fair value	6,378	-	6,378
Property taxes, interest, licenses, and revenues collected for other governments	-	6,738,555	6,738,555
Total additions	8,838	6,738,555	6,747,393
Deductions			
Benefit payments	2,460	-	2,460
Administrative expenses	143	-	143
Property taxes, interest, licenses, and revenues remitted to other governments	-	6,738,555	6,738,555
Total deductions	2,603	6,738,555	6,741,158
Net Change in Fiduciary Net Position	6,235	-	6,235
Net Position - Beginning of year	65,488	-	65,488
Net Position - End of Year	$ 71,723	$ -	$ 71,723

See accompanying notes to basic financial statements

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NOTES TO BASIC FINANCIAL STATEMENTS

Note A - Summary of Significant Accounting Policies

The accounting methods and procedures adopted by the City of Gaylord, Michigan (the "City"), conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below.

1. Scope of Reporting Entity

The City operates under a council-manager form of government. Services provided for its citizens include: public safety, water and sewer services, streets, planning and zoning, and general administrative services.

As required by generally accepted accounting principles (GAAP), these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. A component unit is included in the City's reporting entity if it is both fiscally dependent on the City (the primary government) and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The City's component units and joint ventures are as follows:

Discretely Presented Component Units

The Downtown Development Authority (DDA) has been included in the City's financial statements as a discretely presented component unit due to the following reasons:

City appoints governing board
City approves budget of the Authority
City must approve any tax levy of the Authority
City has the ability to significantly influence the operations of the DDA.

Fiduciary Component Unit

The **City of Gaylord MERS Retiree Health Funding Vehicle Other Postemployment Benefits Plan (MERS RHFV)** (the “Plan”) is a single employer defined benefit postemployment healthcare plan that provides health care for benefits to a certain retiree, in accordance with labor agreements and/or the City Administrative Code. The plan is included as a fiduciary component unit because:

The Plan is a legally separate entity.
The City appoints a voting majority of the governing board.
The City Council is the fiduciary for the plan with MERS acting as the program administrator.
The City makes contributions to the plan on behalf of its participants.

The Plan provisions are established and may be amended by the City Council.

Jointly Governed Organizations

The Otsego County Fire Authority is operated as a joint venture between the City of Gaylord, Bagley Township, Livingston Township, Dover Township, Hayes Township, and the west half of Chester Township to provide fire services to the municipalities. The Board consists of 6 members, one from each of the of the municipalities. For the fiscal year ended June 30, 2025, the City contributed $195,854 to the Otsego County Fire Authority for operating expenses.

2. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City. The City does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the City. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Net Position is presented on the classified basis and is reported on the full accrual, economic resources basis, which recognizes all long-term assets as well as all long-term debt and obligations. The City's net position is reported in three parts: net investment in capital assets; restricted net position, and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, state revenue sharing, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, 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. Nonmajor funds are aggregated and presented in a single column.

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 that are required to be accounted for in another fund.

The Municipal Streets Fund is used to account for a special revenue source that will be used towards the improvement of streets and related infrastructure.

The City reports the following major enterprise funds:

The *Water Fund* accounts for the activities related to the City's water production, purification, distribution, and billing.

The *Sewer Fund* accounts for the activities related to the City's sanitary collections system and wastewater treatment.

Additionally the City reports the following fiduciary funds:

The *Custodial funds* account for assets held for other governments in a custodial capacity, including tax collections, delinquent taxes receivable, and other funds.

The *Other Postemployment Benefits Trust Fund* accounts for the City's RFHV plan.

Additionally, the City reports the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt or capital projects.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned for expenditures for principal, interest, and related costs.

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital projects.

The *Permanent fund* is used to account for and report financial resources of the Cemetery Perpetual Care Fund. The principal portion of these funds must be held in perpetuity, the interest that is earned provides for the upkeep of the City's Cemetery.

The *Internal Service Fund* accounts for the operations that provide machinery and equipment to other departments on a cost-reimbursement basis.

The Fiduciary Fund accounts for the activities of the retiree's health insurance plan and for assets that the government holds for others in a custodial capacity.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 grantor or provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the government-wide level. Reconciliations between the two sets of statements are provided separately.

Revenues are recognized when susceptible to accrual; i.e., 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 after the end of the current fiscal period. Taxes, intergovernmental revenues and interest associated with the current period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period.

Expenditures are recorded when the liability is incurred, as under accrual accounting, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt and claims and judgments are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise funds are charges for services. Operating expenses for the enterprise funds include wages, benefits, supplies, utilities, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted as they are needed.

4. Cash, Cash Equivalents, and Investments

For the purposes of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents. Investments consist of investment pools. Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Restricted Cash and Cash Equivalents

Certain resources are set aside for future improvements to the City's water and sewer system, which are classified as restricted assets on the statement of net position because their use is restricted by an external party or law.

5. Advances to Developers

The City entered into a long-term borrowing arrangement between Shoppes on Main, LLC and Skiba, LLC. A portion of these advances are not expected to be collected in one year. The advances receivable are reported on the statement of net position of the business-type activities and the enterprise funds.

6. Property Taxes

The City's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 14; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Otsego County (the "County"). Assessed values, as established annually by the City and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value.

Property taxes for the DDA are derived by capturing the taxes on the increase in taxable value of the property located within the DDA.

Property taxes are recognized in the fiscal year for which they are levied.

7. Other Assets

The City recognizes other assets as follows:

Inventory - Inventory is maintained by the General Fund, which consists of road maintenance materials and is valued at cost using the first-in, first out (FIFO) method.

Prepaid expenses/expenditures - The City incurred expenses prior to year-end for services that will be performed in the next fiscal year. In these situations, the City records an asset to reflect the investment in future services.

Land Held for Resale - The City owns several parcels of land which it intends to sell in the future. These properties are valued at historical cost plus any additional costs to maintain the properties.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City of Gaylord as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	5-50 years
Tools and equipment	3-20 years
Vehicles	3-10 years
Roads and sidewalks	15-25 years
Right of use asset	5 years
Office furnishing	3-20 years
Water and sewer systems	40-75 years

9. Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plan and the deferred loss on bond refunding.

10. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows related to its pension plan.

11. Operating Leases

The City is a lessee for noncancellable leases of equipment and vehicles. The City recognizes a lease liability and an intangible right-to-use asset in the government wide financial statements.

At the commencement of lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. A right-to-use asset is initially measured as the initial amount of the lease liability, adjusted for lease payments at or before the lease commencement date, plus certain initial direct costs. Subsequently, the right to use asset is amortized on straight-line basis over the smaller of the lease term or useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charge by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the City is reasonably certain to exercise.

12. Long-term Obligations

In the government-wide financial statements and proprietary fund type 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 types in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported as the total amount of bonds issued.

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 issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as expenditures.

13. Compensated Absences

Compensated absences at June 30, 2025 have been computed and recorded in the financial statements of the City. It is the City's policy to permit employees to accumulate earned but unused sick leave, vacation and compensatory time. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements, as it becomes due for payments (i.e., when the time is used, or employment is terminated).

14. Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

The Statement of Net Position includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. Items previously reported as assets (i.e., losses on bond refunding and bond issuance costs) are now reported as deferred outflows of resources and current year expenditures, respectively. Items previously reported as liabilities (i.e., acquisitions of net assets (property taxes, special assessments) that are applicable to a future reporting period) are now reported as deferred inflows of resources.

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position 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 by 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.

15. Fund Balance

The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable - resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).

- Restricted - resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

- Committed - resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Board of Trustees). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified uses by taking the same type of action it employed to previously commit those amounts.

- Assigned - resources that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes. At June 30, 2025, the City assigned fund balance of $154,200 for MERS increases.

- Unassigned - unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other funds, the unassigned classification should be used only to report a deficit balance from overspending for specific purposes for which amounts had been restricted, committed or assigned.

16. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as transfers in or out. Transfers between governmental funds are eliminated in the Statement of Activities. Transfers in the fund financial statements are reported as other financing sources/uses.

17. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

18. Pensions and Other Post-employment Benefits

For purposes of measuring the net pension liability, the net other post-employment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions, and other post-employment benefits, and pension and other post-employment benefit 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 by 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.

Note B - Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.

- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.

- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a Municipality in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a Municipality in Michigan.

The City at June 30, 2025, does not have a formal deposit and investment policy that limits its investments to those described above nor addresses the risks to which the City is exposed.

Balances at June 30, 2025 related to cash equivalents, deposits, restricted cash, and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents and deposits, restricted cash, and investments per the Statement of Net Position:

Governmental and business-type activities	$ 8,383,414
Restricted cash - business-type activities	1,291,590
Component Unit - DDA	297,796

Cash equivalents, deposits, and investments of Fiduciary Funds:

Custodial Funds	$ 97,679

Cash Equivalents and Deposits

Cash equivalents consist of bank public funds checking, savings and money market accounts. Deposits consist of certificates of deposit.

Depositories actively used by the City during the year are detailed as follows:

1. Horizon Bank

June 30, 2025 balances are detailed as follows:

Cash equivalents	$ 3,556,078
Deposits	6,323,805
Investments	190,596
Total	$ 10,070,479

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's cash equivalents and deposits may not be returned to the City. Protection of the City cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the City's cash equivalents, deposits, and investments was $10,070,479, with a corresponding bank balance of $9,958,183. Of the bank balance, $250,000 was covered by federal depository insurance and $9,708,183 was uninsured and uncollateralized.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the City may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City minimizes custodial credit risk by limiting investments to the types of securities allowed by law; and prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business. All security transactions, including collateral for repurchase agreements entered into by the City, shall be conducted on a cash (or delivery vs. payment) basis. Securities may be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping receipts. At June 30, 2025, the City had no investments that were subject to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities other than commercial paper which can only be purchased with not more than a 270-day maturity. The City's investment portfolio is designed to remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Accordingly, the domestic corporate fixed income securities are taken out to mature according to the City's needs. Money can be drawn on the U.S. government securities fund at any time. At June 30, 2025, the weighted average maturities of investment were as follows:

Type of Investment	Maturity	Fair Value	Credit Rating
Michigan CLASS	N/A	$ 190,596	AAAm (S&P)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investments in a single issuer. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk.

Foreign Currency Risk

The City is not authorized to participate in investments that are subject to this type of risk.

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; level 3 inputs are significant unobservable inputs. The City had the recurring fair value measurements as of June 30, 2025:

Type of Investment	Level 1	Level 2	Level 3	Total
MERS total market portfolio	$ 71,723	$ -	$ -	$ 71,723
Investments carried at net asset value - Michigan CLASS				190,596
				$ 262,319

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. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required.

Note C - Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Balance July 1, 2024	Adjustments	Additions	Deductions	Balance June 30, 2025
Governmental Activities					
Capital assets not being depreciated:					
Land	$ 1,370,598	$ -	$ -	$ -	$ 1,370,598
Construction in progress	67,600	188,313	1,812,274	-	2,068,187
Total Capital assets not depreciated	1,438,198	$ 188,313	$ 1,812,274	$ -	3,438,785
Capital assets being depreciated:					
Buildings and improvements	6,150,322	$ -	$ -	$ -	6,150,322
Office furnishings	271,570	-	-	-	271,570
Tools and equipment	1,782,885	-	108,587	-	1,891,472
Vehicles	2,360,233	-	-	(113,193)	2,247,040
Roads and sidewalks	29,262,796	-	-	-	29,262,796
Intangible right-to-use asset:					
Leased vehicles	493,548	-	326,231	-	819,779
Total capital assets being depreciated	40,321,354	$ -	$ 434,818	$(113,193)	40,642,979
Less accumulated depreciation for:					
Buildings and improvements	(2,677,233)	$ -	$ (21,705)	$ -	(2,698,938)
Office furnishings	(271,570)	-	-	-	(271,570)
Tools and equipment	(1,205,650)	-	(92,798)	-	(1,298,448)
Vehicles	(1,993,354)	-	(16,653)	63,181	(1,946,826)
Roads and sidewalks	(19,675,084)	-	(256,263)	-	(19,931,347)
Intangible right-to-use asset:					
Leased vehicles	(88,723)	-	(121,383)	-	(210,106)
Total accumulated depreciation and amortization	(25,911,614)	$ -	$ (508,802)	$ 63,181	(26,357,235)
Net capital assets being depreciated and amortized	14,409,740				14,285,744
Net Capital Assets - Governmental Activities	$ 15,847,938				$ 17,724,529

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Business-Type Activities				
Capital assets not being depreciated:				
Land	$ 414,080	$ -	$ -	$ 414,080
Capital assets being depreciated:				
Buildings and equipment	2,595,449	$ 65,234	$ (71,076)	2,589,607
Water and sewer system	35,541,871	-	-	35,541,871
Total capital assets being depreciated	38,137,320	$ 65,234	$ (71,076)	38,131,478
Less accumulated depreciation for:				
Buildings and equipment	(1,437,940)	$ (103,115)	$ 33,585	(1,507,470)
Water and sewer system	(19,941,445)	(203,230)	-	(20,144,675)
Total accumulated depreciation	(21,379,385)	$ (306,345)	$ 33,585	(21,652,145)
Net capital assets being depreciated	16,757,935			16,479,333
Net Capital Assets - Business-Type Activities	$ 17,172,015			$ 16,893,413

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Component Unit				
Capital assets, being depreciated - investment in pavilion	$ 807,800	$ -	$ -	$ 807,800
Less accumulated depreciation for: investment in pavilion	(469,885)	(4,749)	-	(474,634)
Component Unit Capital Assets, Net of Accumulated Depreciation	$ 337,915	$ (4,749)	$ -	$ 333,166

The DDA maintains the right for the use of the pavilion. Title of the pavilion is held by the City; however, the DDA maintains control and upkeep of the asset.

Depreciation expense was charged in the following functions in the Statement of Activities:

Governmental Activities	
General government	$ 703
Public safety	14,244
Public works	288,467
Recreation and culture	903
Internal service fund	204,485
Total depreciation expense - Governmental activities	$ 508,802
Business-type Activities	
Water	$ 100,604
Sewer	205,741
Total depreciation expense - Business-type activities	$ 306,345
Component Unit	
Culture and Recreation	$ 4,749

Note D - Long-Term Obligations

Chanes in long-term obligations for the year ended June 30, 2025 are summarized as follows:

	Balance July 1, 2024	Debt Added	Debt Retired	Balance June 30, 2025
Governmental activities				
Bond issues:				
2015 Unlimited Tax General Obligation Refunding	$ 2,545,000	$ -	$ 150,000	$ 2,395,000
Direct borrowings direct placements:				
Financed Purchases:				
2020 Financed Purchase - John Deere 624L Wheel Loader	41,000	-	41,000	-
2022 Financed Purchase - GMC Terrain	18,104	-	6,457	11,647
Lease Liabilities				
2022 Chevrolet Silverado 2500HD	33,423	-	9,807	23,616
2022 Chevrolet Silverado 1500 LTD	30,418	-	8,409	22,009
2022 Ram 1500 Classic	27,200	-	7,167	20,033
2023 Ford Police Interceptor Utility	52,303	-	14,182	38,121
2023 Ford Police Interceptor Utility	52,303	-	14,182	38,121
2024 Chevrolet Silverado 3500HD	57,919	-	12,864	45,055
2024 Chevrolet Silverado 1500HD	46,220	-	8,502	37,718
2024 Chevrolet Silverado 2500HD	52,514	-	9,370	43,144
2024 Chevrolet Silverado 2500HD	52,525	-	9,372	43,153
2024 Chevrolet Silverado 1500	-	42,964	6,487	36,477
2025 Chevrolet Silverado 2500HD	-	62,181	7,939	54,242
2025 Chevrolet Silverado 2500HD	-	59,658	7,638	52,020
2025 Ford Police Interceptor Utility	-	83,237	4,054	79,183
2025 Ford Police Interceptor Utility	-	78,192	1,411	76,781
Other obligations:				
Premium on bonds issuance	121,387	-	10,116	111,271
Compensated absences	238,542	-	3,043	235,499
Total governmental activities	3,368,858	326,232	332,000	3,363,090
Business-type activities				
Compensated absences	46,161	-	12,511	33,650
Total business-type activities	$ 46,161	$ -	$ 12,511	$ 33,650
Total Primary Government	$ 3,415,019	$ 326,232	$ 344,511	$ 3,396,740

Long-term obligations at June 30, 2025 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
Governmental activities				
General Obligation Bonds:				
$5.91 mil 2015 Unlim Tax Gen Ob Refunding Annual maturities of $75K to $245K	June 2036	2%-4%	$2,395,000	$ 150,000
Direct borrowings and direct placements:				
Financed purchases:				
$31,920 2022, monthly installments of $613	February 2027	5.95%	11,647	6,851
Lease Liabilities				
$49,362 2022, monthly installments of $863	December 2027	1.90%	23,616	9,994
$43,216 2022, monthly installments of $853	December 2027	6.86%	22,009	9,004
$37,134 2023, monthly installments of $724	February 2028	6.35%	20,033	7,635
$70,065 2023, monthly installments of $1,226	March 2028	2.21%	38,121	14,499
$70,065 2023, monthly installments of $1,226	February 2028	2.21%	38,121	14,499
$66,468 2024, monthly installments of $1,146	October 2028	1.71%	45,055	13,085
$48,535 2024, monthly installments of $955	March 2029	6.99%	37,718	9,115
$54,346 2024, monthly installments of $1,082	April 2029	7.48%	43,144	10,095
$54,357 2024, monthly installments of $1,082	April 2029	7.48%	43,153	10,097
$42,964 2025, monthly installments of $825	August 2029	5.94%	36,477	7,952
$62,181 2025, monthly installments of $1,106	October 2029	2.68%	54,242	11,965
$59,658 2025, monthly installments of $1,057	October 2029	2.51%	52,020	11,509
$83,237 2025, monthly installments of $1,513	March 2030	3.60%	79,183	15,565
$78,192 2025, monthly installments of $1,411	May 2030	3.29%	76,781	14,627
Other Obligations:				
Premium on bonds issuance			111,271	10,116
Compensated absences			235,499	50,610
Total governmental activities			$3,363,090	$ 377,218
Business-type activities				
Other Obligations:				
Compensated absences			$ 33,650	$ 2,500

Annual debt service requirements to maturity, excluding compensated absences and bond issuance premiums, for the above obligations are as follows:

Year Ending	General Obligation Bonds		Notes from Direct Borrowings and Direct Placements		Leases	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2026	150,000	90,425	6,851	508	159,641	22,156
2027	200,000	83,425	4,796	108	166,223	15,575
2028	200,000	75,425	-	-	142,142	8,931
2029	200,000	67,425	-	-	102,733	3,591
2030	195,000	59,525			38,934	514
2031-2035	1,215,000	156,625	-	-	-	-
2036	235,000	4,112	-	-	-	-
Total	$ 2,395,000	$ 536,962	$ 11,647	$ 616	$ 609,673	$ 50,767

Note E - Defined Benefit Pension Plan

1. General Information about the Pension Plan

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees' Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS' website at www.mersofmich.com.

Benefits Provided

Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 3-year period) and multipliers at 1% - 3%. 1% divisions (General Non-Union and General Public Works hired after 7/1/2010) have no max. All other divisions have benefit multipliers at 80% max. Participants are considered to be fully vested in the plan after 6 -8 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service, or age 55 with 15 years of service, depending on division/bargaining unit.

Employees Covered by Benefit Terms

At the December 31, 2024 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	5
Active employees	36
Total membership	77

Contributions

Required contributions are determined by the Municipal Employee Retirement System of Michigan based on actuarial calculations performed by an independent actuary. The actuarially determined rates are the estimated amounts necessary to finance the costs of benefits earned by plan participants throughout the year, with an additional amount to finance any unfunded accrued liability.

Employee contributions are based on the employee's annual covered salary. For the year ended June 30, 2025, the required employee contributions rates were 5% for the police divisions and 0% for all other divisions. The City's contribution rate and required contribution for the year ended June 30, 2025 were 36% and $928,877 respectively. Actual contributions for the year equaled $1,182,888, or 127% of required contributions.

Net Pension Liability

The City's net pension liability reported at June 30, 2025, was determined using a measure of the total pension liability and the pension's fiduciary net position as of December 31, 2024. December 31, 2024, total pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the City at June 30, 2025, were as follows:

Total pension liability	$ 19,790,559
Plan fiduciary net position	13,507,357
Township's net pension lability	$ 6,283,202
Plan fiduciary net position as a percentage of total pension liability	68.3%

Actuarial Assumptions

The total pension liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	6.93% net of investment and administrative expense including inflation

The base mortality tables used are constructed as described below and are based on are amount weighted sex distinct rates:

Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120.

Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120.

Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of the most recent actuarial experience study of 2015-2019.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a model 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.00%	2.70%
Global Fixed Income	20.00%	0.43%
Private Investments	20.00%	1.30%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability is 7.18%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension 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 liability.

2. Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at December 31, 2023	$ 19,200,161	$ 12,417,070	$ 6,783,091
Changes for the Year			
Service cost	286,136	-	286,136
Interest on total pension liability	1,349,432	-	1,349,432
Difference between expected and actual experience	86,977	-	86,977
Changes in assumptions	(34,318)	-	(34,318)
Employer contributions	-	1,233,910	(1,233,910)
Employee contributions	-	47,807	(47,807)
Net investment income	-	905,602	(905,602)
Benefit payments, including employee refunds	(1,097,827)	(1,097,827)	-
Administrative expense	-	(27,886)	27,886
Other changes	(2)	28,681	(28,683)
Net Changes	590,398	1,090,287	(499,889)
Balances as of December 31, 2024	$ 19,790,559	$ 13,507,357	$ 6,283,202

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.18%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.18%) or 1% higher (8.18%) than the current rate:

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Net Pension Liability	$ 8,638,150	$ 6,283,202	$ 4,324,565

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

3. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2025, the City recognized a pension expense of $1,694,554. The City reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 153,812	$ 135,754
Difference between expected and actual assumptions	296,472	27,454
Net difference between projected and actual earnings on pension plan investments	-	762,457
	450,284	925,665
Contributions subsequent to the measurement date	646,598	-
Total	$ 1,096,882	$ 925,665

The amount of deferred outflows of resources related to City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2026	$ (241,806)
2027	(330,016)
2028	84,215
2029	12,226

Payable to the Pension Plan

At June 30, 2025, the City had no amounts payable for contributions to the pension plan.

For the governmental activities, the net pension liability is generally liquidated by the General Fund.

Note F - Other Postemployment Benefits

1. Plan Description

The City administers a single employer defined benefit healthcare plan established by the City Council. The City provides a portion of the annual premium for health insurance benefits to certain retirees, which are advance funded on a discretionary basis. The Plan is reported as an other employee benefit trust fund in the accompanying financial statements. The Plan's trust fund was initially funded during the year ended June 30, 2022. Separate financial statements are not issued for the Plan.

Plan Membership

At the June 30, 2025 valuation date, OPEB Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	1

Benefits Provided

The City Council has the authority to establish and amend the benefit provisions of the OPEB plan, and to determine the classes of plan members covered. The City provides a monthly subsidy for the retiree health insurance premium charged by the City's healthcare provider. For retirees covered under the City's closed plan, the City pays 50% of the health care insurance premium. For employees covered under labor agreements that expired June 30, 2019 this plan will not be included as a negotiated benefit for future contracts. The City paid $205 per month toward the health care insurance premium for a retiree with 15 years of service. In accordance with City policy, eligible retirees receive healthcare benefits until death.

Contributions

The contribution requirements of Plan members and the City are established and may be amended by the City Council, in accordance with City policies, and union contracts. OPEB plan members are not required to contribute to the OPEB plan, but retirees are required to pay the remaining monthly insurance premium on a pay-as-you-go basis. The contribution requirements of OPEB plan members and the City are established and may be amended by the City Council.

2. Investments

Investment Policy

As permitted under the Public Employees Health Care Funds Public Act 149 of 1999, the City Council established a Public Employee Health Care Fund by adoption of a resolution. That resolution provides for the Michigan Employee's Retirement System (MERS) to act as Retiree Health Funding Vehicle (RHFV) Investment Fiduciary and Trustee. The City funds the RHFV Trust sub-fund to provide for health care benefits for eligible employees that qualify for such benefits as approved by the City Council. The resolution also directs the City Manager to be its RHFV coordinator, which gives that person the authority to direct payment of fund monies to eligible employees, make investment allocations of the sub trust fund within MERS-approved portfolios and, in general, act on behalf of the City as it relates to the administrative duties relating to the fund. The City invests in the MERS Total Market Portfolio which is a diversified portfolio with the objective of providing current income and capital appreciation while minimizing the volatility of capital markets.

Concentrations

At June 30, 2025, the OPEB Plan's investments were fully invested in the MERS Retiree Health Funding Vehicle.

Rate of Return

For the year ended June 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was (10.42) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB Plan investments was determined using a forward-looking estimate of capital market returns model for each investment major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and investment expenses. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.00%	2.70%
Global Fixed Income	20.00%	0.43%
Private Investments	20.00%	1.30%
	100.00%	4.43%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.93%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the current contribution rate and that Plan contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation (using the alternative measurement method) as of June 30, 2025, using the following actuarial assumptions (which were determined by management utilizing the best information available), applied to all periods included in the measurement, unless otherwise specified:

Inflation - 2.5%

Salary increases - 0.0% - all participants are inactive and receiving benefits.

Investment rate of return - 6.93%

Healthcare cost trend rates - The expected rate of increase in healthcare insurance premiums was based on projections by the City's management. Since benefit payments are based on a flat payment, no healthcare rate of increase was assumed for the plan.

Marital status - Marital status of members at the valuation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Vital Statistics Report. The 2012 United States Life Tables for Males and for Females were used.

Probability of accepting benefits - 100%

3. Net OPEB Liability (Asset) of the City

The components of the net OPEB liability (asset) of the City at June 30, 2025, were as follows:

Total OPEB liability	$ 7,837
Plan fiduciary net position	71,723
City's net OPEB liability (asset)	$(63,886)
Plan fiduciary net position as a percentage of the total OPEB Liability	915.2%

4. Changes in Net OPEB Liability

The components of the change in the net OPEB liability are summarized as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) (a)-(b)
Balances at July 1, 2024	$ 9,788	$ 65,488	$(55,700)
Changes for the Year			
Service cost	-	-	-
Interest	509	-	509
Experience (gains)/losses	-	-	-
Change in plan terms	-	-	-
Change in actuarial assumptions	-	-	-
Contributions/benefit paid from general operating funds	-	2,460	(2,460)
Net investment income	-	6,378	(6,378)
Benefit payments; including refunds of employee contributions	(2,460)	(2,460)	-
Administrative expenses	-	(143)	143
Net Changes	(1,951)	6,235	(8,186)
Balances as of June 30, 2025	$ 7,837	$ 71,723	$(63,886)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the City, calculated using the discount rate 6.93%, as well as what the City's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1% lower (5.93%) or 1% higher (7.93%) than the current rate:

1% Decrease (5.93%)	Current Discount Rate (6.93%)	1% Increase (7.93%)
$ (63,043)	$ (63,886)	$ (64,729)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 8.25%, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower (-1.00%) or 1% higher (1.0%) than the current rate:

1% Decrease (-1.0%)	Healthcare Cost Current Trend Rate 0.00%	1% Increase (1.00%)
$ (63,247)	$ (63,886)	$ (64,525)

Payable to the OPEB Plan

At June 30, 2025, the City had no amounts payable for contributions to the OPEB plan.

For the governmental activities, the net OPEB asset is generally liquidated by the general fund.

Note G - 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 property loss, errors and omissions, workers' compensation, health benefits, and dental and vision benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

There were no significant reductions in insurance coverage in the past three fiscal years, and as of year ended June 30, 2025, there were no material pending claims against the City.

Note H - Tax Abatements

Industrial property tax abatements are granted by the State of Michigan under public Act 198, as amended, to promote economic development, creation of jobs, and new or improved facilities. The industrial facilities tax (IFT) exemption must be approved by both the local unit (after a public hearing is held) and the State of Michigan. IFT exemptions can cover real and/or personal property. By State law, the exemption must be applied for no later than six months after commencement of the project, and must be accompanied by a written agreement between the taxpayer and the local unit. An exemption allows for taxation on IFT property at 25%, 50%, or 100% of the local property tax millage rate for a period of up to 12 years, depending on the agreement. Accordingly, such agreements meet the criteria of "tax abatements" under GASB Statement No. 77. Property taxes abated by the City in fiscal year 2025 were $26,479 for IFT abatements.

Note I - Commitments and Contingencies

The City has an active construction project as of June 30, 2025. At year end, the City had the following commitments on construction contracts:

Project	Spent-to-Date	Remaining Commitment
Governmental activities		
Highway I-75BL (Otsego Avenue)		
MDOT	$ 794,058	$ 407,722
North Center Street - Small Urban Project		
Small Urban Grant	25,650	1,131,057
DDI Interchange Project		
MDOT	9,900	4,685,925

Note J - Prior Period Adjustments

For the fiscal year ended June 30, 2025, prior period adjustments were made to correct errors identified in previously issued financial statements. Net position for Governmental Activities was increased to recognize capital outlays for major projects that had not been previously recorded. Fund balances for the General Fund, Sewer Fund, and Water Fund were adjusted to remove amounts previously reported as payroll liabilities, as these amounts represented resources held for future disbursement and did not meet the definition of a liability. Additionally, fund balances for the Sewer Fund and Water Fund were increased to record utility billing receivables that had not been recognized in the prior year. The effect of these changes are as follows:

	As Previously Reported	As Restated	Adjustment Required
Governmental Activities - Net Position	13,792,594	14,104,267	311,673
General Fund - Fund Balance	2,476,378	2,599,738	123,360
Sewer Fund - Fund Balance	11,731,620	11,842,448	110,828
Water Fund - Fund balance	5,882,962	5,951,972	69,010

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REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS - MERS OF MICHIGAN

City of Gaylord
For the year ended June 30, 2025

	2025	2024	2023
Total Pension Liability			
Service cost	$ 286,136	$ 262,549	$ 258,502
Interest	1,349,432	1,331,760	1,284,828
Changes in benefits	-	-	-
Difference between expected and actual experience	86,977	(226,256)	193,365
Changes of assumptions	(34,318)	144,071	-
Benefit payments including employee refunds	(1,097,827)	(1,099,571)	(1,083,218)
Other	(2)	(1)	2
Net Change in Total Pension Liability	590,398	412,552	653,479
Total Pension Liability - Beginning of Year	19,200,161	18,787,609	18,134,130
Total Pension Liability - End of Year	19,790,559	19,200,161	18,787,609
Plan Fiduciary Net Position			
Contributions - employer	1,233,910	1,157,590	1,092,819
Contributions - employee	47,807	46,713	47,857
Net investment income (loss)	905,602	1,247,293	(1,364,343)
Benefit payments including employee refunds	(1,097,827)	(1,099,571)	(1,083,218)
Administrative expense	(27,886)	(26,343)	(22,920)
Other	28,681	25,153	(2,870)
Net Change in Plan Fiduciary Net Position	1,090,287	1,350,835	(1,332,675)
Plan Fiduciary Net Position - Beginning of Year	12,417,070	11,066,235	12,398,910
Plan Fiduciary Net Position - End of Year	13,507,357	12,417,070	11,066,235
Employer Net Pension Liability	$ 6,283,202	$ 6,783,091	$ 7,721,374
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68%	65%	59%
Covered-Employee Payroll	$ 2,611,727	$ 2,388,788	$ 2,322,311
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	241%	284%	332%

Note: The amounts presented each fiscal year were determined as of December 31 of the preceding year.

See notes to required supplementary information.

2022	2021	2020	2019	2018	2017	2016
$ 213,758	$ 202,899	$ 177,038	$ 170,725	$ 179,541	$ 159,037	$ 162,638
1,233,472	1,167,110	1,148,384	1,111,026	1,083,607	1,045,787	1,009,600
-	865	(697)	-	-	-	-
34,423	142,576	184,310	139,128	(31,115)	99,338	(118,844)
1,050,149	383,502	486,200	-	-	-	584,640
(1,041,389)	(1,016,989)	(995,528)	(918,577)	(851,206)	(832,148)	(767,770)
-	-	-	-	(1)	-	(1,502)
1,490,413	879,963	999,707	502,302	380,826	472,014	868,762
16,643,717	15,763,754	14,764,047	14,261,745	13,880,919	13,408,905	12,540,143
18,134,130	16,643,717	15,763,754	14,764,047	14,261,745	13,880,919	13,408,905
1,172,777	989,533	1,002,795	727,563	624,653	557,543	407,452
40,879	32,878	21,757	63,551	17,927	16,505	15,637
1,468,354	1,364,133	1,130,822	(344,914)	1,046,097	834,706	(114,048)
(1,041,389)	(1,016,989)	(995,528)	(918,577)	(851,206)	(832,148)	(767,770)
(17,338)	(19,153)	(19,459)	(17,063)	(16,565)	(16,482)	(16,968)
-	-	-	-	-	-	-
1,623,283	1,350,402	1,140,387	(489,440)	820,906	560,124	(475,697)
10,775,627	9,425,225	8,284,838	8,774,278	7,953,372	7,393,248	7,868,945
12,398,910	10,775,627	9,425,225	8,284,838	8,774,278	7,953,372	7,393,248
$ 5,735,220	$ 5,868,090	$ 6,338,529	$ 6,479,209	$ 5,487,467	$ 5,927,547	$ 6,015,657
68%	65%	60%	56%	62%	57%	55%
$ 2,177,989	$ 2,046,498	$ 1,805,397	$ 1,673,989	$ 1,659,963	$ 1,463,837	$ 1,381,388
263%	287%	351%	387%	331%	405%	435%

SCHEDULE OF CONTRIBUTIONS - MERS OF MICHIGAN

City of Gaylord
For the year ended June 30, 2025

	2025	2024	2023
Actuarial Determined Contributions	$ 928,877	$ 855,092	$ 789,101
Contributions in Relation to the Actuarially Determined Contribution	1,182,888	1,125,852	1,060,484
Contribution Deficiency (Excess)	$ (254,011)	$ (270,760)	$ (271,383)
Covered-Employee Payroll	$ 2,789,632	$ 2,454,110	$ 2,452,592
Contributions as a Percentage of Covered-Employee Payroll	42%	46%	43%

See notes to required supplementary information.

2022	2021	2020	2019	2018	2017	2016
$ 763,052	$ 647,017	$ 604,231	$ 522,492	$ 524,892	$ 446,136	$ 404,442
1,063,052	947,017	1,123,231	782,412	673,122	578,136	503,442
$ (300,000)	$ (300,000)	$ (519,000)	$ (259,920)	$ (148,230)	$ (132,000)	$ (99,000)
$ 2,150,196	$ 2,040,132	$ 1,836,010	$ 1,744,408	$ 1,716,680	$ 1,510,147	$ 1,443,060
49%	46%	61%	45%	39%	38%	35%

SINGLE-EMPLOYER OTHER POSTEMPLOYMENT BENEFITS PLAN SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

City of Gaylord
For the year ended June 30, 2025

	2025	2024
Total OPEB Liability		
Service cost	$ -	$ -
Interest	509	636
Difference between expected and actual experience	-	-
Benefit payments (including refunds of employee contributions)	(2,460)	(2,460)
Net change in total OPEB liability	(1,951)	(1,824)
Total OPEB Liability - Beginning of year	9,788	11,612
Total OPEB Liability - End of year (a)	7,837	9,788
Plan Fiduciary Net Position		
Employer contributions	2,460	2,460
Net investment income	6,378	6,109
Benefit payments (including refunds of employee contributions)	(2,460)	(2,460)
Administrative expenses	(143)	(131)
Net change in Fiduciary Net Position	6,235	5,978
Plan Fiduciary Net Position - Beginning of year	65,488	59,510
Plan Fiduciary Net Position - End of year (b)	71,723	65,488
Net OPEB Liability (Asset) - Ending (a)-(b)	$ (63,886)	$ (55,700)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	915.2%	669.1%
Covered-Employee Payroll	$ -	$ -
Net OPEB Liability as Percentage of Payroll	0%	0%

Note: GASB Statement 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of date will be presented.

See notes to required supplementary information.

2023	2022	2021	2020	2019	2018
$ -	$ -	$ -	$ -	$ 7,308	$ 6,745
745	854	1,098	2,481	3,105	7,665
-	(32,524)	(51,257)	35,545	(124,355)	-
(2,460)	(6,914)	(12,658)	(15,118)	-	-
(1,715)	(38,584)	(62,817)	22,908	(113,942)	14,410
13,327	51,911	114,728	91,820	205,762	191,352
11,612	13,327	51,911	114,728	91,820	205,762
9,374	61,914	-	-	-	-
4,045	(6,272)	-	-	-	-
(2,460)	(6,914)	-	-	-	-
(106)	(71)	-	-	-	-
10,853	48,657	-	-	-	-
48,657	-	-	-	-	-
59,510	48,657	-	-	-	-
$ (47,898)	$ (35,330)	$ 51,911	$ 114,728	$ 91,820	$ 205,762
512.5%	365.1%	0.0%	0.0%	0.0%	0.0%
$ -	$ -	$ -	$ -	$ -	$ -
0%	0%	0%	0%	0%	0%

SCHEDULE OF CONTRIBUTIONS - SINGLE-EMPLOYER OPEB PLAN

City of Gaylord
For the year ended June 30, 2025

Schedule of Employer Contributions	**2025**	**2024**	**2023**
Actuarially Determined Contribution	$ 2,460	$ 2,460	$ 2,460
Contributions in Relation to the Actuarially Determined Contribution	2,460	2,460	9,374
Contribution Deficiency/(Excess)	$ -	$ -	$ (6,914)
Covered-Employee Payroll	-	-	-
Contribution as a Percentage of Covered Payroll	0.0%	0.0%	0.0%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See notes to required supplementary information.

2022	2021	2020	2019	2018
$ 6,914	$ 12,658	$ 15,118	$ -	$ -
61,914	12,658	15,118	-	-
$ (55,000)	$ -	$ -	$ -	$ -
-	-	-	-	-
0.0%	0.0%	0.0%	0.0%	0.0%

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

City of Gaylord
For the year ended June 30, 2025

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues				
Taxes	$ 3,553,778	$ 3,553,778	$ 3,522,879	$ (30,899)
Charges for services	267,900	267,900	296,482	28,582
Federal grants	-	-	625,900	625,900
State revenue	1,846,371	1,846,371	1,124,201	(722,170)
Interest	130,000	130,000	123,245	(6,755)
Miscellaneous	175,500	175,500	170,720	(4,780)
Total Revenues	5,973,549	5,973,549	5,863,427	(110,122)
Expenditures				
Current:				
General government	987,070	1,037,670	922,702	114,968
Public safety	2,904,316	2,986,816	2,607,627	379,189
Public works	1,132,898	1,203,398	1,093,225	110,173
Community and economic development	135,561	541,561	504,663	36,898
Culture and recreation	1,548,515	1,548,515	1,301,588	246,927
Debt Service:				
Principal	73,750	-	6,457	(6,457)
Interest	8,750	-	-	-
Total Expenditures	6,790,860	7,317,960	6,436,262	881,698
Excess (Deficiency) of Revenues Over Expenditures	(817,311)	(1,344,411)	(572,835)	771,576
Other Financing Sources (Uses)				
Inception of operating leases	80,000	80,000	-	(80,000)
Transfers in	315,000	315,000	-	(315,000)
Total Other Financing Sources (Uses)	395,000	395,000	-	(395,000)
Net Change in Fund Balance	(422,311)	(949,411)	(572,835)	376,576
Fund Balance, Beginning of Year as Previously Reported	2,476,378	2,476,378	2,476,378	-
Error correction	-	-	123,360	(123,360)
Fund Balance, Beginning of the Year, as Restated	2,476,378	2,476,378	2,599,738	(123,360)
Fund Balance, End of Year	$ 2,054,067	$ 1,526,967	$ 2,026,903	$ 253,216

See notes to required supplementary information.

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - MUNICIPAL STREET FUND

City of Gaylord
For the year ended June 30, 2025

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues				
Taxes and penalties	$ 1,144,500	$ 1,144,500	$ 1,127,912	$ (16,588)
Federal	964,100	964,100	-	(964,100)
State revenue	-	-	43,596	43,596
Interest	20,000	20,000	34,259	14,259
Total Revenues	2,128,600	2,128,600	1,205,767	(922,833)
Expenditures				
Current:				
Public works	1,935,159	1,935,159	597,995	1,337,164
Net Change in Fund Balance	193,441	193,441	607,772	414,331
Fund Balance, Beginning of Year	785,411	785,411	785,411	-
Fund Balance, End of Year	$ 978,852	$ 978,852	$ 1,393,183	$ 414,331

See notes to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

City of Gaylord
For the year ended June 30, 2025

Notes to Schedule of Changes in the City's Net Position Liability and Related Ratios:

Valuation Date	Actuarially determined contribution rates are calculated as of the December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates December 31, 2024:

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	16 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3% in the long-term
Investment rate of return	6.93%, net of investment and administrative expense including inflation
Normal retirement age	Age 60
Mortality	The base mortality tables used are constructed as described below and are based on amount weighted sex distinct rates: Pre-Retirement 100% of Pub-2010 Juvenile Mortality Tables for Ages 0 - 17 100% of Pub-2010 Employee Mortality Tables for Ages 18 - 80 100% of Pub-2010 Health Retiree Mortality Tables for Ages 81 - 120 Non-Disabled Retired 106% of Pub-2010 Juvenile Mortality Tables for Ages 0 - 17 106% of Pub-2010 Employee Mortality Tables for Ages 18 - 49 106% of Pub-2010 Health Retiree Mortality Tables for Ages 50 - 120 Disabled Retired 100% of Pub-2010 Juvenile Mortality Tables for Ages 0 - 17 100% of Pub-2010 Disabled Retiree Mortality Tables for Ages 18 - 120
Changes in assumptions	None

Notes to Schedule of Changes in the City's Net OPEB Liability (Asset) and Related Ratios:

Valuation Date	June 30,2025
Methods and assumptions used to determine contribution rates December 31, 2024:	
Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	5 years
Asset valuation method	Market Value
Inflation	2.50%
Salary increases	N/A - no active members
Investment rate of return	6.93%, net of investment and administrative expense including inflation
Normal retirement age	Age 60
Mortality	Social Security Period Life Table 2021 as used in the 2024 Trustees Report of the Social Security Administration.
Changes in assumptions	None

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

City of Gaylord
For the year ended June 30, 2025

Budgets and Budgetary Accounting

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The General and Special Revenue Funds are subject to legal budgetary accounting controls and are budgeted annually. The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- The budgets are generated with input from the City Manager, the City Treasurer, the various department heads, and the City Council.
- The completed budgets are then presented to City electors at a public budget hearing in May, at which time taxpayer comments and recommendations are heard. These operating budgets include proposed expenditures and the means of financing them for the General Fund and Special Revenue Funds.
- Prior to July 1, the budgets are legally enacted through passage of an appropriations resolution.
- The budget may only be amended by action of the City Council.
- Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
- Budget appropriations lapse at fiscal year-end.
- The original General and Special Revenue Funds budgets were amended during the year.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level for each individual fund.

Expenditures in Excess of Budget

The City's budgeted expenditures at June 30, 2024 exceeded actual amounts as follows:

	Final Budgeted Amounts	Actual	Variance with Final Budget
General Fund			
Debt service:			
Principal	$ -	$ 6,457	$ 6,457

SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND

City of Gaylord
June 30, 2025

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Taxes and penalties	$ 3,553,778	$ 3,553,778	$ 3,522,879	$ (30,899)
Charges for services	267,900	267,900	296,482	28,582
Federal	-	-	625,900	625,900
State	1,846,371	1,846,371	1,124,201	(722,170)
Interest	130,000	130,000	123,245	(6,755)
Miscellaneous	175,500	175,500	170,720	(4,780)
Total Revenues	$ 5,973,549	$ 5,973,549	$ 5,863,427	$ (110,122)

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

City of Gaylord
For the year ended June 30, 2025

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Expenditures				
General government				
City council	$ 58,650	$ 66,150	$ 58,287	$ 7,863
City manager	76,000	76,000	73,531	2,469
Accounting and auditing	18,000	18,000	14,440	3,560
Clerk	57,862	62,362	57,458	4,904
Insurance and bonds	28,000	28,000	25,255	2,745
General administration	113,984	150,334	145,561	4,773
Health insurance	10,500	10,500	10,280	220
Board of review	3,250	3,250	2,696	554
Administrative supplies	136,000	136,000	128,666	7,334
Treasurer	52,278	54,528	49,712	4,816
Assessor	129,100	129,100	115,369	13,731
Elections	21,850	21,850	20,283	1,567
Buildings and grounds	93,300	93,300	61,901	31,399
City attorney	35,000	35,000	29,964	5,036
Other city property	153,296	153,296	129,299	23,997
Total general government	987,070	1,037,670	922,702	114,968
Public safety:				
Police department	2,708,316	2,790,816	2,411,773	379,043
Fire department	196,000	196,000	195,854	146
Total public safety	2,904,316	2,986,816	2,607,627	379,189
Public works:				
Department of public works	503,674	539,674	511,934	27,740
Sidewalk	75,536	75,536	56,029	19,507
Street lighting	92,074	92,074	84,339	7,735
Curbside recycling	211,044	211,044	186,697	24,347
Parking	155,188	155,188	136,316	18,872
Cemetery	95,382	129,882	117,910	11,972
Total public works	1,132,898	1,203,398	1,093,225	110,173
Community and economic development:				
Planning commission	55,165	70,165	69,529	636
Community promotion	80,396	471,396	435,134	36,262
Total community and economic development	135,561	541,561	504,663	36,898

(Continued)

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND (Continued)

City of Gaylord
For the year ended June 30, 2025

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Culture and recreation:				
Parks and recreation	1,548,515	1,548,515	1,301,588	246,927
Debt service:				
Principal	73,750	-	6,457	(6,457)
Interest	8,750	-	-	-
Total debt service	82,500	-	6,457	(6,457)
Total Expenditures	$ 6,790,860	$ 7,317,960	$ 6,436,262	$ (881,698)

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

City of Gaylord
June 30, 2025

	Special Revenue		Debt Service
	Major Street	Local Street	City Hall
Assets			
Cash	$ 855,922	$ 473,401	$ 745,909
Accounts receivable	-	-	4,806
Due from other governmental units	72,164	31,288	-
Real estate held for sale	-	-	-
Total Assets	$ 928,086	$ 504,689	$ 750,715
Liabilities and Fund Balance			
Liabilities			
Accounts payable	$ -	$ 2,200	$ -
Payroll liabilities	573	316	-
Total Liabilities	573	2,516	-
Fund Balances			
Nonspendable:			
Real estate held for sale	-	-	-
Cemetery perpetual care	-	-	-
Restricted for:			
Highways and streets	927,513	502,173	-
Debt service	-	-	750,715
Capital projects	-	-	-
Cemetery maintenance	-	-	-
Total Fund Balance	927,513	502,173	750,715
Total Liabilities and Fund Balance	$ 928,086	$ 504,689	$ 750,715

Capital Project Industrial Park Development	Permanent Cemetery Perpetual Care	Total Nonmajor Governmental Funds
$ 820,071	$ 365,842	$ 3,261,145
-	50	4,856
-	-	103,452
278,322	-	278,322
$ 1,098,393	$ 365,892	$ 3,647,775
$ -	$ -	$ 2,200
-	-	889
-	-	3,089
278,322	-	278,322
-	23,155	23,155
-	-	1,429,686
-	-	750,715
820,071	-	820,071
-	342,737	342,737
1,098,393	365,892	3,644,686
$ 1,098,393	$ 365,892	$ 3,647,775

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS

City of Gaylord
For the year ended June 30, 2025

	Special Revenue		Debt Service
	Major Street	Local Street	City Hall
Revenues			
Property taxes	$ -	$ -	$ 220,067
State revenue	672,821	216,348	14,703
Charges for services	-	-	-
Interest and investment earnings	22,951	15,940	24,645
Other revenue	745	-	-
Total Revenues	696,517	232,288	259,415
Expenditures			
Current:			
Public works	472,332	191,569	-
Debt service:			
Principal	-	-	150,000
Interest	-	-	96,425
Total Expenditures	472,332	191,569	246,425
Net Change in Fund Balances	224,185	40,719	12,990
Fund Balance, Beginning of Year	703,328	461,454	737,725
Fund Balance, End of Year	$ 927,513	$ 502,173	$ 750,715

Capital Project Industrial Park Development	Permanent Cemetery Perpetual Care	Total Nonmajor Governmental Funds
$ -	$ -	$ 220,067
-	-	903,872
-	2,350	2,350
324,935	8,836	397,307
-	-	745
324,935	11,186	1,524,341
10,864	-	674,765
-	-	150,000
-	-	96,425
10,864	-	921,190
314,071	11,186	603,151
784,322	354,706	3,041,535
$ 1,098,393	$ 365,892	$ 3,644,686

BALANCE SHEET
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

	City of Gaylord June 30, 2025
Assets	
Cash equivalents and deposits	$ 297,796
Total Assets	$ 297,796
Liabilities and Fund Balance	
Liabilities	
Account payable	$ 11,320
Payroll liabilities	3,090
Total Liabilities	14,410
Fund Balance	
Restricted	283,386
Total Fund Balance	283,386
Total Liabilities and Fund Balance	$ 297,796

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION - COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

City of Gaylord
June 30, 2025

Fund balances of governmental funds	$	283,386
Amounts reported for *governmental activities* in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of assets is $807,800 and the accumulated depreciation is $474,634 in the governmental funds.		333,166
Net position of governmental activities	$	616,552

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

	City of Gaylord For the year ended June 30, 2025
Revenues	
Property taxes	$ 313,179
State grants	24,031
Interest	7,725
Contributions and donations	180
Miscellaneous	12,387
Total Revenues	357,502
Expenditures	
Culture and recreation	324,322
Net Change in Fund Balances	33,180
Fund Balances, Beginning of Year	250,206
Fund Balances, End of Year	$ 283,386

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES - COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY (DDA)

City of Gaylord
For the year ended June 30, 2025

Net change in fund balance - component unit		$ 33,180
Amounts reported for *component unit* in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlay	-	
Depreciation expense	(4,749)	(4,749)
Change in net position of governmental activities		$ 28,431

HUNGERFORD
CPAs • ADVISORS • TECHNOLOGY • WEALTH

December 22, 2025

City Council
City of Gaylord
Gaylord, Michigan

In connection with our audit of the books and records of the City of Gaylord, for the year ended June 30, 2025, we offer the following comments:

1. In April of 2024, the State of Michigan revised the Budget Manual for local units of government. One of the more subtle changes that this version of the manual brought about was the removal of a minimum level of expenditure/expense. This change was aimed at providing increased flexibility to local units. If the City has not already started utilizing this in its budgeting practices, we encourage you to do so.

We appreciate the cooperation and courtesy extended to us by the officials and employees of the City of Gaylord and trust that these comments and recommendations will be accepted in the spirit of cooperation in which they are offered.

If we can be of any assistance or if you have any questions regarding these or any other matters, please feel free to contact us.

Sincerely,

Hungerford

Certified Public Accountants
St. Joseph, Michigan

HUNGERFORD
CPAs • ADVISORS • TECHNOLOGY • WEALTH

December 22, 2025

Board of Commissioners
City of Gaylord
Otsego County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Gaylord for the year ended June 30, 2025 . Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 29, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Gaylord are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2025. We noted no transactions entered into by City of Gaylord during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no estimates that are particularly sensitive because for their significance to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were noted in our audit. The following material misstatements detected as a result of audit procedures were corrected by management:

Across funds adjustments were needed to recognize receivables, capital asset activity and depreciation, and to recognize changes in net pension liability and related deferred inflows and outflows.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 22, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City of Gaylord's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Gaylord's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and major fund budget to actual schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements and other supporting schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the board of commissioners and management of City of Gaylord and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Hungerford

Certified Public Accountants
St. Joseph, Michigan