



GLADSTONE CITY COMMISSION AUDIT PRESENTATION

City Hall Chambers – 1100 Delta Avenue
October 27, 2025
5:00 PM

AGENDA

CALL TO ORDER

1. Roll Call

PUBLIC COMMENT

NEW BUSINESS

- [2.](#) Audit Presentation of Fiscal Year 2024-2025

ADJOURNMENT

The City of Gladstone will provide all necessary, reasonable aids and services, such as signers for the hearing impaired and audiotapes of printed materials being considered at the meeting to individuals with disabilities at the meeting/hearing upon five days notice to the City of Gladstone. Individuals with disabilities requiring auxiliary aids or services should contact the City of Gladstone by writing or calling City Hall at (906) 428-2311.

Posted: 10-20-2025

Kimberly Berry, MiPMC
906-428-2311
kberry@gladstonemi.gov

RULES FOR PUBLIC COMMENT/ PUBLIC HEARINGS

(Excerpt from City Commission Rules of Procedure Adopted: 11-25-2019)

A. Public Comment / Public Hearings

At regular and special meetings of the commission, individuals wishing to be heard may address the commission during the public comment/public hearing periods as set forth in the agenda under the following rules:

1. Each speaker shall state name and address for the record.
2. Each speaker is limited to three (3) minutes of comment unless the presiding officer decides more time is necessary
3. Each speaker shall try to be concise and refrain from repeating comments already addressed by the commission.
4. Speakers who do not cease speaking when asked to do so will be deemed out of order and will not be allowed to address the commission again for the remainder of the meeting; continued disruption will warrant removal from the meeting.
5. The commission shall not decide issues that arise during public comment.
6. Speakers should address the commission through the presiding officer.
7. Commissioners and staff will not debate with the public.
8. Speakers will not verbally attack City Commissioners, City Staff or members of the public attending the meeting. Any such behavior will not be tolerated and any person presenting in this manner will be warned by the Mayor and shall be removed by Public Safety for noncompliance.
9. No vulgar or obscene language will be used by the speakers.
10. Any information the speaker wants to distribute to the Commission must first ask the Chair (Mayor) if they may present the Commission written comments at the meeting.
11. Speakers may not ask questions of the board during this time as the Commission or Staff will not address them during this public comment period.



Board:	City Commission
Agenda	10-27-2025
Date:	
Department:	Manager/Treasurer
Presenter:	Anderson Tackman

Staff Report

Agenda Item Title:

Work Session for Audit Presentation of Fiscal Year 2024-2025

Background:

Presentation of FY 2024-2025 audit by Anderson Tackman

Fiscal Effect:

Supporting Documentation:

The audit is available on the city website along with hard copies provided to Commissioners and staff.

Recommendation:

No action – information only

CITY OF GLADSTONE, MICHIGAN

**BASIC FINANCIAL STATEMENTS
with Supplemental Information**

March 31, 2025

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ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

Kristine P. Berhow, CPA, Principal
Brandy M. Olson, CPA, Principal
Kathleen A. Ciantar, CPA, Principal

"A Regional Firm Within the Upper Peninsula of Michigan"

INDEPENDENT AUDITOR'S REPORT

To the Mayor, Members of the
City Commission, and Management
City of Gladstone, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gladstone, Michigan (the "City"), as of and for the year ended March 31, 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gladstone, Michigan, as of March 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Gladstone Housing Commission, which represent 100 percent of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Gladstone Housing Commission, is based solely on the report of the other auditors.

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 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.

Change in Accounting Principle

As discussed in Note A to the financial statements, in 2025 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections* and GASB Statement No. 101, *Compensated Absences*. The adoption of GASB Statement No. 101 has been applied retrospectively, resulting in the restatement of the financial statements for the year ended March 31, 2024. The restatement was accounted for in accordance with GASB Statement No. 100. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

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 Management's Discussion and Analysis, Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, and Schedules of Changes in Net Pension Liability and Related Ratios and Employer Contributions for the Retirement System, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during

our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our report and the report of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Utility Funds Schedule of Operating Statistics, Schedule of State Equalized Valuation and Taxable Values, and Schedule of Annual Tax Rates but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Escanaba, Michigan

September 29, 2025

Management's Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Gladstone's financial performance provides an overview of the City's financial activities for the fiscal year ending March 31, 2025. Please read it in conjunction with the City's financial statements, which begin on page 16.

FINANCIAL HIGHLIGHTS

- The City's net position was reported at \$27,730,526. Net position increased \$2,146,188 from March 31, 2024 before prior period adjustments totaling a decrease of \$262,242. Net position for our business-type activities was \$18,459,066, an increase of \$1,731,648 from 2024 as restated, while net position in our governmental activities was \$9,271,460, an increase of \$152,298 from 2024 as restated. Prior period adjustments were necessary to account for a change in accounting principle and an error correction.
- The City's expenses for the year totaled \$13,604,235, an increase of \$1,329,477 over 2024. Revenue from all sources was \$15,750,423, an increase of \$55,846 from 2024.
- In the City's business-type activities, total revenues were \$9,230,408, a decrease of 5% over the previous year. Business-type activity revenues as a percentage of total revenues were 59% for 2025 compared to 62% for 2024.
- In a prior year, the City closed on revenue bonds, funded through the Clean Water State Revolving Fund, with a total amount of \$21,305,000 to be used to pay for improvements to the City's wastewater treatment plant. Construction continued in 2025. As the City was determined by the State of Michigan to be a disadvantaged community, 15 percent of the final principal has been forgiven. As of March 31, 2025, the outstanding principal related to this loan, net of forgiveness, was \$16,997,694. The City Wastewater Fund recognized \$789,377 in capital contributions for fiscal year 2025 reflecting the forgiven portion of the loan principal.
- The General Fund finished the year with an increase in fund balance of \$339,143 and an ending fund balance of \$985,397. This was after revenues of \$4,670,878 compared to \$4,176,751 in 2024, and expenditures of \$4,546,605 compared to expenditures of \$4,253,335 in 2024, exclusive of other financing sources and uses. The General Fund had net other financing sources/uses of \$214,870 in 2025 compared to \$176,817 in 2024.
- The Public Act 33 Special Assessment was assessed in 2025 with revenue of about \$538,000 to be used for public safety purposes.
- In 2025, the City received \$152,995 from the Dr. Mary Cretens Trust which was budgeted for expenditure in the 2026 fiscal year. In 2024, the City received \$155,380 from the Trust which was budgeted for expenditure in the 2025 fiscal year.
- In a prior year, the City eliminated its net OPEB liability by reaching buyout agreements with all retirees and making those payments. The City also negotiated buyout agreements with active employees. Depending on the agreement, these buyouts will be paid over the next several years and are shown on the Statement of Net Position.
- During 2025, the City wrote off \$579,514 in special assessment receivables from the governmental activities in the Statement of Net Position after the November 2024 election resulted in an amendment to the City Charter so that the City Commission no longer has the power to levy or collect special assessment.

USING THIS REPORT

This annual report consists of financial statements. The Statement of Net Position and Statement of Activities (on pages 16 through 18) provide information about the activities of the City as a whole and present a longer term view of the City's finances. Fund financial statements start on page 19. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statement provides financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of government.

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 7. One of the most important questions asked about a city's finances is "Is the City as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net position* and changes in them. You can think of the City's net position as, the difference between assets and liabilities, as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall financial health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two categories of activities:

Governmental activities – Most of the City's basic services are reported here including public safety, public works, parks and recreation and general administration. Property taxes, state shared revenues, charges for services and state and federal grants fund the majority of these activities.

Business-type activities – The City charges a fee to customers to help cover all or most of the costs of certain services it provides. The City's utility departments – Water, Wastewater, Electric, and Solid Waste – and Harbor are reported here.

The City's financial statements include financial information for the Gladstone Housing Commission, a legally separate component unit. A separately audited financial statement is available for the Housing Commission from their administrative offices.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's Major Funds begins on page 11. The fund financial statements begin on page 19 and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law, and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that the Commission is meeting legal requirements for certain taxes, grants and other money. The City's two primary types of funds – *governmental* and *proprietary* – use different accounting methods.

Governmental funds – Most of the City's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left available for spending at year end. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the City's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other City programs and activities – such as the Retirement System Fund.

The City as a Trustee

The City is the trustee, or *fiduciary*, of tax receipts that are collected for other agencies and held for periodic payment to those agencies. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position on pages 26 and 27. We exclude these funds from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The City as a Whole

The City's combined net position increased by \$2,146,188.

Table 1
Net Position

	Governmental Activities		Business-Type Activities	
	2025	2024	2025	2024
Current and other assets	\$ 3,861,309	\$ 3,818,137	\$ 9,588,316	\$ 9,721,335
Capital assets (net)	12,437,737	13,080,441	28,472,925	24,001,277
Total Assets	<u>\$ 16,299,046</u>	<u>\$ 16,898,578</u>	<u>\$ 38,061,241</u>	<u>\$ 33,722,612</u>
Deferred outflows	<u>\$ 498,779</u>	<u>\$ 916,609</u>	<u>\$ 213,707</u>	<u>\$ 408,736</u>
Long-term obligations	\$ 4,518,669	\$ 4,665,658	\$ 17,531,926	\$ 13,340,891
Other liabilities	2,762,268	3,623,708	2,098,666	3,779,870
Total Liabilities	<u>\$ 7,280,937</u>	<u>\$ 8,289,366</u>	<u>\$ 19,630,592</u>	<u>\$ 17,120,761</u>
Deferred inflows	<u>\$ 245,428</u>	<u>\$ 406,659</u>	<u>\$ 185,290</u>	<u>\$ 283,169</u>
Net Position:				
Net investment in capital assets	\$ 8,418,807	\$ 8,722,783	\$ 10,742,159	\$ 8,985,751
Restricted:				
Expendable	2,008,892	1,807,975	-	-
Nonexpendable	277,904	276,309	-	-
Unrestricted	(1,434,143)	(1,687,905)	7,716,907	7,741,667
Total net position	<u>\$ 9,271,460</u>	<u>\$ 9,119,162</u>	<u>\$ 18,459,066</u>	<u>\$ 16,727,418</u>

Net position of the City's governmental activities stood at \$9,271,460, up from \$9,119,162 in 2024 (2%). Total assets in governmental activities decreased by 4%, and total liabilities decreased by 12%. The decrease in total liabilities primarily relates to paying down debt and a decrease in the net pension liability. The ratio of assets to liabilities increased slightly from 2.04 in 2024 to 2.24 in 2025. The City's deferred outflows and deferred inflows of resources relate mostly to the City's pension plan as detailed in Note I to the financial statements.

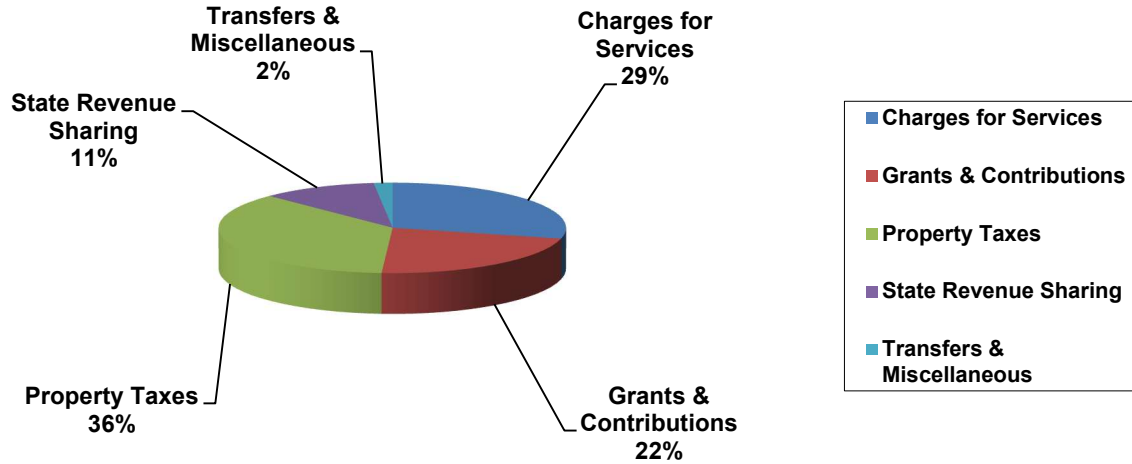
Net position in our business-type activities stood at \$18,459,066, up from \$16,727,418 in 2024 (10%). Total assets increased by 13%, while liabilities increased by 15% from the prior year. These increases are due to the new wastewater revenue bonds and related construction in progress for the treatment plant upgrade project that began in 2023. Unrestricted net position decreased to \$7,716,907 from \$7,741,667 while net position invested in capital assets (net of related debt) increased to \$10,742,159 from \$8,985,751 in 2024.

Table 2
Changes in Net Position

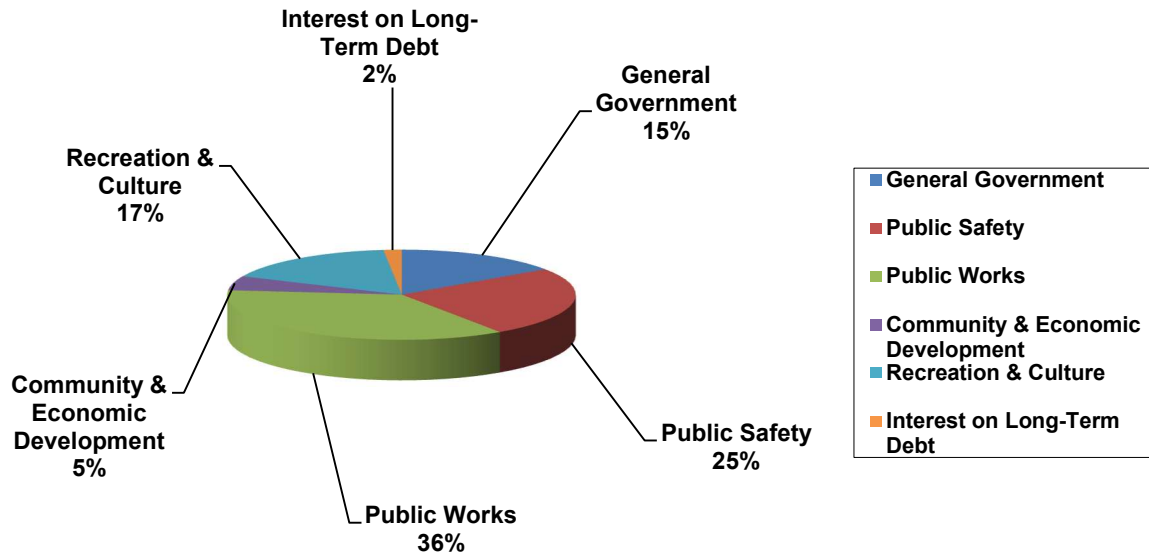
	Governmental Activities		Business-Type Activities	
	2025	2024	2025	2024
Revenues:				
Program Revenues:				
Charges for services	\$ 1,886,462	\$ 1,275,105	\$ 8,167,600	\$ 7,852,335
Operating grants	1,194,778	1,082,607	-	109,447
Capital grants	39,411	319,225	796,385	1,492,417
General Revenues:				
Property taxes	2,382,469	2,195,465	-	-
State revenue sharing	706,133	703,587	-	-
Unrestricted grants	214,437	340,416	-	-
Unrestricted investment earnings	94,690	70,844	266,423	244,264
Gain on disposal of assets	-	-	-	-
Miscellaneous	35	6,865	-	-
Total Revenues	<u>6,518,415</u>	<u>5,994,114</u>	<u>9,230,408</u>	<u>9,698,463</u>
Program Expenses:				
General government	960,377	840,231	-	-
Public safety	1,561,561	1,570,417	-	-
Public works	2,243,832	1,775,381	-	-
Community development	319,819	259,123	-	-
Recreation and culture	1,034,586	688,109	-	-
Interest on long-term debt	105,077	115,157	-	-
Electric	-	-	4,453,918	4,169,601
Wastewater	-	-	1,335,077	1,379,767
Water	-	-	1,047,168	944,703
Solid waste	-	-	457,983	451,256
Harbor	-	-	84,837	81,013
Total Expenses	<u>6,225,252</u>	<u>5,248,418</u>	<u>7,378,983</u>	<u>7,026,340</u>
Excess (deficiency) before transfers and contributions	293,163	745,696	1,851,425	2,672,123
Transfers	18,000	43,000	(18,000)	(43,000)
Contributions to permanent fund	<u>1,600</u>	<u>2,000</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	312,763	790,696	1,833,425	2,629,123
Net position - beginning	9,119,162	8,328,466	16,727,418	14,098,295
Prior period adjustment	<u>(160,465)</u>	<u>-</u>	<u>(101,777)</u>	<u>-</u>
Net position - beginning, as restated	<u>8,958,697</u>	<u>8,328,466</u>	<u>16,625,641</u>	<u>14,098,295</u>
Net position - ending	<u>\$ 9,271,460</u>	<u>\$ 9,119,162</u>	<u>\$ 18,459,066</u>	<u>\$ 16,727,418</u>

GOVERNMENTAL ACTIVITIES

2025 Governmental Activities Revenue



2025 Governmental Program Expenses



The City's total revenues were \$15,750,423, slightly up from \$15,694,577 in 2024. The total cost of all programs and services was \$13,604,235, up from \$12,274,758 in 2024. There was an overall excess of revenues over expenses of \$2,146,188, compared to \$3,419,819 in 2024. The overall increase was due to capital contributions in the waste water fund, investment earnings, increased taxable value, and other grants while controlling costs. The City also utilized surplus funds that were already invested with MERS to cover approximately 2.5 monthly payments to the defined benefit plan totaling \$300,000.

Governmental Activities

Revenues for the City's governmental activities totaled \$6,538,015, up 8.3% from \$6,039,114 in 2024. Expenses increased by 18.6% or \$976,834 in 2025 as compared to 2024. Most departments saw expenses increase compared to prior year except for public safety. Increases were generally related to increased personnel costs and various maintenance projects. Public works saw increased expenses due to the write off of street special assessments. Recreation and culture saw increased expenses related to the pickleball court project.

Table 3 below reflects the cost of each of the City's governmental programs or activities, as well as each program's net cost (total cost less revenues generated by the activities). The net cost represents the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services		Net Cost of Services	
	2025	2024	2025	2024
General government	\$ 960,377	\$ 840,231	\$ 271,715	\$ 319,919
Public safety	1,561,561	1,570,417	875,897	1,496,922
Public works	2,243,832	1,775,381	831,776	213,157
Economic development	319,819	259,123	240,620	224,164
Recreation and culture	1,034,586	688,109	779,516	202,162
Interest on long-term debt	105,077	115,157	105,077	115,157
Totals	<u>\$ 6,225,252</u>	<u>\$ 5,248,418</u>	<u>\$ 3,104,601</u>	<u>\$ 2,571,481</u>

The net cost of services for public safety reflects \$537,983 in Public Act 33 special assessment revenue.

Business-Type Activities

Revenues for the City's business-type activities totaled \$9,230,408, down from \$9,698,463 in 2024 (-5%). Business-type activity expenses increased by \$352,643 (5%). The decreased revenues were primarily a result of the loan forgiveness in connection with the City's wastewater bonds, the Protecting MI Pension Grant, and investment earnings in 2024. The Pension Grant was a one-time revenue and recognition of loan forgiveness has decreased as the project is winding down. The increase in expenses resulted from standard increases to personnel costs and additional supplies and contracted services necessary for operations.

THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on page 19) reported a combined fund balance of \$3,210,336, an increase of \$757,160 from 2024. The combined increase in fund balance, in large part, comes from Public Act 33 special assessment, increased taxable value, and controlling costs.

General Fund Budgetary Highlights

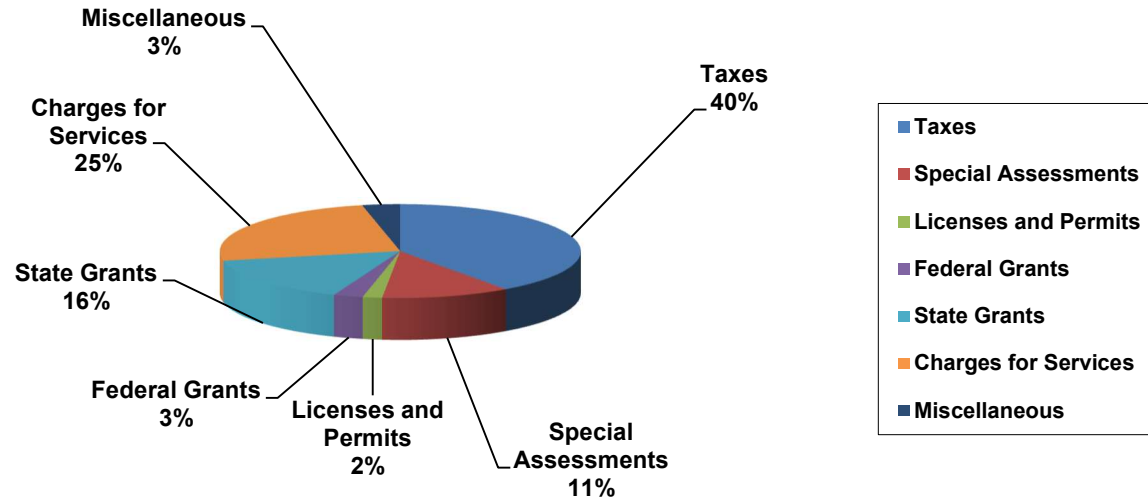
Over the course of the year, the budget was amended to recognize known changes to revenue or expenditures. Revenues were less than the amended budget by \$316,669. Total General Fund revenue of \$4,670,878 was 6% less than the revised revenue estimate of \$4,987,547. The final revenue amount was less than revised estimates primarily due to charges for services related to sports park fees, equipment rental fees, and school resource officer coming in less than expected as well as budgeted pickleball donations that were not received.

Expenditures were less than the amended budget by \$515,633. Total General Fund expenditures of \$4,546,605 were 10% less than the revised expenditure estimate of \$5,062,238. Final expenditures were less than budgeted primarily due to capital outlay being less than expected and savings from use of surplus funds for defined benefit pension payments.

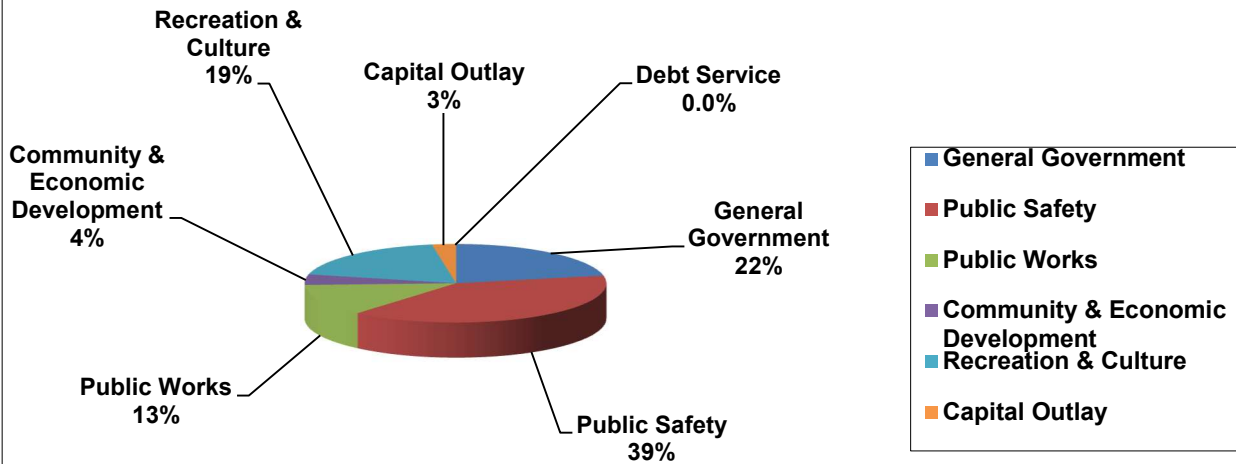
The final revenues exceeded expenditures by \$124,273 for the year before other financing sources and uses. After factoring in the net increase of \$214,870 from other financing sources and uses, General Fund inflows exceeded outflows by \$339,143 compared to a budgeted net decrease in fund balance of \$113,094.

General Fund

2025 General Fund Revenues



2025 General Fund Expenditures



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2025, the City had \$40,910,662, net of accumulated depreciation, invested in a variety of capital assets including public safety equipment, buildings, parks, roads, water, wastewater and electric distribution line. This was up from \$37,081,718 in 2024. The increase primarily related to construction in progress for improvements to the wastewater treatment facility (see Table 4 below). Additional information on the City's capital assets can be found in Note E.

Table 4
Capital Assets at Year End
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities	
	2025	2024	2025	2024
Land	\$ 2,394,627	\$ 2,394,627	\$ 236,836	\$ 236,836
Construction in progress	6,198	6,198	20,455,543	16,032,278
Land improvements	237,299	266,908	6,847	7,395
Utilities distribution/collection	-	-	6,006,353	5,872,212
Street system	6,569,868	7,023,293	3,818	4,909
Industrial park	18,557	20,312	-	-
Other infrastructure	678,492	767,615	183,859	205,074
Buildings	1,071,343	1,143,743	561,491	588,079
Machinery and equipment	236,105	274,392	511,708	483,900
Mobile equipment	643,454	600,496	18,818	21,478
Vehicles	581,794	582,857	487,652	549,116
Total	<u>\$ 12,437,737</u>	<u>\$ 13,080,441</u>	<u>\$ 28,472,925</u>	<u>\$ 24,001,277</u>

Debt

At year-end, the City had \$21,197,342 in long-term liabilities, bonds and notes outstanding. This is a net increase of \$3,634,408 in total long-term debt. The increase is due to the issuance of wastewater bonds as described above. The State of Michigan limits the amount of general obligation debt that municipalities may issue to 10% of the current equalized valuation, including TIF valuations, within the City's corporate limits. The City's outstanding general obligation debt is well below the 10% limit. Additional information on the City's debt can be found in Note F.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General obligation bonds/premium (backed by the City)	\$ 3,396,359	\$ 3,691,495	\$ -	\$ -	\$ 3,396,359	\$ 3,691,495
Notes payable	622,571	666,163	-	-	622,571	666,163
Revenue bonds and notes (backed by specific tax and fee revenues)	-	-	17,178,412	13,205,276	17,178,412	13,205,276
Totals	<u>\$ 4,018,930</u>	<u>\$ 4,357,658</u>	<u>\$ 17,178,412</u>	<u>\$ 13,205,276</u>	<u>\$ 21,197,342</u>	<u>\$ 17,562,934</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials will consider many factors when setting the fiscal year budget and fees that will be charged for business type activities. One of those factors is the economy. Most Michigan municipalities, including Gladstone are still struggling with the State's outdated financial system; the cost of doing business is still increasing sometimes beyond our control. Gladstone takes pride in being the "year round playground" and we will endeavor to maintain the services currently offered to our residents in the most efficient, cost effective manner to continue to make our City the community of choice in the Upper Peninsula.

The two largest sources of revenue for the General Fund are taxes and state shared revenue. The City has had development to increase the tax base, but state shared revenue is expected to remain flat or increase. Unfortunately, we were just shy of the Commission-directed General Fund undesignated fund balance goal of 20 to 30% of the previous years audited non-capital expenditures. However, at the end of 2025, the City has an unassigned fund balance of \$396,366 in the General Fund as well as \$422,799 in committed fund balance. This represents a total increase in committed and unassigned fund balance of \$557,777. The City strives to continue to deliver the same level of service our residents expect. We continue to rely on staff and citizen input to provide ideas and opportunities for better and more efficient services.

During fiscal year 2025, the City will again assess a special assessment of 2.00 mills levied with summer taxes and 2.5 mills levied with winter taxes as allowed by Act 33 of 1951 for police and fire protection. This special assessment is anticipated to provide funding in the amount of \$538,405.

The Major Street and Local Street Funds continue to be a concern. Over the past couple years, the Act 51 revenue has been slightly increasing but is not back to where it was a number of years ago while the cost of materials doubles. In addition, with no longer having special assessments, there are existing debt obligations that will need to be covered with other revenue sources.

Business-type activities budgets saw rate increases. With these rate increases the city strives to maintain quality, yet affordable services to our community. The city will continually monitor costs; however, it appears that certain business type activities accounts are not yet producing enough cash to adequately plan for long-term maintenance projects. We will plan for these projects mindful of maintaining an affordable rate structure for our residents and businesses.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the City's finances and to show the City's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the City Treasurer, or the City Manager at Gladstone City Hall, 1100 Delta Ave, Gladstone, Michigan, 49837.

Basic Financial Statements

CITY OF GLADSTONE, MICHIGAN
STATEMENT OF NET POSITION
March 31, 2025

Item 2.

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing Commission
ASSETS				
Current assets:				
Cash, cash equivalents and investments	\$ 2,105,327	\$ 5,588,595	\$ 7,693,922	\$ 760,131
Receivables:				
Accounts and miscellaneous	91,217	116,060	207,277	28,120
Taxes	32,649	-	32,649	-
Utilities	-	1,272,213	1,272,213	-
Special assessments	37,070	-	37,070	-
Leases	-	25,136	25,136	-
Due from other governmental units	409,068	379,354	788,422	-
Internal balances	80,509	(80,509)	-	-
Prepaid items	47,024	19,283	66,307	6,956
Inventory	57,351	232,683	290,034	-
Restricted cash, cash equivalents and investments	673,596	-	673,596	-
Total current assets	<u>3,533,811</u>	<u>7,552,815</u>	<u>11,086,626</u>	<u>795,207</u>
Noncurrent assets:				
Investments	609,304	1,426,291	2,035,595	-
Leases receivable	-	62,473	62,473	-
Mortgage receivable	-	-	-	1,197,328
Internal balances	(546,737)	546,737	-	-
Restricted investments	264,931	-	264,931	-
Non-depreciable capital assets	2,400,825	20,692,379	23,093,204	15,325
Capital assets, net of accumulated depreciation	10,036,912	7,780,546	17,817,458	133,948
Total noncurrent assets	<u>12,765,235</u>	<u>30,508,426</u>	<u>43,273,661</u>	<u>1,346,601</u>
Total assets	<u>\$ 16,299,046</u>	<u>\$ 38,061,241</u>	<u>\$ 54,360,287</u>	<u>\$ 2,141,808</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow - pension plan	<u>\$ 498,779</u>	<u>\$ 213,707</u>	<u>\$ 712,486</u>	<u>\$ -</u>

See accompanying notes to financial statements.

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing Commission
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 71,528	\$ 870,776	\$ 942,304	\$ 24,796
Accrued interest	11,383	-	11,383	-
Accrued payroll	140,692	62,420	203,112	11,818
Customer deposits	-	95,006	95,006	5,050
Unearned revenue	18,968	53,681	72,649	545
Other liabilities	-	-	-	-
Compensated absences	331,093	284,237	615,330	-
Employment benefits	26,000	-	26,000	-
Bonds payable	280,000	505,000	785,000	-
Bond premium	20,136	-	20,136	-
Notes payable	44,747	-	44,747	-
Total current liabilities	<u>944,547</u>	<u>1,871,120</u>	<u>2,815,667</u>	<u>42,209</u>
Noncurrent liabilities:				
Compensated absences	77,146	69,277	146,423	1,806
Employment benefits	65,500	-	65,500	-
Net pension liability	2,519,697	1,016,783	3,536,480	-
Bonds payable	2,915,000	16,673,412	19,588,412	-
Bond premium	181,223	-	181,223	-
Notes payable	577,824	-	577,824	-
Other liabilities	-	-	-	-
Total noncurrent liabilities	<u>6,336,390</u>	<u>17,759,472</u>	<u>24,095,862</u>	<u>1,806</u>
Total liabilities	<u>\$ 7,280,937</u>	<u>\$ 19,630,592</u>	<u>\$ 26,911,529</u>	<u>\$ 44,015</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow - pension plan	\$ 245,428	\$ 97,681	\$ 343,109	\$ -
Future lease payments	-	87,609	87,609	-
Total deferred inflows of resources	<u>\$ 245,428</u>	<u>\$ 185,290</u>	<u>\$ 430,718</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 8,418,807	\$ 10,742,159	\$ 19,160,966	\$ 149,273
Restricted:				
Expendable	2,008,892	-	2,008,892	-
Nonexpendable	277,904	-	277,904	-
Unrestricted	(1,434,143)	7,716,907	6,282,764	1,948,520
Total net position	<u>\$ 9,271,460</u>	<u>\$ 18,459,066</u>	<u>\$ 27,730,526</u>	<u>\$ 2,097,793</u>

See accompanying notes to financial statements.

CITY OF GLADSTONE, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2025

Item 2.

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Housing Commission
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 960,377	\$ 565,488	\$ 123,174	\$ -	\$ (271,715)	\$ -	\$ (271,715)	\$ -
Public safety	1,561,561	654,862	10,592	20,210	(875,897)	-	(875,897)	-
Public works	2,243,832	376,733	1,035,323	-	(831,776)	-	(831,776)	-
Community and economic development	319,819	53,510	25,689	-	(240,620)	-	(240,620)	-
Recreation and culture	1,034,586	235,869	-	19,201	(779,516)	-	(779,516)	-
Interest on long-term debt	105,077	-	-	-	(105,077)	-	(105,077)	-
Total governmental activities	6,225,252	1,886,462	1,194,778	39,411	(3,104,601)	-	(3,104,601)	-
Business-type activities:								
Electric utility	4,453,918	4,554,587	-	-	-	100,669	100,669	-
Waste water utility	1,335,077	1,904,851	-	796,385	-	1,366,159	1,366,159	-
Water utility	1,047,168	1,054,347	-	-	-	7,179	7,179	-
Solid waste	457,983	554,873	-	-	-	96,890	96,890	-
Harbor	84,837	98,942	-	-	-	14,105	14,105	-
Total business-type activities	7,378,983	8,167,600	-	796,385	-	1,585,002	1,585,002	-
Total primary government	\$ 13,604,235	\$ 10,054,062	\$ 1,194,778	\$ 835,796	(3,104,601)	1,585,002	(1,519,599)	-
Component unit:								
Housing commission	\$ 370,159	\$ 190,088	\$ 187,481	\$ -	-	-	-	7,410
General revenues:								
Property taxes					2,382,469	-	2,382,469	-
State revenue sharing					706,133	-	706,133	-
Grants and contributions not restricted to specific programs					214,437	-	214,437	-
Contributions to permanent fund					1,600	-	1,600	-
Unrestricted investment earnings (loss)					94,690	266,423	361,113	11,650
Miscellaneous					35	-	35	36,947
Gain on disposal of capital assets					-	-	-	-
Transfers					18,000	(18,000)	-	-
Total general revenues and transfers					3,417,364	248,423	3,665,787	48,597
Changes in net position					312,763	1,833,425	2,146,188	56,007
Net position - beginning, as previously stated					9,119,162	16,727,418	25,846,580	2,041,786
Accounting Change					(168,933)	(166,496)	(335,429)	-
Error Correction					8,468	64,719	73,187	-
Net position - beginning, as restated					8,958,697	16,625,641	25,584,338	2,041,786
Net position - ending					\$ 9,271,460	\$ 18,459,066	\$ 27,730,526	\$ 2,097,793

See accompanying notes to financial statements.

CITY OF GLADSTONE, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2025

Item 2.

	General	(Formerly Major Fund) Major Street	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash, cash equivalents and investments	\$ 1,123,066	\$ -	\$ 1,194,290	\$ 2,317,356
Receivables:				
Accounts	58,711	-	30,939	89,650
Taxes	32,649	-	-	32,649
Special assessments	37,070	-	-	37,070
Notes	-	-	-	-
Due from other governmental units	243,967	-	165,101	409,068
Due from other funds	159,224	-	-	159,224
Prepaid items	45,137	-	1,887	47,024
Inventory	57,351	-	-	57,351
Restricted cash, cash equivalents and investments	44,520	-	894,007	938,527
Total assets	<u>\$ 1,801,695</u>	<u>\$ -</u>	<u>\$ 2,286,224</u>	<u>\$ 4,087,919</u>
LIABILITIES				
Accounts payable	\$ 66,103	\$ -	\$ 5,425	\$ 71,528
Accrued payroll	127,728	-	12,964	140,692
Due to other funds	570,850	-	42,896	613,746
Unearned revenue	18,968	-	-	18,968
Total liabilities	<u>783,649</u>	<u>-</u>	<u>61,285</u>	<u>844,934</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable special assessments	-	-	-	-
Unavailable taxes	32,649	-	-	32,649
Total deferred inflows of resources	<u>32,649</u>	<u>-</u>	<u>-</u>	<u>32,649</u>
FUND BALANCES				
Nonspendable	102,488	-	279,791	382,279
Restricted	63,744	-	1,945,148	2,008,892
Committed	422,799	-	-	422,799
Assigned	-	-	-	-
Unassigned	396,366	-	-	396,366
Total fund balances	<u>985,397</u>	<u>-</u>	<u>2,224,939</u>	<u>3,210,336</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,801,695</u>	<u>\$ -</u>	<u>\$ 2,286,224</u>	<u>\$ 4,087,919</u>

See accompanying notes to financial statements.

CITY OF GLADSTONE, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
March 31, 2025

Item 2.

Total fund balances for governmental funds	\$ 3,210,336
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Nondepreciable capital assets	2,400,825
Capital assets being depreciated, net	10,036,912
Internal service funds are used by the City to charge costs of retiree benefits to individual departments of the City. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	
Total net position of internal service funds	387,136
Certain pension-related amounts are not due and payable in the current period or do not represent current financial resources and are therefore not reported in the governmental funds.	
Deferred outflows of resources - pension	498,779
Net pension liability	(2,519,697)
Deferred inflows of resources - pension	(245,428)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.	
Accrued interest	(11,383)
Notes payable	(622,571)
Bonds payable	(3,195,000)
Bond premium	(201,359)
Employment benefits	(91,500)
Compensated absences	(408,239)
Resource inflows not meeting the availability criterion for revenue recognition on the modified accrual basis are reported as deferred inflows of resources in governmental funds but recognized as revenue in the government-wide financial statements.	
Unavailable special assessments	-
Unavailable taxes	32,649
Total net position of governmental activities	<u>\$ 9,271,460</u>

See accompanying notes to financial statements.

CITY OF GLADSTONE, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2025

	General	(Formerly Major Fund) Major Street	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 1,871,780	\$ -	\$ 504,300	\$ 2,376,080
Special assessments	537,983	-	25,850	563,833
Licenses and permits	81,341	-	-	81,341
Federal grants	123,174	-	-	123,174
State grants	735,727	-	1,003,821	1,739,548
Local grants	16,580	-	159,595	176,175
Charges for services	1,162,476	-	4,650	1,167,126
Fines and forfeits	6,618	-	-	6,618
Interest and rentals	65,396	-	93,607	159,003
Miscellaneous	69,803	-	50,926	120,729
Total revenues	4,670,878	-	1,842,749	6,513,627
EXPENDITURES:				
Current:				
General government	994,156	-	95	994,251
Public safety	1,789,981	-	-	1,789,981
Public works	593,328	-	542,878	1,136,206
Community & economic development	197,354	-	116,537	313,891
Recreation and culture	855,034	-	-	855,034
Capital outlay	116,752	-	168,659	285,411
Debt service:				
Principal	-	-	318,592	318,592
Interest and other charges	-	-	106,101	106,101
Total expenditures	4,546,605	-	1,252,862	5,799,467
Excess revenues (expenditures)	124,273	-	589,887	714,160
OTHER FINANCING SOURCES (USES):				
Transfers in	239,870	-	484,000	723,870
Transfers out	(25,000)	-	(655,870)	(680,870)
Total other financing sources (uses)	214,870	-	(171,870)	43,000
Net changes in fund balances	339,143	-	418,017	757,160
Fund balances - beginning, as previously stated	646,254	368,891	1,438,031	2,453,176
Change within financial reporting entity (major to nonmajor fund)	-	(368,891)	368,891	-
Fund balances - beginning, as restated	646,254	-	1,806,922	2,453,176
Fund balances - ending	\$ 985,397	\$ -	\$ 2,224,939	\$ 3,210,336

See accompanying notes to financial statements.

CITY OF GLADSTONE, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2025

Net changes in fund balances - total governmental funds \$ 757,160

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	285,411
Depreciation expense	(936,584)

Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available.

Net change in deferred inflows of resources for unavailable revenues	(573,125)
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Internal service funds are used by the City to charge costs of retiree benefits to individual departments of the City. The net revenue (expense) of internal service funds are included in governmental activities in the statement of net position.

Change in net position of internal service funds	14,168
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest and bond premiums on long-term debt are not recognized under the modified accrual basis of accounting until due, rather than as they accrue or amortize.

Net change in:

Accrued interest	\$ 1,024
Notes payable	43,592
Bonds payable	275,000
Bond premium	20,136
Compensated absences	(53,806)
Employment benefits	31,000
Net pension liability and deferrals	448,787

Changes in net position of governmental activities	\$ 312,763
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See accompanying notes to financial statements.

CITY OF GLADSTONE, MICHIGAN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
March 31, 2025

Item 2.

	Enterprise Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund Retirement System Fund
	Electric Utility	Waste Water Utility	Water Utility			
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,270,974	\$ 1,736,955	\$ 6,928	\$ 524,149	\$ 3,539,006	\$ -
Investments	1,104,394	246,643	496,073	202,479	2,049,589	273,836
Receivables:						
Utilities	720,268	292,880	166,402	92,663	1,272,213	-
Leases	25,136	-	-	-	25,136	-
Miscellaneous	6,526	105,821	2,641	1,072	116,060	1,567
Due from other government units	-	379,354	-	-	379,354	-
Due from other funds	53,959	-	-	13,050	67,009	-
Prepaid items	5,543	6,870	5,154	1,716	19,283	-
Inventory	232,683	-	-	-	232,683	-
Total current assets	<u>3,419,483</u>	<u>2,768,523</u>	<u>677,198</u>	<u>835,129</u>	<u>7,700,333</u>	<u>275,403</u>
Noncurrent assets:						
Investments	1,040,539	100,066	201,263	84,423	1,426,291	123,439
Leases receivable	62,473	-	-	-	62,473	-
Advances due from other funds	494,537	-	-	52,200	546,737	-
Non-depreciable capital assets	300,381	20,391,998	-	-	20,692,379	-
Capital assets, net of accumulated depreciation	3,303,469	1,893,706	2,153,928	429,443	7,780,546	-
Total noncurrent assets	<u>5,201,399</u>	<u>22,385,770</u>	<u>2,355,191</u>	<u>566,066</u>	<u>30,508,426</u>	<u>123,439</u>
Total assets	<u>\$ 8,620,882</u>	<u>\$ 25,154,293</u>	<u>\$ 3,032,389</u>	<u>\$ 1,401,195</u>	<u>\$ 38,208,759</u>	<u>\$ 398,842</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflow - pension plan	<u>\$ 116,549</u>	<u>\$ 33,018</u>	<u>\$ 54,871</u>	<u>\$ 9,269</u>	<u>\$ 213,707</u>	<u>\$ -</u>
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 237,894	\$ 47,483	\$ 14,902	\$ 18,143	\$ 318,422	\$ -
Due to contractors	-	552,354	-	-	552,354	-
Accrued payroll	31,196	18,033	9,404	3,787	62,420	-
Customer deposits	80,862	8,008	4,852	1,284	95,006	-
Compensated absences	124,403	104,437	55,397	-	284,237	-
Employment benefits	-	-	-	-	-	-
Unearned revenue	-	-	-	53,681	53,681	-
Due to other funds	-	-	147,518	-	147,518	11,706
Bonds payable	-	505,000	-	-	505,000	-
Total current liabilities	<u>474,355</u>	<u>1,235,315</u>	<u>232,073</u>	<u>76,895</u>	<u>2,018,638</u>	<u>11,706</u>
Noncurrent liabilities:						
Compensated absences	29,319	26,109	13,849	-	69,277	-
Net pension liability	560,813	162,005	240,978	52,987	1,016,783	-
Bonds payable	-	16,673,412	-	-	16,673,412	-
Total noncurrent liabilities	<u>590,132</u>	<u>16,861,526</u>	<u>254,827</u>	<u>52,987</u>	<u>17,759,472</u>	<u>-</u>
Total liabilities	<u>\$ 1,064,487</u>	<u>\$ 18,096,841</u>	<u>\$ 486,900</u>	<u>\$ 129,882</u>	<u>\$ 19,778,110</u>	<u>\$ 11,706</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflow - pension plan	\$ 52,402	\$ 16,100	\$ 24,284	\$ 4,895	\$ 97,681	\$ -
Future lease payments	87,609	-	-	-	87,609	-
Total deferred inflows of resources	<u>\$ 140,011</u>	<u>\$ 16,100</u>	<u>\$ 24,284</u>	<u>\$ 4,895</u>	<u>\$ 185,290</u>	<u>\$ -</u>
NET POSITION						
Net investment in capital assets	\$ 3,603,850	\$ 4,554,938	\$ 2,153,928	\$ 429,443	\$ 10,742,159	\$ -
Unrestricted	3,929,083	2,519,432	422,148	846,244	7,716,907	387,136
Total net position	<u>\$ 7,532,933</u>	<u>\$ 7,074,370</u>	<u>\$ 2,576,076</u>	<u>\$ 1,275,687</u>	<u>\$ 18,459,066</u>	<u>\$ 387,136</u>

See accompanying notes to financial statements.

CITY OF GLADSTONE, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended March 31, 2025

Item 2.

	Enterprise Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund Retirement System Fund
	Electric Utility	Waste Water Utility	Water Utility			
OPERATING REVENUES:						
Charges for services	\$ 4,477,384	\$ 1,895,357	\$ 1,041,109	\$ 646,543	\$ 8,060,393	\$ 25,000
Miscellaneous	77,203	9,494	13,238	7,272	107,207	-
Total operating revenue	4,554,587	1,904,851	1,054,347	653,815	8,167,600	25,000
OPERATING EXPENSES:						
Salaries and fringes	927,896	578,808	424,391	201,875	2,132,970	-
Supplies	218,189	83,036	245,655	48,091	594,971	-
Contracted services	446,040	132,393	101,164	76,322	755,919	-
Repairs and maintenance	2,255	-	-	-	2,255	-
Utilities	112,357	75,703	62,580	12,153	262,793	-
Purchased power	2,455,479	-	-	-	2,455,479	-
Rent	80	6,792	3,566	19,176	29,614	-
Memberships and dues	5,658	4,708	6,183	20	16,569	-
Travel	6,923	-	292	-	7,215	-
Insurance	8,195	10,099	16,892	2,235	37,421	-
Education and training	12,041	3,342	8,114	41	23,538	-
Landfill tipping fees	-	235	-	124,976	125,211	-
Depreciation	239,260	127,997	167,927	57,735	592,919	-
Miscellaneous	19,545	10,461	10,404	196	40,606	-
Total operating expenses	4,453,918	1,033,574	1,047,168	542,820	7,077,480	-
Operating income (loss)	100,669	871,277	7,179	110,995	1,090,120	25,000
NONOPERATING REVENUES (EXPENSES):						
Investment gain (loss)	160,508	50,125	26,951	28,839	266,423	14,167
State grants	-	-	-	-	-	-
Interest expense	-	(301,503)	-	-	(301,503)	-
Total nonoperating revenue (expense)	160,508	(251,378)	26,951	28,839	(35,080)	14,167
Income (loss) before transfers, contributions and special items	261,177	619,899	34,130	139,834	1,055,040	39,167
Capital contributions	-	796,385	-	-	796,385	-
Transfers in	-	-	25,000	-	25,000	-
Transfers out	-	(25,000)	(18,000)	-	(43,000)	(25,000)
Change in net position	261,177	1,391,284	41,130	139,834	1,833,425	14,167
Total net position - beginning, as previously stated	7,328,425	5,690,072	2,573,068	1,135,853	16,727,418	372,969
Accounting Change	(56,669)	(71,705)	(38,122)	-	(166,496)	-
Error Correction	-	64,719	-	-	64,719	-
Total net position - beginning, as restated	7,271,756	5,683,086	2,534,946	1,135,853	16,625,641	372,969
Total net position - ending	\$ 7,532,933	\$ 7,074,370	\$ 2,576,076	\$ 1,275,687	\$ 18,459,066	\$ 387,136

See accompanying notes to financial statements.

CITY OF GLADSTONE, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended March 31, 2025

Item 2.

	Enterprise Funds			Nonmajor	Total	Internal Service Fund
	Electric Utility	Waste Water Utility	Water Utility	Enterprise Funds	Enterprise Funds	Retirement System Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 4,559,753	\$ 1,801,010	\$ 1,064,831	\$ 650,863	\$ 8,076,457	\$ -
Cash receipts from interfund services provided	-	-	-	-	-	25,000
Payments to suppliers	(3,217,384)	(381,828)	(531,289)	(279,269)	(4,409,770)	-
Payments for wages and related benefits	(972,205)	(525,433)	(432,469)	(209,798)	(2,139,905)	-
Cash paid for interfund services used	-	-	-	-	-	3,045
Other receipts (payments)	-	-	-	1,340	1,340	-
Net cash provided (used) by operating activities	370,164	893,749	101,073	163,136	1,528,122	28,045
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in (out)	-	(25,000)	7,000	-	(18,000)	(25,000)
Receipt of advances from other funds	-	-	147,518	13,050	160,568	-
Repayments of advances from other funds	-	-	-	-	-	(30,000)
Repayments collected of advances made to other funds	77,106	-	-	-	77,106	-
Net cash provided (used) by noncapital financing activities	77,106	(25,000)	154,518	13,050	219,674	(55,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(253,855)	(5,675,833)	(264,297)	(39,680)	(6,233,665)	-
Principal paid on debt instruments	-	(500,000)	-	-	(500,000)	-
Interest paid on debt instruments	-	(301,503)	-	-	(301,503)	-
Debt proceeds	-	4,903,752	-	-	4,903,752	-
Proceeds from capital contributions	-	872,376	-	-	872,376	-
Net cash provided (used) by capital and related financing activities	(253,855)	(701,208)	(264,297)	(39,680)	(1,259,040)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investment securities	(883,860)	(188,224)	(378,575)	(157,664)	(1,608,323)	(201,772)
Sale of investment securities	778,820	173,933	349,832	141,836	1,444,421	214,560
Interest earned	160,508	50,125	26,951	28,839	266,423	14,167
Net cash provided (used) by investing activities	55,468	35,834	(1,792)	13,011	102,521	26,955
Net increase (decrease) in cash and equivalents	248,883	203,375	(10,498)	149,517	591,277	-
Cash and equivalents, beginning of year	1,078,760	1,605,285	55,548	374,632	3,114,225	-
Cash and equivalents, end of year	\$ 1,327,643	\$ 1,808,660	\$ 45,050	\$ 524,149	\$ 3,705,502	\$ -
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 100,669	\$ 871,277	\$ 7,179	\$ 110,995	\$ 1,090,120	\$ 25,000
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation/amortization expense	239,260	127,997	167,927	57,735	592,919	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	1,761	(108,609)	7,432	(342)	(99,758)	3,045
(Increase) decrease in prepaid items	235	264	(1,437)	148	(790)	-
(Increase) decrease in inventory	77,969	-	-	-	77,969	-
(Increase) decrease in pension deferred outflows	106,555	27,277	54,413	6,784	195,029	-
Increase (decrease) in accounts payable	(8,826)	(55,323)	(75,002)	3,793	(135,358)	-
Increase (decrease) in accrued payroll liabilities	94,108	81,880	49,130	(895)	224,223	-
Increase (decrease) in net pension liability	(180,411)	(45,541)	(91,069)	(11,287)	(328,308)	-
Increase (decrease) in unearned service revenue and deposits	3,405	4,768	3,052	(1,270)	9,955	-
Increase (decrease) in deferred inflows	(64,561)	(10,241)	(20,552)	(2,525)	(97,879)	-
Net cash provided (used) by operating activities	\$ 370,164	\$ 893,749	\$ 101,073	\$ 163,136	\$ 1,528,122	\$ 28,045

See accompanying notes to financial statements.

CITY OF GLADSTONE, MICHIGAN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
March 31, 2025

Item 2.

	<u>Custodial Fund</u> <u>Tax Collection</u>
ASSETS	
Cash and cash equivalents	\$ 3,277
Receivables:	
Delinquent taxes	<u>79,936</u>
Total assets	<u><u>\$ 83,213</u></u>
LIABILITIES	
Due to other governmental units	<u><u>\$ 83,213</u></u>
NET POSITION	
Restricted	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF GLADSTONE, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended March 31, 2025

Item 2.

	<u>Custodial Fund</u> <u>Tax Collection</u>
ADDITIONS	
Property tax collections	\$ 3,936,473
DEDUCTIONS	
Property tax disbursements	<u>3,936,473</u>
NET CHANGE IN FIDUCIARY NET POSITION	-
NET POSITION - beginning	<u>-</u>
NET POSITION - ending	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

Notes to Financial Statements

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City of Gladstone (the “City”) was incorporated March 1, 1889 under the provision of Act 279, P. A. 1909, as amended (Home Rule City Act) and operates under a Council-Manager form of government. The City provides the following services as authorized by its charter: public safety (police and fire), highways and streets, utility services, recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City’s operations, and accordingly, data from these units are combined with data of the City. Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the City. All blended and discretely presented component units have a March 31 year end.

Component Units – A component unit of a governmental entity is a legally separate entity for which the primary government is considered to be financially accountable and for which the nature and significance of the relationship with the primary government is such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization’s governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity as a blended component unit or as a discretely presented component unit.

Blended Component Units – The City has two component units for which the financial data has been blended with the primary government financial statements.

Downtown Development Authority – For financial reporting purposes the Downtown Development Authority (DDA) is reported as if it were part of the City’s operations because the City appoints a voting majority and the DDA provides services entirely to the City. The DDA was created under Public Act 197 of 1975 to take an active role in economic revitalization and facilitate downtown redevelopment and opportunities associated with vacant or underutilized commercial and industrial areas.

Economic Development Corporation – The Economic Development Corporation (EDC) is reported as if it were part of the City’s operations because the City Commission appoints and can remove all members of the EDC’s governing body and the EDC’s purpose is to serve the City. The EDC was organized and incorporated pursuant to Public Act 338 of 1974, as amended (the Economic Development Corporation Act) to alleviate and prevent conditions of unemployment and to assist and retain local industries and commercial enterprises.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely Presented Component Unit – The financial statements of the Gladstone Housing Commission are reported as a discretely presented component unit in a separate column to emphasize that they are legally separate from the City.

Gladstone Housing Commission – The Housing Commission was formed by the City of Gladstone under Public Act 18 of 1933 for the purpose of providing safe and affordable housing for low income and elderly individuals. The City Commission appoints the board members to the Housing Commission; however, the City does not provide any financial assistance to the Housing Commission. The Housing Commission issues separately audited financial statements which can be obtained from the Gladstone Housing Commission at 217 Dakota Avenue, Gladstone, MI 49837.

The following entities are not included because the City does not exercise oversight responsibility, or they are autonomous governmental units.

Gladstone Area Schools – provides education services to the community.

Gladstone Area Public Library – provides library services to the community.

Gladstone Senior Citizens Non-Profit Corporation – provides recreational activities for the elderly.

Joint Venture – The City of Gladstone is a participant with Delta County, the City of Escanaba, and local townships in a joint venture to provide for a landfill, the Delta Solid Waste Management Authority. The Authority is governed by a seven-person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities, and one member of the Delta County Board of Commissioners. Complete financial statements for the Delta Solid Waste Management Authority can be obtained directly from Delta Solid Waste Management Authority. See Note N for additional information.

Delta Solid Waste Management Authority
5701 19th Avenue North
Escanaba, MI 49829

The accounting policies of the City of Gladstone conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

BASIS OF PRESENTATION

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the City as a whole. They include all funds of the City except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Most of the effects of interfund activity have been removed from these statements.

Fund Financial Statements:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund, and the remaining funds of the City are considered major if they meet the following criteria:

Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The City reports the following as major governmental funds in accordance with the above criteria:

The General Fund which is described below.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following as major enterprise funds in accordance with the above criteria:

The Electric Utility Fund accounts for electric services provided to the citizens of the City of Gladstone in exchange for charges.

The Waste Water Utility Fund accounts for waste water services provided to the citizens of the City of Gladstone in exchange for charges.

The Water Utility Fund accounts for water services provided to the citizens of the City of Gladstone in exchange for charges.

The funds of the City are described below:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

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

Debt Service Fund – Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Fund – Capital projects 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 and other capital assets.

Permanent Fund – The Cemetery Perpetual Care Fund is the City's only permanent fund. The principal portion of this fund must stay intact, but the interest earnings are used to provide care for the cemetery.

Proprietary Funds

Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Internal Service Fund – Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. In the government-wide financial statements, the City has one internal service fund that is included with the governmental activities. The Retirement System Fund accounts for retiree pension costs incurred by various City departments.

Fiduciary Funds

Custodial Fund – The Tax Collection Fund is the City’s only custodial fund and is used to account for the collections and payments of amounts received by the City in a trustee capacity or as an agent for governmental units assessing a property tax on property within the City limits.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resource measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds and fiduciary funds, as applicable, utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund and fiduciary fund equity are classified as net position.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. The proprietary fund financial statements are also presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

ASSETS, DEFERRED OUTFLOWS, LIABILITIES, DEFERRED INFLOWS AND NET POSITION/FUND BALANCE

Cash, Cash Equivalents and Investments – Cash deposits consist of demand and time deposits with financial institutions and are reported at carrying amount which is fair value. Investments are reported at fair value or estimated fair value. For the purpose of the statement of cash flows, the City considers all highly liquid investments with maturities of less than three months as cash equivalents.

Receivables and Payables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable. The City has not recorded an allowance for uncollectable accounts as the City does not anticipate any material uncollectable accounts.

Interfund receivables and payables which arise from interfund transactions are recorded by all funds affected in the period in which transactions are executed and are reported as “Due to/from other funds” or “Advances to/from other funds.” Any residual balances at year end between the governmental and business-type activities are reported in the government-wide financial statements as “Internal balances.”

Leases – The City is a lessor for noncancellable leases of utility poles. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and proprietary fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable and adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Key estimates and judgments include how the City determines (a) the discount rate it uses to discount the expected lease receipts to present value, (b) lease term, and (c) lease receipts. The City uses the lessee's estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee. The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items, allocating the expenses/expenditures to the accounting period in which they apply, in both the government-wide and fund financial statements. Nonspendable fund balances have been recorded in the applicable governmental funds to indicate the prepayments are not a currently available or spendable component of fund balance.

Inventory – Materials inventory in the Electric Utility Fund and the General Fund are recorded at the lower of cost or market using the first-in first-out method of valuing inventory.

Capital Assets – The accounting and reporting treatment applied to property plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and land improvements	25 – 50 years
Machinery and equipment	3 – 20 years
Mobile equipment and vehicles	3 – 20 years
Street system	10 – 50 years
Industrial park and other infrastructure	10 – 50 years
Utilities distribution/collection	10 – 50 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Component Unit Financial Statements

Capital assets of the Gladstone Housing Commission are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Generally, buildings and improvements are depreciated over 40 years and furniture and equipment are depreciated over three to seven years.

Restricted Assets – Restricted assets include cash, cash equivalents, and investments which have been reserved for the principal portion of the Cemetery Perpetual Care Fund nonexpendable cash and for donations or receipts related to specific projects as explained in Note C.

Deferred Outflows of Resources – In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate financial statement element called deferred outflows of resources, which represent 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 has pension related items that qualify for reporting in this category.

Long-Term Obligations – The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of bonds payable and notes payable. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as "other financing sources" and bond discounts as "other financing uses."

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements. The General Fund, Debt Service Fund, and Waste Water Fund are generally used to liquidate long-term debt.

Compensated Absences – The City's policies regarding vacation and sick time permits employees to accumulate earned but unused vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unearned Revenues – Unearned revenue is recognized when cash, receivables or other assets are received prior to their being earned. Unearned revenue may also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the revenue is earned or when the government has a legal claim to the resources, the liability of unearned revenue is removed from the balance sheet and revenue is recognized.

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and/or governmental funds balance sheet will sometimes report a separate financial statement element called deferred inflows of resources, which represent an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. Revenue that is measurable but unavailable qualifies for reporting in this category and is reported as deferred only in the governmental funds balance sheet. The governmental funds report unavailable revenue from two sources: personal property taxes and special assessments. In addition, the government-wide statements and proprietary funds report deferred inflows of resources related to the pension system, as well as for lease revenues which apply to later periods.

Equity Classification

Government-Wide Statements and Proprietary Fund Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – Consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (b) law through constitutional provisions of enabling legislation.

Unrestricted – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Statements

The governmental fund financial statements present fund balance-based classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has classified prepaid items, inventory, and permanent fund principal as nonspendable.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Commission.

Assigned – This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The intent can be expressed by the by the City Manager or by the City through the budgetary process and this classification also includes the remaining positive fund balance for all governmental funds.

Unassigned – This classification includes the residual fund balance of the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The minimum level of General Fund balance that the City strives to maintain as committed, assigned, and unassigned is an amount equal to 20% to 30% of General Fund previous year audited noncapital expenditures.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUES AND EXPENDITURES/EXPENSES

Revenues

Government-Wide Statements

In the government-wide Statement of Activities, revenues are segregated by activity (governmental or business-type) and are classified as either a program revenue or a general revenue. Program revenues include (a) charges to customers or applicants for goods or services, (b) operating grants and contributions, and (c) capital grants and contributions. General revenues include all revenues which do not meet the criteria of program revenues and include revenues such as property taxes, state revenue sharing payments, and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and taxes. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is generally the City's policy to use restricted resources first.

In the proprietary fund statements, revenues are reported by source and classified as operating or nonoperating, as defined below. Capital contributions are also reported separately from other revenues.

Expenses/Expenditures

Government-Wide Statements

In the government-wide Statement of Activities, expenses are segregated by activity (governmental or business-type) and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character (current, debt service or capital outlay) and by government function or program.

In the proprietary fund financial statements, expenses are classified by operating and nonoperating and are subclassified by function such as salaries, supplies and contracted services.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Transfers and Other Financing Sources (Uses)

The transfers of cash between the various City funds are budgeted but reported separately from revenues and expenses/expenditures as operating transfers in/(out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds. In the governmental funds, interfund transfers are reported separately from revenues and expenditures as other financing sources (uses). Certain other inflows and outflows of resources which are outside the City's normal operating activity, such as debt proceeds or sales of capital assets, are also reported as other financing sources (uses) in the governmental funds.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: (a) activities between funds reported as governmental activities and funds reported as business-type activities, and (b) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. Interfund receivables and payables have been eliminated from the Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

Property Taxes

Property taxes levied attach as an enforceable lien on property. The City's annual property tax on real and personal property within the City is levied on July 1, payable by September 15, and is based on the taxable valuation of the property on the preceding December 31. Unpaid property taxes become delinquent on March 1, and all delinquent real property taxes are purchased by the County Treasurer. The City bills and collects its own property taxes and also the taxes for the local School District, the Intermediate School District, the Community College, and the County. Collections and remittances for all taxes are accounted for in the Tax (Custodial) Fund. City property tax revenues are recognized when levied to the extent that they result in current receivables, with the exception of delinquent City taxes purchased by the County Treasurer, which are recognized as revenue in the year levied regardless of when the tax settlement is received from the County Treasurer, typically within 90 days of year end.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OTHER SIGNIFICANT ACCOUNTING POLICIES

Budgets and Budgetary Accounting

The development and adoption of the City's budget is based upon requirements as set forth in both the City Charter and Act 2, Public Acts of 1968 of the State of Michigan, the "Uniform Budgeting and Accounting Act." Act 2, Public Acts of 1968 of the State of Michigan requires a formal budget for all funds except Internal Service, Enterprise or Public Improvements/Building and Site Funds, which require an "informational summary" in lieu of a formal budget. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to February 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to April 1, a public hearing is held to allow for public comment on the proposed budget and then the budget is legally enacted through passage of an ordinance.
- c. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Commission.
- d. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the City Commission in March. Individual amendments were material in relation to the original appropriations which were amended.
- e. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control. Any unexpendable appropriations lapse at the end of the fiscal year.

Use of Estimates

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

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Subsequent to year end, the City approved the issuance of 2025 Clean Water State Revolving Fund Revenue Bonds for Wastewater Collection System Improvements in an amount not to exceed \$8,200,000. The bonds will be secured by a pledge of net revenues received from the operation of the sewage disposal system. The bonds will bear an interest rate not to exceed 2.00%.

Change in Accounting Principle

The City implemented GASB Statement No. 100, *Accounting Changes and Error Corrections-an Amendment of GASB Statement No. 62* and GASB Statement No. 101, *Compensated Absences*, during the year ended March 31, 2025.

GASB Statement No. 100 improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

See Note P for additional information about the impact of GASB Statement No. 101 and the effect on the City's beginning fund balances or net position.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE B – BUDGET VIOLATIONS

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget at the activity level. Actual expenditures exceeded budgeted amounts for the following funds and activities:

	Budget	Actual	Variance
General Fund:			
General government:			
City clerk	\$ 173,375	\$ 173,742	\$ (367)
City hall	107,014	109,878	(2,864)
Computer & copier	-	440	(440)
Public works:			
Motor pool	231,847	238,483	(6,636)
Culture and recreation:			
Parks	87,765	95,115	(7,350)
Beach	30,005	34,662	(4,657)
Major Street Fund:			
Public works:			
Reconstruction	14,178	14,443	(265)
Local Street Fund:			
Public works:			
Reconstruction	24,800	29,388	(4,588)
Surface maintenance	251,046	293,455	(42,409)
Storm drains	23,115	28,214	(5,099)
Winter maintenance	39,161	42,059	(2,898)
Mary Cretens Trust:			
Transfers out	220,900	228,179	(7,279)

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE C – CASH AND EQUIVALENTS AND INVESTMENTS

The composition of cash and equivalents is presented below:

	Primary Government	Component Unit	Fiduciary Fund	Total
Statement of Net Position:				
Current:				
Cash, cash equivalents and investments (unrestricted)	\$ 7,693,921	\$ 760,131	\$ -	\$ 8,454,052
Restricted cash, cash equivalents and investments	673,596	-	-	673,596
Noncurrent:				
Investments (unrestricted)	2,035,595	-	-	2,035,595
Restricted investments	264,931	-	-	264,931
Statement of Fiduciary Net Position:				
Cash and cash equivalents	-	-	3,277	3,277
Total cash & equivalents and investments	<u>\$ 10,668,043</u>	<u>\$ 760,131</u>	<u>\$ 3,277</u>	<u>\$ 11,431,451</u>
	Primary Government	Component Unit	Fiduciary Fund	Total
Imprest cash	\$ 590	\$ 200	\$ -	\$ 790
Bank deposits:				
Checking and savings accounts	3,954,489	759,931	3,277	4,717,697
Money market accounts	263,624	-	-	263,624
Certificates of deposit	553,994	-	-	553,994
Investments in securities	1,708,053	-	-	1,708,053
Investments in MI Class investment pool	3,594,820	-	-	3,594,820
Investment in Upper Peninsula Public Power Agency	592,473	-	-	592,473
Total cash & equivalents and investments	<u>\$ 10,668,043</u>	<u>\$ 760,131</u>	<u>\$ 3,277</u>	<u>\$ 11,431,451</u>

State statutes authorize the City to deposit and invest in the following:

- Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Repurchase agreements consisting of instruments listed in subdivision (a).
- Bankers' acceptance of United States banks.
- Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE C – CASH AND EQUIVALENTS AND INVESTMENTS (continued)

- g. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 sat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, MCL 129.141 to 129.150.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

All deposits are carried at cost and are in accordance with statutory authority. The City's cash is subject to the following risk.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a policy for custodial credit risk. As of March 31, 2025, the City held \$4,532,668 in checking and savings accounts, money market accounts, and certificates of deposit. Of this amount, \$3,777,668 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are, in the opinion of management, subject to minimal risk. The City's component units had no bank deposits that were uninsured and uncollateralized.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE C – CASH AND EQUIVALENTS AND INVESTMENTS (continued)

The composition of investments is presented below:

	Fair Value	Moody Credit Rating	S&P Credit Rating	Maturity Date
Primary Government				
Municipal Bonds:				
Ferris State University	\$ 50,041	A1	-	10/1/2026
Wyandotte Michigan Electric Revenue	10,028	-	AA	10/1/2026
Total Municipal Bonds	<u>60,069</u>			
U.S. Government Securities:				
Federal Home Loan Bank Securities	149,878	N/A	N/A	11/29/2029
Federal Home Loan Bank Securities	299,313	N/A	N/A	3/17/2027
Federal Farm Credit Bank Securities	199,552	N/A	N/A	9/16/2032
Federal Farm Credit Bank Securities	249,902	N/A	N/A	7/23/2029
Federal Farm Credit Bank Securities	249,540	N/A	N/A	3/19/2031
Federal Home Loan Mortgage Corporation	250,098	N/A	N/A	11/15/2027
Federal National Mortgage Association	249,700	N/A	N/A	10/16/2028
Total U.S. Government Securities	<u>1,647,983</u>			
Nonnegotiable Certificates of Deposit:				
CD	275,320	N/A	N/A	1/23/2026
CD	<u>278,675</u>	N/A	N/A	5/26/2025
Total Nonnegotiable Certificates of Deposit	553,995			
Investment Pool at Net Asset Value:				
MI Class	3,594,820	N/A	N/A	N/A
Other Investment:				
Upper Peninsula Public Power Agency	<u>592,473</u>	N/A	N/A	N/A
Total Investments	<u>\$ 6,449,340</u>			

The City's investments are subject to several types of risk, which are examined below in more detail.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE C – CASH AND EQUIVALENTS AND INVESTMENTS (continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City did not hold any investment securities that were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name except for the investment in Upper Peninsula Public Power Agency.

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 restricts investment maturities to a maturity of no more than twelve years from the date of purchase and commercial paper, which can only be purchased with a 270-day maturity. Investment balances and maturities as of March 31, 2025 are listed in the table above.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the City's investment policy limit the investment in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. Investment balances and the credit quality ratings of debt securities as of March 31, 2025 are listed in the table above.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy limits the amount that may be invested in a single issuer to no more than 50 percent of the market value of the portfolio and limits the amount that may be invested in a single security type to no more than 50 percent of the market value of the portfolio, with the exception of U.S. Treasury securities and authorized investment pools. As of March 31, 2025, the City had no more than 50 percent of its portfolio invested in a single issuer or in a single security type.

Risks and Uncertainties

Due to the level of risk associated with certain investment securities, as described above, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE C – CASH AND EQUIVALENTS AND INVESTMENTS (continued)

Restricted Cash and Investments

Cash and investments have been restricted within the listed funds as follows:

1. The General Fund in the amount \$8,712 for donations related to the Little Bay de Noc trail and \$35,808 for costs of the police department as required by the Olson Trust.
2. The Cemetery Perpetual Care Fund in the amount of \$276,825 for cemetery care as required by the nature of the fund.
3. The Mary Cretens Trust Fund in the amount of \$399,225 for community maintenance and improvements as required by the nature of the fund.
4. The MSHDA Homeowners Fund in the amount of \$23,529 for allowable costs under MSDHA homeowner programs as required by the nature of the fund.
5. The MSHDA Habitat Rehab Fund in the amount of \$25,000 for allowable costs under MSDHA habitat rehabilitation programs as required by the nature of the fund.
6. The General Debt Service Fund in the amount of \$169,428 for debt service payments as required by the funding sources of the fund.

Investment in Upper Peninsula Public Power Agency

During the year ended March 31, 2004, the City invested in Upper Peninsula Public Power Agency (UPPPA) along with other municipalities, which in turn purchased an interest in American Transmission Company, LLC and ATC Management, Inc. (ATC). The purpose of this investment was to allow municipalities to invest in the transmission of power to their municipality as well as obtain a reasonable rate of return on their investment. The City has contributed cash and equipment as part of its investment in UPPPA. During the year ended March 31, 2025, the City made additional investments in UPPPA. Neither UPPPA or ATC are publicly traded companies and readily determinable fair market value is not available. The City's investment in UPPPA is recorded and reported at its historical cost. Based on the City's proportional investment held (approximately 7%), the City receives dividends which are distributions from net accumulated earnings which are reported as investment income. If the dividends were to exceed earnings, the dividends would be treated as a return of investment and recorded as a reduction in the original cost of the investment. There were no returns of the investment in the current year. At March 31, 2025, the value of the investment was \$592,473.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE C – CASH AND EQUIVALENTS AND INVESTMENTS (continued)

Fair Value Measurement

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. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The City had the following recurring fair value measurements as of March 31, 2025:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
U.S. Government Securities	\$ 1,647,983	\$ -	\$ -	\$ 1,647,983
Municipal Bonds	-	60,069	-	60,069
Total	\$ 1,647,983	\$ 60,069	\$ -	\$ 1,708,052

Debt securities classified in Level 1 are valued using prices quoted in active markets for those securities. The fair values of the municipal bonds were determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using interactive data, which uses other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals. The City has no other investments that are required to be reported at fair value.

Investments in Entities that Calculate Net Asset Value per Share

The City shares in investment pools where the fair value of the investments are measured on a recurring basis using the net asset value per share of the investment pool as a practical expedient. As of March 31, 2025, the fair value of Michigan CLASS pooled account investments was \$3,594,820. There were no unfunded commitments or redemption rules.

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. As of March 31, 2025, the investments in the Michigan CLASS investment pool were rated AAAM by Standard & Poor's. The program 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 dollar weighted average days to maturity of Michigan CLASS at March 31, 2025 was 51 days and the weighted average life was 83 days.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE D – LEASES RECEIVABLE

The City has various long-term agreements with area utility companies under which the utility companies pay rent for the use of City infrastructure such as utility poles and land for cell towers. The City will not surrender control of the assets at the end of the term and the noncancellable term of the agreements surpasses one year. The current terms of these agreements run through the City's fiscal year 2028 and payments are at fixed rates with escalation in payments over the term of the lease. The City calculates the present value (principal) of its long-term leases using an estimated interest rate that is based on other long-term debt with similar terms held by the lessees. During the year ended March 31, 2025, the City's Electric Fund recognized \$23,150 in principal and \$7,807 in interest for a total of \$30,957 in rental revenue from its long-term lease agreements. The City's Electric Fund recorded a lease receivable of \$87,609 with \$25,136 due within one year as of March 31, 2025.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE E – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The City has adopted a capitalization policy that identifies capital assets as those having a value of \$5,000 or more and a useful life greater than one year. The Gladstone Housing Commission has adopted a capitalization policy that identifies capital assets as those have a cost in excess of \$1,000 that materially add to the productive capacity and extend the life of an asset longer than one year. Capital asset activity for the year ended March 31, 2025, was as follows:

	Balance at April 1, 2024	Additions	Transfers/ Disposals	Balance at March 31, 2025
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,394,627	\$ -	\$ -	\$ 2,394,627
Construction in progress	6,198	-	-	6,198
Total non-depreciable capital assets	2,400,825	-	-	2,400,825
Capital assets being depreciated:				
Land improvements	598,129	-	-	598,129
Street system	20,300,917	75,154	-	20,376,071
Industrial park	57,132	-	-	57,132
Other infrastructure	1,895,463	-	-	1,895,463
Buildings	3,606,622	7,676	-	3,614,298
Machinery and equipment	1,317,348	19,239	-	1,336,587
Mobile equipment	1,146,048	108,280	-	1,254,328
Vehicles	1,613,083	75,062	(68,802)	1,619,343
Total depreciable capital assets	30,534,742	285,411	(68,802)	30,751,351
Total capital assets	32,935,567	285,411	(68,802)	33,152,176
Less accumulated depreciation:				
Land improvements	331,221	29,609	-	360,830
Street system	13,277,624	528,579	-	13,806,203
Industrial park	36,820	1,755	-	38,575
Other infrastructure	1,127,848	89,123	-	1,216,971
Buildings	2,462,878	80,077	-	2,542,955
Machinery and equipment	1,034,488	65,994	-	1,100,482
Mobile equipment	545,552	65,322	-	610,874
Vehicles	1,030,226	76,125	(68,802)	1,037,549
Total accumulated depreciation	19,846,657	936,584	(68,802)	20,714,439
Net depreciable capital assets	10,688,085	(651,173)	-	10,036,912
Governmental activities capital assets, net	\$ 13,088,910	\$ (651,173)	\$ -	\$ 12,437,737

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE E – CAPITAL ASSETS (continued)

	Balance at April 1, 2024	Additions	Transfers/ Disposals	Balance at March 31, 2025
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 236,836	\$ -	\$ -	\$ 236,836
Construction in progress	16,032,278	4,447,344	(24,079)	20,455,543
Total non-depreciable capital assets	16,269,114	4,447,344	(24,079)	20,692,379
Capital assets being depreciated:				
Land improvements	8,217	-	-	8,217
Utilities distribution/collection	18,900,342	388,334	24,079	19,312,755
Street system	5,454	-	-	5,454
Other infrastructure	424,293	-	-	424,293
Buildings	1,383,509	35,475	-	1,418,984
Machinery and equipment	1,043,539	96,566	(9,625)	1,130,480
Mobile equipment	83,544	-	-	83,544
Vehicles	1,625,474	32,129	-	1,657,603
Total depreciable capital assets	23,474,372	552,504	14,454	24,041,330
Total capital assets	39,743,486	4,999,848	(9,625)	44,733,709
Less accumulated depreciation:				
Land improvements	822	548	-	1,370
Utilities distribution/collection	12,963,411	342,991	-	13,306,402
Street system	545	1,091	-	1,636
Other infrastructure	219,219	21,215	-	240,434
Buildings	795,430	62,063	-	857,493
Machinery and equipment	559,639	68,758	(9,625)	618,772
Mobile equipment	62,066	2,660	-	64,726
Vehicles	1,076,358	93,593	-	1,169,951
Total accumulated depreciation	15,677,490	592,919	(9,625)	16,260,784
Net depreciable capital assets	7,796,882	(40,415)	24,079	7,780,546
Business-type activities capital assets, net	\$ 24,065,996	\$ 4,406,929	\$ -	\$ 28,472,925

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE E – CAPITAL ASSETS (continued)

	<u>Balance at</u> <u>April 1, 2024</u>	<u>Additions</u>	<u>Transfers/</u> <u>Disposals</u>	<u>Balance at</u> <u>March 31, 2025</u>
Component Unit-Housing Commission:				
Capital assets not being depreciated:				
Land	\$ 15,325	\$ -	\$ -	\$ 15,325
Capital assets being depreciated:				
Buildings	2,600,255	14,523	-	2,614,778
Furniture, equipment, & machinery	153,037	926	(336)	153,627
Total depreciable capital assets	<u>2,753,292</u>	<u>15,449</u>	<u>(336)</u>	<u>2,768,405</u>
Total capital assets	<u>2,768,617</u>	<u>15,449</u>	<u>(336)</u>	<u>2,783,730</u>
Less accumulated depreciation:				
Total accumulated depreciation	<u>2,604,458</u>	<u>30,334</u>	<u>(335)</u>	<u>2,634,457</u>
Net depreciable capital assets	<u>148,834</u>	<u>(14,885)</u>	<u>(1)</u>	<u>133,948</u>
Component unit capital assets, net	<u>\$ 164,159</u>	<u>\$ (14,885)</u>	<u>\$ (1)</u>	<u>\$ 149,273</u>

Depreciation expense was charged to the following activities in the primary government:

Governmental activities:

General government	\$ 40,326
Public safety	89,467
Public works	626,287
Community development	8,194
Recreation and culture	172,310
Total governmental activities depreciation expense	<u>\$ 936,584</u>

Business-type activities:

Electric	\$ 239,260
Waste water	127,997
Water	167,927
Solid waste	33,421
Harbor	24,314
Total business-type activities depreciation expense	<u>\$ 592,919</u>

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE E – CAPITAL ASSETS (continued)

Component Unit – RAD Conversion

The Gladstone Housing Commission applied for and received approval to convert 52 units to a Project-Based Rental Assistance (PBRA) Section 8 program. The Housing Assistance Payment (HAP) contract began on June 1, 2021 and shall run for an initial term of 20 years. The funding for the conversion includes Tax Credit Equity, Commercial Non-FHA Loan, Seller Note/Take Back Financing, and Public Housing Operating Reserves, the total estimated Sources and Uses Cost was \$6,407,770.

The on-going subsidy known as the HAP contract was awarded to the Waterview Apartments 1 LDHA, LLC (LLC). The LLC consists of two major components: the Tax Credit investor which is a 99.99% Member; and the Waterview GP 1, LLC (GP 1) which is a .001 % Member. GP 1 is further owned by two major components: RAD Conversion Specialists, LLC, a 10% Member and the Gladstone Housing, LLC a 90% Member. The Gladstone Housing, LLC is 100% owned by the Gladstone Housing Development Corporation; the RAD Conversion Specialists is owned by Stavik Company, a 50% Member, and Premier Property Management, LLC, a 50% Member.

The Gladstone Housing Commission (GHC) also manages 50 units of Low Rent Public Housing Units under the original Annual Contributions Contract (ACC) and will have two 100% owned component units; Gladstone Housing Development Corporation; and the Waterview GP 1, LLC. The GHC's interest in the HAP contract will consist of .0009%; the Gladstone Housing LLC has a 90% interest of the .001% interest in the LLC. Currently the management of the LLC property will be by contract; the LLC will contract with the GHC. The GHC will receive a fee and reimbursement of all approved operating expenses which will include wages.

NOTE F – LONG-TERM OBLIGATIONS

The City issued general obligation bonds to provide for acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City's contractual agreements are also general obligations of the City. One of the installment purchase agreements related to the governmental activities is secured with collateral of the Caterpillar Backhoe that was purchased with the proceeds from the installment purchase agreement.

The City issued revenue bonds to provide for the construction and installation of improvements to the City's sludge storage tank as well as improvements to the sewage disposal system. The City has pledged the revenues of its sewage disposal system after provision has been made for reasonable and necessary expenses of operation, maintenance, and administration for the revenue bonds. As additional security on the revenue bonds, the City has pledged its limited tax full faith and credit.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE F – LONG-TERM OBLIGATIONS (continued)

The following is a summary of changes in long-term debt for the year ended March 31, 2025:

Type of Debt	Balance April 1, 2024	Additions	Deductions	Balance March 31, 2025	Amounts Due Within One Year
Governmental Activities:					
Direct Borrowings & Placements:					
Limited Tax General Obligation Bonds:					
2020 Capital Improvement bond	\$ 3,470,000	\$ -	\$ 275,000	\$ 3,195,000	\$ 280,000
Contractual Agreements:					
Installment purchase agreements	666,163	-	43,592	622,571	44,747
Unamortized bond premium	221,495	-	20,136	201,359	20,136
Other obligations:					
Employment benefits	122,500	-	31,000	91,500	26,000
Compensated absences	354,434	53,805	-	408,239	331,093
Total governmental long-term debt	<u>\$ 4,834,592</u>	<u>\$ 53,805</u>	<u>\$ 369,728</u>	<u>\$ 4,518,669</u>	<u>\$ 701,976</u>
Type of Debt	Balance April 1, 2024	Additions	Deductions	Balance March 31, 2025	Amounts Due Within One Year
Business-type Activities:					
Direct Borrowings & Placements:					
Revenue Bonds:					
2006 Sludge Storage Bond	\$ 240,718	\$ -	\$ 60,000	\$ 180,718	\$ 60,000
Sewage Disposal System					
Revenue Bonds, Series 2022	12,964,558	4,473,136	440,000	16,997,694	445,000
Other obligations:					
Compensated absences	302,111	51,403	-	353,514	284,237
Total business-type long-term debt	<u>\$ 13,507,387</u>	<u>\$ 4,524,539</u>	<u>\$ 500,000</u>	<u>\$ 17,531,926</u>	<u>\$ 789,237</u>

The increase and decrease in the compensated absences liability has been shown as a net change.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE F – LONG-TERM OBLIGATIONS (continued)

Debt service requirements on long-term debt at March 31, 2025 are as follows:

For the Year Ended March 31,	Governmental Activities					
	Direct Borrowings & Placements					
	Bonds Payable		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 280,000	\$ 78,850	\$ 44,747	\$ 16,498	\$ 324,747	\$ 95,348
2027	290,000	70,450	45,933	15,312	335,933	85,762
2028	300,000	61,750	47,150	14,095	347,150	75,845
2029	310,000	52,750	48,400	12,846	358,400	65,596
2030	315,000	43,450	49,682	11,563	364,682	55,013
2031-2035	1,700,000	103,400	268,871	37,355	1,968,871	140,755
2036-2040	-	-	117,788	4,702	117,788	4,702
	<u>\$ 3,195,000</u>	<u>\$ 410,650</u>	<u>\$ 622,571</u>	<u>\$ 112,371</u>	<u>\$ 3,817,571</u>	<u>\$ 523,021</u>

Note: The above table excludes the future debt service requirements for the premiums on bonds payable.

For the Year Ended March 31,	Business-type Activities	
	Direct Borrowings & Placements	
	Bonds Payable	
	Principal	Interest
2026	\$ 505,000	\$ 348,214
2027	515,000	353,686
2028	525,718	343,042
2029	475,000	332,174
2030	485,000	322,080
2031-2035	2,590,000	1,451,238
2036-2040	2,880,000	1,163,938
2041-2045	3,200,000	844,445
2046-2050	3,550,000	489,995
2051-2055	2,452,694	110,539
2056-2060	-	-
	<u>\$ 17,178,412</u>	<u>\$ 5,759,351</u>

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE F – LONG-TERM OBLIGATIONS (continued)

Governmental Activities

As of March 31, 2025, the long-term debt of governmental activities consists of the following:

Bonds Payable

2020 Capital Improvement Bonds – On March 17, 2020, the City issued \$4,495,000 in Limited Tax General Obligation bonds for the purpose of the reconstruction of 2.50 miles of 9th Street. The bonds have interest rates that range from 2.00% to 3.00%. Interest payments are due and payable each March 1 and September 1. Principal payments are due each March 1 with the first principal payment due March 1, 2021 and the final principal payment due no later than March 1, 2035. The bonds were to be partially paid from the proceeds of special assessments levied against benefited property owners. In the event, a property owner would fail to pay the assessment, payment would be made by the City. Due to an amendment to the City Charter effective in November 2024, the City Commission no longer has the power to levy and collect special assessments resulting in the bonds being paid from other City resources.

Notes Payable

North Shore Land Purchase – On December 20, 2021, the City entered into an installment purchase agreement for \$750,000 to purchase a parcel of land. The City had previously paid a deposit on the purchase in the amount of \$25,000 from cash on hand. Principal payments on the note are payable in fifteen annual installments through December 1, 2036, at an interest rate of 2.65%. Interest payments are due and payable each June 1 and December 1.

Business-type Activities

As of March 31, 2025, the long-term debt of business-type activities consists of the following:

Bonds Payable

2006 Sewage Disposal System Bonds – On December 14, 2006, the City issued the Sewage Disposal System Revenue Bond, series 2006 (limited tax general obligation) for the purpose of constructing a sludge storage tank for the waste water department. The bonds were issued to the Michigan Municipal Bond Authority in the amount of \$1,090,718 and have an interest rate of 1.625%. Interest payments are due and payable each April 1 and October 1. Principal payments are due each October 1 with the final principal payment due no later than October 1, 2027. The bonds are in the form of a single fully-registered, nonconvertible bond of the denomination of the full principal amount.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE F – LONG-TERM OBLIGATIONS (continued)

Sewage Disposal System Revenue Bonds, Series 2022 – On June 6, 2022, the City closed on the Sewage Disposal System Revenue Bond, Series 2022, in the amount of \$21,305,000. The bonds mature in 2053 and bear an interest rate of 2.125%. The bonds were purchased by the Michigan Finance Authority in connection with the Michigan Department of Environment, Great Lakes and Energy (“EGLE”) Clean Water State Revolving Fund loan program. The bonds are being used to pay for improvements to the City’s sewage disposal system including the wastewater treatment plant.

As the City was determined by EGLE to be a disadvantaged community, 15 percent of the final principal will be forgiven. As of March 31, 2025, the City has drawn \$20,514,934 related to this loan, with the outstanding principal, net of forgiveness, totaling \$17,437,694 and capital contributions of \$3,077,240 for the portion forgiven. As of March 31, 2025, there were \$379,354 of construction costs incurred but not yet reimbursed, and the total amount available to be drawn was \$790,066. Proceeds for the two draws totaling \$379,354 were received subsequent to year end.

The City awarded a contract to Staab Construction Corp. for this project in the amount of \$18,229,069, after change orders. The balance to finish the contract including retainage of \$75,000 is \$123,490 as of March 31, 2025. The remaining available bond proceeds will be used for engineering and other project costs. Subsequent to year end and as of the report date, additional draws (excluding the \$379,354 noted above) have been made and proceeds of \$146,894 have been received by the City in connection with this loan.

NOTE G – VESTED EMPLOYEE BENEFITS

Compensated Absences

Substantially all City employees are entitled to certain vacation, sick pay benefits, and compensation time that accrue and vest based on various union and employment agreements. Compensated absences in the amount of \$408,239 under governmental activities and \$353,514 under business-type activities are reported in the Statement of Net Position. For governmental activities, compensated absences are liquidated by the fund to which the employee’s regular payroll is charged.

Employment Benefits

The City has negotiated buyouts with active employees who were previously entitled to post-employment health benefits based on various union and employment agreements. These buyout agreements are for varying amounts and terms. The City expects to complete the final buyout payment in fiscal year 2027. Employment benefits in the amount of \$91,500 under governmental activities are reported in the Statement of Net Position. For governmental activities, employment benefits are liquidated by the fund to which the employee’s regular payroll is charged.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE H – INTERFUND BALANCES AND TRANSFERS

Interfund Balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Interfund receivables represent short-term borrowings between funds. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The City has also classified \$546,737 as noncurrent assets and liabilities in the Statement of Net Position due to the individual funds' inability to repay these amounts or payback agreements put in place. The noncurrent interfund balances are not expected to be repaid within the next fiscal year.

Individual fund interfund receivables and payable balances at March 31, 2025 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Fund	\$ 159,224	General Fund	\$ 570,850
Major Street Fund	-	Major Street Fund	23,007
Local Street Fund	-	Local Street Fund	19,889
Solid Waste Fund	65,250	Solid Waste Fund	-
Electric Fund	548,496	Electric Fund	-
Water Fund	-	Water Fund	147,518
Retirement System Fund	-	Retirement System Fund	11,706
Total	<u>\$ 772,970</u>	Total	<u>\$ 772,970</u>
Financial Statement Presentation:			
Governmental Funds	\$ 159,224	Governmental Funds	\$ 613,746
Enterprise Funds	613,746	Enterprise Funds	147,518
Internal Service Funds	-	Internal Service Funds	11,706
	<u>\$ 772,970</u>		<u>\$ 772,970</u>

On November 25, 2019, the City approved the purchase of equipment to be partially funded with a loan from the Solid Waste Fund to the General Fund in the amount of \$130,500. The loan is to be repaid on a 10-year payback schedule with annual payments of \$13,050 beginning in November 2020 and ending in November 2029. The remaining balance on the internal loan as of March 31, 2025 is \$65,250 with \$13,050 shown as current.

On May 11, 2020, the City approved the purchase of equipment to be partially funded with a loan from the Electric Fund to the General Fund in the amount of \$313,268. The loan is to be repaid on a 10-year payback schedule with annual payments of \$31,363 beginning in December 2021 and ending in December 2030. The remaining balance on the internal loan as of March 31, 2025 is \$188,177 with \$31,363 shown as current.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE H – INTERFUND BALANCES AND TRANSFERS (continued)

On March 28, 2022, the City approved the purchase of equipment to be partially funded with a loan from the Electric Fund to the General Fund in the amount of \$225,960. The loan is to be repaid on a 10-year payback schedule with annual payments of \$22,596 beginning in 2023 and ending in 2032. The remaining balance on the internal loan as of March 31, 2025 is \$158,172 with \$22,596 shown as current.

The Water Fund and the Retirement System Fund owe the General Fund for short-term borrowings. The City also has other noncurrent interfund balances due to inability to repay. The Major Street Fund owes the Electric Fund \$23,007 after a current year payment of \$23,006 and the Local Street Fund owes the Electric Fund \$19,889. The General Fund owes the Electric Fund \$159,253.

Interfund Transfers

The transfers to and from the various funds are made to account for budgetary authorizations, provide funding for operations as needed, and fund debt service payments. Interfund transfers for the year ended March 31, 2025 were as follows:

		TRANSFERS IN		
		General	Nonmajor Govern.	Water
TRANSFERS (OUT)	General	\$ -	\$ 25,000	\$ -
	Nonmajor Govern.	239,870	416,000	-
	Waste Water	-	25,000	-
	Water	-	18,000	-
	Internal Service	-	-	25,000
	Total	<u>\$ 239,870</u>	<u>\$ 484,000</u>	<u>\$ 25,000</u>

Financial Statement Presentation:

		Transfers In	Transfers Out
Governmental Funds	\$ 723,870	Governmental Funds	\$ 680,870
Enterprise Funds	25,000	Enterprise Funds	43,000
Internal Service Funds	-	Internal Service Funds	25,000
	<u>\$ 748,870</u>		<u>\$ 748,870</u>

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE I – RETIREMENT PLANS

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Description of Plan and Plan Assets

The City participates in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). 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 MERS of Michigan plan 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 as fair value.

The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.5% times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2024.

General Information about the Pension Plan

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The employer 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 is a nonprofit organization that was granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. 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 or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided--Defined Benefit. The City's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984 established and amends the benefit provisions of the participants in MERS.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE I – RETIREMENT PLANS (continued)

	Divisions - For the 2024 Valuation			
	01-General	02-Plc/Fire	10-General	20-Pub Safety
	Closed	Closed	Supervisor	Comm Officers
	Closed	Closed	Closed	Closed
Benefit Multiplier:	2.5%-80% max	2.5%-80% max	2.5%-80% max	2.5%-80% max
Normal Retirement Age:	60	60	60	60
Vesting:	10 years	10 years	10 years	10 years
Early Retirement (unreduced):	55/25	25 and out	55/20, 25 and out	25 and out
Early Retirement (reduced):	50/25, 55/15	55/15	55/15	55/15
Final Average Compensation:	5 years	3 years	3 years	3 years
Employee Contributions:	1%	3%	0%	1%
DC Plan for New Hires:	1/1/1998	1/1/2009	1/1/1998	6/1/2015
Act 88:	No	No	No	No

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>1</u>
	47

There were no employees with pending refunds.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City’s competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The City is required to contribute at an actuarially determined rate. Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The contribution rate as a monthly dollar amount for the year ended March 31, 2025 was as follows:

01 - General	\$ 26,598
02 – Police/Fire	\$ 34,554
10 – General Supervisor	\$ 48,817
20 – Public Safety Comm. Officers	\$ 4,800

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE I – RETIREMENT PLANS (continued)

Net Pension Liability

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

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 percent
Salary increases	3.00 percent, in the long-term
Investment rate of return	6.93 percent, net of investment expenses, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3.00% - 4.00%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2021.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of the most recent actuarial experience study covering the period from 2019 through 2023.

Effective for the valuation as of December 31, 2021, MERS has adopted a dedicated gains policy which allows for recognition of asset gains in excess of a set threshold in combination with lowering the assumed rate of investment return. Changes to these assumptions and methods were effective for contributions beginning in 2023. Investment performance measured for the one-year period ending December 31, 2024 resulted in no change to the assumed rate of investment return.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Gross Rate of Return	Long-Term Expected Gross Return Contribution	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.00%	4.66%	0.93%	2.50%	0.43%
Private Investments	20.00%	9.00%	1.80%	2.50%	1.30%

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE I – RETIREMENT PLANS (continued)

Discount Rate. The discount rate used to measure the total pension liability is 7.18% for 2024 (no change from 7.18% at December 31, 2023). The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. 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.

Changes in the Net Pension Liability:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2023	<u>\$ 14,530,808</u>	<u>\$ 9,960,634</u>	<u>\$ 4,570,174</u>
Service cost	10,942	-	10,942
Interest on total pension liability	997,265	-	997,265
Changes in benefits	-	-	-
Difference between expected and actual experience	77,591	-	77,591
Changes in assumptions	(43,403)	-	(43,403)
Employer contributions	-	1,355,997	(1,355,997)
Employee contributions	-	-	-
Net investment income (loss)	-	742,302	(742,302)
Benefit payments, including employee refunds	(1,293,599)	(1,293,599)	-
Administrative expense	-	(22,212)	22,212
Other changes	1	(1)	2
Net changes	<u>(251,203)</u>	<u>782,487</u>	<u>(1,033,690)</u>
Balances as of December 31, 2024	<u><u>\$ 14,279,605</u></u>	<u><u>\$ 10,743,121</u></u>	<u><u>\$ 3,536,484</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE I – RETIREMENT PLANS (continued)

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 percentage point lower (6.18%) or 1 percentage point higher (8.18%) than the current rate:

	Current Discount		
	1% Decrease 6.18%	Rate 7.18%	1% Increase 8.18%
City's net pension liability at 12/31/24	\$ 3,536,484	\$ 3,536,484	\$ 3,536,484
City's change in net pension liability at 12/31/24	1,354,022	-	(1,152,253)
	\$ 4,890,506	\$ 3,536,484	\$ 2,384,231

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report.

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

For the year ended March 31, 2025, the City recognized pension expense of \$420,434. At March 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	668,179	343,109
Contributions subsequent to the measurement date *	44,307	-
Total	\$ 712,486	\$ 343,109

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending March 31, 2026.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE I – RETIREMENT PLANS (continued)

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

<u>Plan Year Ended December 31:</u>	
2025	\$ 150,539
2026	256,879
2027	(77,211)
2028	(5,137)
	<u>\$ 325,070</u>

At March 31, 2025, the City had outstanding contributions to the pension plan of \$44,307 required for the year.

401 (A) RETIREMENT PLAN

The City adopted a qualified defined contribution retirement plan in accordance to section 401 (A) of the Internal Revenue Code, which is administered by Municipal Employees' Retirement System of Michigan. Employees who are hired after December 1, 1997, with the exception of the employees who are members of the POLC union, are eligible to participate in the plan, which requires the City to contribute 8% of the employee's gross wage to the plan. As of fiscal year 2010, all new hires of the POLC union are also included in this retirement plan. In addition, if the employee contributes an additional 3% to the plan the City will match the employee contribution of 3% for a total employer contribution of 11%. All contributions are held and owned in the name of each employee and are immediately vested. There are no forfeitures in the Plan. Loans are permitted under the Plan. At March 31, 2025, there are 7 terminated participants and 39 active participants.

<u>Year Ended March 31,</u>	<u>Number of Participants</u>	<u>City's Share</u>	<u>Employee's Share</u>
2021	36	\$ 203,002	\$ 54,905
2022	39	215,518	59,989
2023	44	233,631	65,363
2024	45	274,737	76,559
2025	46	306,495	87,501

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE J – FUND BALANCE/NET POSITION

As of March 31, 2025, fund balances are composed of the following:

	General Fund	Major Streets	Local Streets	Nonmajor Funds	Total Funds
Nonspendable:					
Prepaid items	\$ 45,137	\$ -	\$ -	\$ 1,887	\$ 47,024
Inventory	57,351	-	-	-	57,351
Permanent fund principal	-	-	-	277,904	277,904
Restricted for:					
Public safety equipment	35,335	-	-	-	35,335
Public safety K-9	20,121	-	-	-	20,121
Little Bay de Noc Trail	8,288	-	-	-	8,288
Debt service payments	-	-	-	169,428	169,428
Street system	-	-	-	915,670	915,670
Health & welfare	-	-	-	48,529	48,529
Community development	-	-	-	400,123	400,123
Economic development	-	-	-	61,683	61,683
Industrial development	-	-	-	39,727	39,727
Downtown development	-	-	-	309,988	309,988
Committed to:					
Public safety police car	43,192	-	-	-	43,192
Public safety fire truck	260,843	-	-	-	260,843
Facilities	24,764	-	-	-	24,764
Public safety roof	50,000	-	-	-	50,000
Public safety equipment	44,000	-	-	-	44,000
Unassigned:	396,365	-	-	-	396,365
Total fund balance	<u>\$ 985,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,224,939</u>	<u>\$ 3,210,335</u>

Specific purposes of the nonmajor funds are presented in the combining governmental financial statements that follow the footnotes.

NOTE K – PROPERTY TAXES

Tax information:

Assessment Date. December 31

Taxes payable July 1

Taxes Delinquent March 1 following date payable

Penalties for delinquency – The following charges are added to unpaid taxes:

On August 15, a 4% penalty is added.

Commencing March 1, interest is added to all unpaid taxes at the rate of 1% per month. Delinquent real property taxes are acquired by the Treasurer of Delta County. An additional 4% collection fee is added to the balance owed at the time.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE K – PROPERTY TAXES (continued)

Lien on property – Unpaid taxes, together with all charges thereon, become a continuing lien on property assessed. The general tax law of the State provides that delinquent real estate taxes be sold at public auction in July or November of the second year following the year of tax levy.

See the Additional Supplemental Information as detailed in the Table of Contents for a Schedule of State Equalized Valuation and Taxable Values.

The State of Michigan, beginning in 1967, required that taxes be levied on state equalized valuations rather than on assessed valuation. The valuations for the years 1961 through 1966, inclusive, are City assessed valuations, the year 1967 are state equalized valuations, and the year 1968 are City assessed valuations. In 1968, the City was allowed to assess on City valuations because they were almost equal to that of State equalized valuations.

See the Additional Supplemental Information as detailed in the Table of Contents for a Schedule of Annual Tax Rates (per \$1,000 valuation).

City's Share of Current Property Taxes – The 2024 taxable valuation of the City totaled \$136,063,580, on which taxes levied consisted of 15.4354 mills for City operating purposes. The City's share of current real and personal property taxes for the year ended March 31, 2025 was recognized in the funds as follows:

- General Fund: \$1,775,865
- DDA Fund: \$268,968

For the year ended March 31, 2025, the city had no material tax abatements.

NOTE L – RISK MANAGEMENT

The City of Gladstone participates as a member of the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

This summarizes certain obligations of MMRMA and the City. Except for specific coverage limits and the City's Self Insured Retention (hereinafter the "SIR") and deductibles contained in this Coverage Overview, the provisions of the Joint Powers Agreement, Coverage Documents, MMRMA rules, regulations, and administrative procedures shall prevail in any dispute. The City agrees that any dispute between the City and MMRMA will be resolved in the manner stated in the Joint Powers Agreement and MMRMA rules.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE L – RISK MANAGEMENT (continued)

City Obligations – The City of Gladstone is responsible to pay all costs, including damages, indemnification, and allocated loss adjustment expenses for each occurrence that is within the City's SIR. City of Gladstone's SIR and deductibles are as follows:

Table I
City Deductibles and Self Insured Retentions

COVERAGE	DEDUCTIBLE	SELF INSURED RETENTION
1. Liability	None	State Pool Member
2. Vehicle Physical Damage	\$250/Vehicle	State Pool Member
3. Property & Crime	\$1,000/Occurrence	N/A
4. Fire/EMS Replacement Cost	\$1,000/Occurrence	N/A
5. Sewage System Overflow	\$0/Occurrence	N/A

The City must satisfy all deductibles before any payments are made from the City's SIR or by MMRMA.

All costs including damages and allocated loss adjustment expenses are on an occurrence basis and must be paid first from the City's SIR. The City's SIR and deductibles must be satisfied fully before MMRMA will be responsible for any payments. The most MMRMA will pay is the difference between the City's SIR and the Limits of Coverage stated in the Coverage Overview. City of Gladstone agrees to maintain, at all times, on account with MMRMA sufficient funds to pay its SIR obligations. The City agrees to abide by all MMRMA rules, regulations, and administrative procedures pertaining to the City's SIR.

MMRMA Obligations – After the City's SIR and deductibles have been satisfied, MMRMA will be responsible for paying all remaining costs, including damages, indemnification, and allocated loss adjustment expenses up to limits established per agreement between the City and MMRMA.

At March 31, 2025, the City had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

NOTE M – CONTINGENT LIABILITIES

The City has received financial assistance from federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the City. However, in the opinion on management, any such disallowed claims will not have a material effect on any of the financial statements or on the overall financial position of the City at March 31, 2025.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE N – JOINT VENTURE – DELTA SOLID WASTE LANDFILL

The Delta Solid Waste Management Authority was incorporated in 1984, pursuant to Act 233, Public Acts of Michigan, 1955, by the County of Delta and the local units of government within the County. It was established in order to provide for a new landfill since the current county-wide site, owned by the City of Gladstone, was approaching saturation.

The Authority is governed by a seven-person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities and one member of the Delta County Board of Commissioners. The three members of the Authority Board from the villages and townships will be selected by and from a body composed of one representative from each such township or village; the three board members of the cities shall be selected by and from a body composed of two representatives from each such city; and the member of the Delta County Board of Commissioners shall be chosen by said Board of Commissioners after review of recommendations by the Townships, Villages and City representatives. The Authority as described herein has no taxing power.

The following local governmental units are participants in the Authority; shown with their respective percentage shares in the Authority:

<u>Local Governmental Unit</u>	<u>Percentage Share</u>
Delta County	51.8%
City of Escanaba	18.6%
City of Gladstone	5.9%
Local Townships	23.7%
	<u>100.0%</u>

Operation and maintenance costs are paid out of tipping fees assessed against users of the landfill. Parties that use the landfill include the municipal sanitation systems of the cities of Escanaba and Gladstone, and private solid waste companies serving the local units. The landfill began operation in December 1985. Currently City management feels the landfill does not pose any additional financial burden or benefit on the City. Financial information of the Delta Solid Waste Management Authority and Recycling Program is available at their administrative office located at 5701 19th Avenue North, Escanaba, MI 49829.

NOTE O – FUTURE CHANGES IN ACCOUNTING PRINCIPLE

The Governmental Accounting Standards Board issued GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE O – FUTURE CHANGES IN ACCOUNTING PRINCIPLE (continued)

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2025-2026 fiscal year.

The Governmental Accounting Standards Board issued GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This statement includes changes to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information.

The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2026-2027 fiscal year.

The Governmental Accounting Standards Board issued GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public- Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE O – FUTURE CHANGES IN ACCOUNTING PRINCIPLE (continued)

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2026-2027 fiscal year.

NOTE P – ACCOUNTING CHANGES AND ERROR CORRECTIONS

Accounting Changes

The City adopted Governmental Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*, for the year ended March 31, 2025. The objective of GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

As a result of adopting GASB Statement No. 101, the liability for compensated absences in the statement of net position of the governmental activities, business-type activities, and certain proprietary funds has been calculated to comply with this new pronouncement. The financial statements for the year ended March 31, 2024 have been restated in order to adopt GASB Statement No. 101. The impact of adoption is shown in the table below.

Change Within Reporting Entity

During fiscal year 2025, the Major Street Fund no longer met the requirements to be reported as a major fund of the City. This change resulted in the changes shown in the table below.

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2025

NOTE P – ACCOUNTING CHANGES AND ERROR CORRECTIONS (continued)

Error Corrections

During fiscal year 2025, the City determined that certain costs related to a security camera project and a watermain replacement should have been capitalized in the prior year but had not been. Therefore, capital assets, net of depreciation, were understated. The effect of correcting these errors is shown in the table below.

	Governmental Activities	Business-Type Activities	Electric Fund	Waste Water Fund	Water Fund	Major Streets Fund	Nonmajor Governmental Funds
Net position, as previously reported on March 31, 2024	\$ 9,119,162	\$ 16,727,418	\$ 7,328,425	\$ 5,690,072	\$ 2,573,068	\$ 368,891	\$ 1,438,031
Accounting Change							
Compensated absences	(168,933)	(166,496)	(56,669)	(71,705)	(38,122)	-	-
Change Within Reporting Entity							
Major to nonmajor fund	-	-	-	-	-	(368,891)	368,891
Error Correction							
Capital asset correction	8,468	64,719	-	64,719	-	-	-
Net position, as restated on April 1, 2024	<u>\$ 8,958,697</u>	<u>\$ 16,625,641</u>	<u>\$ 7,271,756</u>	<u>\$ 5,683,086</u>	<u>\$ 2,534,946</u>	<u>\$ -</u>	<u>\$ 1,806,922</u>

Required Supplementary Information

CITY OF GLADSTONE, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended March 31, 2025

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
REVENUES:				
Taxes	\$ 1,814,142	\$ 1,877,679	\$ 1,871,780	\$ (5,899)
Special assessments	564,232	564,232	537,983	(26,249)
Licenses and permits	89,600	89,600	81,341	(8,259)
Federal grants	-	123,174	123,174	-
State grants	729,199	733,699	735,727	2,028
Local grants	11,000	11,000	16,580	5,580
Charges for services	1,219,813	1,265,734	1,162,476	(103,258)
Fines and forfeits	1,000	1,000	6,618	5,618
Interest and rentals	35,000	49,882	65,396	15,514
Miscellaneous	51,800	271,547	69,803	(201,744)
Total revenues	4,515,786	4,987,547	4,670,878	(316,669)
EXPENDITURES:				
Current:				
General government:				
City commission	129,389	152,983	143,832	9,151
City manager	155,205	155,205	143,660	11,545
Elections	44,320	44,320	39,400	4,920
City assessor	71,760	89,743	85,423	4,320
Board of review	2,953	2,953	2,561	392
City treasurer	164,468	182,376	179,118	3,258
City clerk	167,729	173,375	173,742	(367)
City hall	32,914	107,014	109,878	(2,864)
Office clerk	93,927	93,927	91,102	2,825
Computer & copier	-	-	440	(440)
General administrative	25,000	25,000	25,000	-
Public safety:				
Police department	1,771,744	1,771,744	1,656,716	115,028
Fire department	165,597	165,597	130,431	35,166
Canine	9,875	9,875	2,834	7,041
Public works:				
Cemetery	67,510	122,525	116,560	5,965
Forestry	50,391	88,036	72,702	15,334
Public works administration	79,021	123,321	121,045	2,276
Sidewalks & alley maintenance	28,980	28,980	23,769	5,211
Grounds maintenance	24,564	33,064	20,769	12,295
Motor pool	218,847	231,847	238,483	(6,636)
Community and economic development:				
Planning	203,934	210,573	197,354	13,219
Culture and recreation:				
Recreation administrative	219,020	219,020	202,475	16,545
Beautification	15,000	15,000	13,800	1,200
Parks	74,612	87,765	95,115	(7,350)
Beach	30,005	30,005	34,662	(4,657)
Sports park	126,550	126,550	108,980	17,570
Campground	84,013	98,513	93,730	4,783
Other recreation facilities	42,105	315,896	303,963	11,933
Recreation programs	3,425	3,425	2,309	1,116
Capital outlay	287,000	286,456	116,752	169,704
Debt service:				
Principal	67,150	67,150	-	67,150
Interest	-	-	-	-
Total expenditures	4,457,008	5,062,238	4,546,605	515,633
Excess revenues (expenditures)	58,778	(74,691)	124,273	198,964
OTHER FINANCING SOURCES (USES)				
Transfers in	228,900	249,275	239,870	(9,405)
Transfers out	(287,678)	(287,678)	(25,000)	262,678
Total other financing sources (uses)	(58,778)	(38,403)	214,870	253,273
Net changes in fund balances	-	(113,094)	339,143	452,237
Fund balances - beginning	646,254	646,254	646,254	-
Fund balances - ending	\$ 646,254	\$ 533,160	\$ 985,397	\$ 452,237

CITY OF GLADSTONE, MICHIGAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - RETIREMENT SYSTEM
For the Plan Years Ended December 31
Last 10 Plan Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total pension liability										
Service cost	\$ 84,917	\$ 85,502	\$ 58,336	\$ 46,590	\$ 47,899	\$ 53,632	\$ 46,554	\$ 33,387	\$ 9,806	\$ 10,942
Interest	953,137	979,922	1,019,988	1,016,964	1,016,752	998,326	1,020,015	994,654	997,753	997,265
Change in benefits	3,739	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(30,084)	335,350	(138,780)	(44,558)	(54,199)	(10,976)	(166,912)	177,078	294,410	77,591
Change in assumptions	523,082	-	-	-	447,771	269,813	443,678	-	90,021	(43,403)
Benefit payments, including refund of member contribution	(842,391)	(836,086)	(936,653)	(1,006,283)	(1,038,320)	(1,030,906)	(1,012,847)	(1,064,421)	(1,236,762)	(1,293,599)
Other	-	-	(4)	-	1	-	1	-	(3)	1
Net change in total pension liability	692,400	564,688	2,887	12,713	419,904	279,889	330,489	140,698	155,225	(251,203)
Total pension liability - beginning	11,931,915	12,624,315	13,189,003	13,191,890	13,204,603	13,624,507	13,904,396	14,234,885	14,375,583	14,530,808
Total pension liability - ending	\$ 12,624,315	\$ 13,189,003	\$ 13,191,890	\$ 13,204,603	\$ 13,624,507	\$ 13,904,396	\$ 14,234,885	\$ 14,375,583	\$ 14,530,808	\$ 14,279,605
Plan fiduciary net position										
Contributions - employer	\$ 642,574	\$ 841,312	\$ 768,951	\$ 956,931	\$ 1,022,538	\$ 1,025,388	\$ 1,200,939	\$ 1,304,985	\$ 1,300,041	\$ 1,355,997
Contributions - employee	12,492	12,791	8,995	6,601	6,625	6,824	6,236	5,677	2,219	-
Nonemployer entity contributions	-	-	-	-	-	-	-	-	259,619	-
Net investment income (loss)	(83,968)	615,682	792,296	(259,575)	864,446	934,276	1,152,890	(979,433)	990,280	742,302
Benefit payments, including refunds of member contribution	(842,391)	(836,086)	(936,653)	(1,006,283)	(1,038,320)	(1,030,906)	(1,012,847)	(1,064,421)	(1,236,762)	(1,293,599)
Administrative expense	(12,265)	(12,163)	(12,544)	(12,842)	(14,899)	(14,497)	(13,210)	(17,743)	(20,856)	(22,212)
Other	-	-	-	-	-	-	-	1	-	(1)
Net change in plan fiduciary net position	(283,558)	621,536	621,045	(315,168)	840,390	921,085	1,334,008	(750,934)	1,294,541	782,487
Plan fiduciary net position - beginning	5,677,689	5,394,131	6,015,667	6,636,712	6,321,544	7,161,934	8,083,019	9,417,027	8,666,093	9,960,634
Plan fiduciary net position - ending	\$ 5,394,131	\$ 6,015,667	\$ 6,636,712	\$ 6,321,544	\$ 7,161,934	\$ 8,083,019	\$ 9,417,027	\$ 8,666,093	\$ 9,960,634	\$ 10,743,121
City's net pension liability - ending	\$ 7,230,184	\$ 7,173,336	\$ 6,555,178	\$ 6,883,059	\$ 6,462,573	\$ 5,821,377	\$ 4,817,858	\$ 5,709,490	\$ 4,570,174	\$ 3,536,484
Plan fiduciary net position as a percentage of the total pension liability	43%	46%	50%	48%	53%	58%	66%	60%	69%	75%
Covered - employee payroll	\$ 760,520	\$ 751,993	\$ 525,382	\$ 434,047	\$ 447,960	\$ 504,170	\$ 497,752	\$ 303,167	\$ 247,365	\$ 89,392
City's net pension liability as a percentage of covered-employee payroll	951%	954%	1248%	1586%	1443%	1155%	968%	1883%	1848%	3956%
Annual money-weighted rate of return, net of investment expense	-1%	11%	13%	-4%	14%	13%	14%	-10%	11%	7%

Notes to schedule:

Schedule prepared based on measurement date of December 31, which does not tie to the fiscal year.

Changes in assumptions:

2019 reflects a change in the investment rate of return assumption from 7.75 percent to 7.35 percent and the assumed rate of wage inflation from 3.75 percent to 3.00 percent.

2020 reflects a change in the demographic assumptions including mortality, retirement, disability, and termination rates based on a recent experience study.

2021 reflects a change in the investment rate of return assumption from 7.35 percent to 7.00 percent.

2023 reflects a change in the investment rate of return assumption from 7.00 percent to 6.93 percent.

2024 reflects a change in the demographic assumptions including mortality, retirement, disability, and termination rates based on a recent experience study.

CITY OF GLADSTONE, MICHIGAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
RETIREMENT SYSTEM
For the Fiscal Years Ended March 31
Last 10 Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	\$ 674,856	\$ 721,620	\$ 784,728	\$ 889,332	\$ 941,940	\$ 1,053,204	\$ 1,250,184	\$ 1,323,252	\$ 1,292,304	\$ 1,377,228
Contributions in relation to the actuarially determined contribution	674,856	721,620	784,728	1,076,832	941,940	1,053,204	1,250,184	1,323,252	1,551,923	1,377,228
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (187,500)	\$ -	\$ -	\$ -	\$ -	\$ (259,619)	\$ -
Covered - employee payroll	\$ 760,520	\$ 751,993	\$ 751,993	\$ 525,382	\$ 434,047	\$ 447,960	\$ 504,170	\$ 497,752	\$ 195,665	\$ 89,392
Contributions as a percentage of covered-employee payroll	89%	96%	104%	205%	217%	235%	248%	266%	793%	1541%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation Date	Actuarially determined contribution rates are calculated as of December 31st, which is 15 months prior to the beginning of the fiscal year in which contributions are required.
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	10 years
Asset valuation method	5-years smoothed market
Inflation	2.50%
Salary increases	3.00%, average, including inflation
Investment rate of return	6.93%
Retirement age	50-60 years of age depending on years of credited service
Mortality	Pub-2010 and fully generational MP-2021
Assumption changes	In the 2024 MERS valuation, demographic assumptions including mortality, retirement, disability, and termination rates were updated based on the recent experience study, which will first impact 2026 contributions. In the 2023 MERS valuation, the investment rate of return was reduced from 7.00 percent to 6.93 percent, which first impacted 2025 contributions. In the 2021 MERS valuation, the investment rate of return was reduced from 7.35 percent to 7.00 percent, which first impacted 2023 contributions. In the 2020 MERS valuation, demographic assumptions including mortality, retirement, disability, and termination rates were updated based on the recent experience study, which first impacted 2022 contributions.
Note	Above dates are based on fiscal year and not the measurement date.

Other Supplementary Information

CITY OF GLADSTONE, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
March 31, 2025

	Special Revenue Funds			
	<i>(Formerly Major Fund)</i> Major Street	Local Street	MSDHA Homeowner	MSHDA Habitat Rehab
ASSETS				
Cash, cash equivalents and investments	\$ 425,558	\$ 376,908	\$ -	\$ -
Receivables:				
Accounts	698	1,521	-	-
Due from other governmental units	120,006	45,095	-	-
Prepaid items	-	-	-	-
Restricted cash, cash equivalents and investments	-	-	23,529	25,000
Total assets	<u>\$ 546,262</u>	<u>\$ 423,524</u>	<u>\$ 23,529</u>	<u>\$ 25,000</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	6,460	4,760	-	-
Due to other funds	23,007	19,889	-	-
Total liabilities	<u>29,467</u>	<u>24,649</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	516,795	398,875	23,529	25,000
Total fund balances	<u>516,795</u>	<u>398,875</u>	<u>23,529</u>	<u>25,000</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 546,262</u>	<u>\$ 423,524</u>	<u>\$ 23,529</u>	<u>\$ 25,000</u>

See accompanying notes to financial statements.

Special Revenue Funds			Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds
Mary Cretens Trust	Economic Development Corporation	Downtown Development Authority	General Debt Service	Cemetery Perpetual Care	
\$ -	\$ 101,214	\$ 290,610	\$ -	\$ -	\$ 1,194,290
898	208	26,535	-	1,079	30,939
-	-	-	-	-	165,101
-	-	-	1,887	-	1,887
399,225	-	-	169,428	276,825	894,007
<u>\$ 400,123</u>	<u>\$ 101,422</u>	<u>\$ 317,145</u>	<u>\$ 171,315</u>	<u>\$ 277,904</u>	<u>\$ 2,286,224</u>
\$ -	\$ 12	\$ 5,413	\$ -	\$ -	\$ 5,425
-	-	1,744	-	-	12,964
-	-	-	-	-	42,896
-	12	7,157	-	-	61,285
-	-	-	1,887	277,904	279,791
400,123	101,410	309,988	169,428	-	1,945,148
400,123	101,410	309,988	171,315	277,904	2,224,939
<u>\$ 400,123</u>	<u>\$ 101,422</u>	<u>\$ 317,145</u>	<u>\$ 171,315</u>	<u>\$ 277,904</u>	<u>\$ 2,286,224</u>

See accompanying notes to financial statements.

CITY OF GLADSTONE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended March 31, 2025

	Special Revenue Funds			
	<i>(Formerly Major Fund)</i>			
	Major Street	Local Street	MSDHA Homeowner	MSHDA Habitat Rehab
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	8,314	14,789	-	-
State grants	703,923	293,535	-	-
Local grants	-	-	-	-
Charges for services	-	-	-	-
Interest and rentals	11,611	14,498	-	-
Miscellaneous	1,339	57	-	-
Total revenues	725,187	322,879	-	-
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public works	256,055	286,818	-	-
Community development	-	-	2,809	-
Capital outlay	141,828	26,831	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	397,883	313,649	2,809	-
Excess revenues (expenditures)	327,304	9,230	(2,809)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	150,000	-	-
Transfers out	(179,400)	(9,600)	-	-
Total other financing sources (uses)	(179,400)	140,400	-	-
Net changes in fund balances	147,904	149,630	(2,809)	-
Fund balances - beginning, as previously stated	-	249,245	26,338	25,000
Change within financial reporting entity (major to nonmajor fund)	368,891	-	-	-
Fund balances - beginning, as restated	368,891	249,245	26,338	25,000
Fund balances - ending	\$ 516,795	\$ 398,875	\$ 23,529	\$ 25,000

See accompanying notes to financial statements.

Special Revenue Funds			Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds
Mary Cretens Trust	Economic Development Corporation	Downtown Development Authority	General Debt Service	Cemetery Perpetual Care	
\$ -	\$ -	\$ 504,300	\$ -	\$ -	\$ 504,300
-	-	-	2,747	-	25,850
-	-	6,363	-	-	1,003,821
152,995	-	6,600	-	-	159,595
-	-	3,050	-	1,600	4,650
27,171	2,398	7,885	18,353	11,691	93,607
-	49,465	65	-	-	50,926
180,166	51,863	528,263	21,100	13,291	1,842,749
-	-	-	95	-	95
-	-	-	-	5	542,878
-	13,039	100,689	-	-	116,537
-	-	-	-	-	168,659
-	-	43,592	275,000	-	318,592
-	-	17,653	88,448	-	106,101
-	13,039	161,934	363,543	5	1,252,862
180,166	38,824	366,329	(342,443)	13,286	589,887
-	-	-	334,000	-	484,000
(228,179)	-	(227,000)	-	(11,691)	(655,870)
(228,179)	-	(227,000)	334,000	(11,691)	(171,870)
(48,013)	38,824	139,329	(8,443)	1,595	418,017
448,136	62,586	170,659	179,758	276,309	1,438,031
-	-	-	-	-	368,891
448,136	62,586	170,659	179,758	276,309	1,806,922
\$ 400,123	\$ 101,410	\$ 309,988	\$ 171,315	\$ 277,904	\$ 2,224,939

See accompanying notes to financial statements.

CITY OF GLADSTONE, MICHIGAN
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
March 31, 2025

Item 2.

	Solid Waste	Harbor	Total Nonmajor Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 402,892	\$ 121,257	\$ 524,149
Investments	96,331	106,148	202,479
Receivables:			
Utilities	92,663	-	92,663
Miscellaneous	496	576	1,072
Due from other funds	13,050	-	13,050
Prepaid items	1,716	-	1,716
Total current assets	<u>607,148</u>	<u>227,981</u>	<u>835,129</u>
Noncurrent assets:			
Investments	39,083	45,340	84,423
Advance due from other funds	52,200	-	52,200
Capital assets, net of accumulated depreciation	229,798	199,645	429,443
Total noncurrent assets	<u>321,081</u>	<u>244,985</u>	<u>566,066</u>
Total assets	<u>\$ 928,229</u>	<u>\$ 472,966</u>	<u>\$ 1,401,195</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow - pension plan	<u>\$ 9,269</u>	<u>\$ -</u>	<u>\$ 9,269</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 16,528	\$ 1,615	\$ 18,143
Accrued payroll	3,780	7	3,787
Customer deposits	1,284	-	1,284
Unearned revenue	-	53,681	53,681
Total current liabilities	<u>21,592</u>	<u>55,303</u>	<u>76,895</u>
Noncurrent liabilities:			
Net pension liability	52,987	-	52,987
Total noncurrent liabilities	<u>52,987</u>	<u>-</u>	<u>52,987</u>
Total liabilities	<u>\$ 74,579</u>	<u>\$ 55,303</u>	<u>\$ 129,882</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow - pension plan	<u>\$ 4,895</u>	<u>\$ -</u>	<u>\$ 4,895</u>
NET POSITION			
Net investment in capital assets	\$ 229,798	\$ 199,645	\$ 429,443
Unrestricted	628,226	218,018	846,244
Total net position	<u>\$ 858,024</u>	<u>\$ 417,663</u>	<u>\$ 1,275,687</u>

See accompanying notes to financial statements.

CITY OF GLADSTONE, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
For the Year Ended March 31, 2025

	Solid Waste	Harbor	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 548,941	\$ 97,602	\$ 646,543
Miscellaneous	5,932	1,340	7,272
Total operating revenue	554,873	98,942	653,815
OPERATING EXPENSES:			
Salaries and fringes	186,798	15,077	201,875
Supplies	38,338	9,753	48,091
Contracted services	54,435	21,887	76,322
Utilities	23	12,130	12,153
Rent	19,176	-	19,176
Memberships and dues	20	-	20
Insurance	756	1,479	2,235
Education and training	-	41	41
Landfill tipping fees	124,976	-	124,976
Depreciation	33,421	24,314	57,735
Miscellaneous	40	156	196
Total operating expenses	457,983	84,837	542,820
Operating income (loss)	96,890	14,105	110,995
NONOPERATING REVENUES (EXPENSES):			
Investment gain (loss)	15,518	13,321	28,839
State grants	-	-	-
Total nonoperating revenue (expense)	15,518	13,321	28,839
Income (loss) before transfers, contributions and special items	112,408	27,426	139,834
Capital contributions	-	-	-
Transfer in	-	-	-
Transfer out	-	-	-
Change in net position	112,408	27,426	139,834
Total net position - beginning	745,616	390,237	1,135,853
Total net position - ending	\$ 858,024	\$ 417,663	\$ 1,275,687

See accompanying notes to financial statements.

CITY OF GLADSTONE, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended March 31, 2025

Item 2.

	Solid Waste	Harbor	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 555,204	\$ 95,659	\$ 650,863
Payments to suppliers	(234,241)	(45,028)	(279,269)
Payments for wages and related benefits	(193,673)	(16,125)	(209,798)
Other receipts (payments)	-	1,340	1,340
Net cash provided (used) by operating activities	<u>127,290</u>	<u>35,846</u>	<u>163,136</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipt of advances from other funds	13,050	-	13,050
Repayments of advances from other funds	-	-	-
Net cash provided (used) by noncapital financing activities	<u>13,050</u>	<u>-</u>	<u>13,050</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(32,130)	(7,550)	(39,680)
Net cash provided (used) by capital and related financing activities	<u>(32,130)</u>	<u>(7,550)</u>	<u>(39,680)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(73,515)	(84,149)	(157,664)
Sale of investment securities	67,933	73,903	141,836
Interest earned	15,518	13,321	28,839
Net cash provided (used) by investing activities	<u>9,936</u>	<u>3,075</u>	<u>13,011</u>
Net increase (decrease) in cash and equivalents	118,146	31,371	149,517
Cash and equivalents, beginning of year	284,746	89,886	374,632
Cash and equivalents, end of year	<u>\$ 402,892</u>	<u>\$ 121,257</u>	<u>\$ 524,149</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 96,890	\$ 14,105	\$ 110,995
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	33,421	24,314	57,735
Changes in assets and liabilities:			
(Increase) decrease in receivables	(324)	(18)	(342)
(Increase) decrease in prepaid items	148	-	148
(Increase) decrease in deferred outflows	6,784	-	6,784
Increase (decrease) in accounts payable	3,375	418	3,793
Increase (decrease) in accrued payroll	153	(1,048)	(895)
Increase (decrease) in net pension liability	(11,287)	-	(11,287)
Increase (decrease) in unearned revenue & deposits	655	(1,925)	(1,270)
Increase (decrease) in deferred inflows	(2,525)	-	(2,525)
Net cash provided by operating activities	<u>\$ 127,290</u>	<u>\$ 35,846</u>	<u>\$ 163,136</u>

See accompanying notes to financial statements.

Other Information

CITY OF GLADSTONE, MICHIGAN
ALL UTILITY FUNDS
SCHEDULE OF OPERATING STATISTICS (UNAUDITED)
For the Year Ended March 31, 2025

Item 2.

ALL UTILITIES:

Population served per 2020 census	5,257
Average number of meters in service	5,424

ELECTRIC UTILITY FUND:

K.W.H. purchased	32,069,269
K.W.H. sold	<u>31,303,795</u>
K.W.H. lost (2%)	<u>765,474</u>
Revenue from sales	<u>\$ 4,380,417</u>
Average number of meters	3,103

WATER UTILITY FUND:

Gallons pumped into plant	154,358,100
Gallons used in plant, system maintenance & let runs	<u>6,135,832</u>
Gallons pumped to mains	148,222,268
Gallons sold	<u>90,067,419</u>
Gallons lost (38%)	<u>58,154,849</u>
Revenue from sales	<u>\$ 1,118,474</u>
Average number of meters in service	2,321

WASTE WATER UTILITY FUND:

Revenue from sales	<u>\$ 1,683,614</u>
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CITY OF GLADSTONE, MICHIGAN
SCHEDULE OF STATE EQUALIZED VALUATION & TAXABLE VALUES
(UNAUDITED)
For the Year Ended March 31, 2025

Year	Real	Personal	Total
1980	\$ 22,818,556	\$ 1,416,900	\$ 24,235,456
1981	23,717,233	1,402,900	25,120,133
1982	25,591,300	1,416,100	27,007,400
1983	26,259,100	1,735,400	27,994,500
1984	26,456,400	1,886,300	28,342,700
1985	27,148,200	2,128,500	29,276,700
1986	28,189,600	2,339,400	30,529,000
1987	28,523,700	2,300,100	30,823,800
1988	28,897,200	3,542,000	32,439,200
1989	29,348,900	3,564,000	32,912,900
1990	30,052,800	3,928,000	33,980,800
1991	32,466,100	4,025,000	36,491,100
1992	35,490,200	4,653,700	40,143,900
1993	34,997,900	4,170,900	39,168,800
1994	37,978,900	4,598,000	42,576,900
1995	40,146,600	4,840,200	44,986,800
1996	44,252,300	5,614,100	49,866,400
1997	44,731,000	5,547,450	50,278,450
1998	48,702,846	6,544,900	55,247,746
1999	52,246,500	7,261,900	59,508,400
2000	56,966,800	7,003,200	63,970,000
2001	61,646,100	6,894,200	68,540,300
2002	65,730,220	7,074,246	72,804,466
2003	69,954,964	7,532,830	77,487,794
2004	73,303,100	6,376,000	79,679,100
2005	77,310,900	6,341,200	83,652,100
2006	82,438,553	6,280,247	88,718,800
2007	85,949,610	6,439,250	92,388,860
2008	88,547,733	5,930,894	94,478,627
2009	91,044,442	5,546,476	96,590,918
2010	91,709,532	5,325,444	97,034,976
2011	89,049,581	6,938,949	95,988,530
2012	92,552,022	6,252,741	98,804,763
2013	94,803,405	6,911,937	101,715,342
2014	95,117,711	8,423,595	103,541,306
2015	94,312,251	11,278,862	105,591,113
2016	93,470,914	12,684,877	106,155,791
2017	95,022,933	12,478,411	107,501,344
2018	100,807,552	13,633,954	114,441,506
2019	102,932,237	13,382,676	116,314,913
2020	104,570,911	12,955,838	117,526,749
2021	106,292,654	12,498,100	118,790,754
2022	106,093,552	12,931,400	119,024,952
2023	112,350,495	13,492,200	125,842,695
2024	122,874,880	13,188,700	136,063,580

Note: Pursuant to Proposal A, assessed property taxes are levied based upon taxable values beginning in 1995.

CITY OF GLADSTONE, MICHIGAN
SCHEDULE OF ANNUAL TAX RATES (PER \$1,000 VALUATION)
(UNAUDITED)
For the Year Ended March 31, 2025

Year	City Tax	School *	Schools			Total		County Taxes	I.S.D.	DATA	Total
			Non- Homestead	State	Debt	Local Taxes	Community College				
1961	14.7300	17.0000	-	-	-	31.7300	-	7.9300	-	-	39.6600
1962	14.7400	23.6000	-	-	-	38.3400	-	7.9500	-	-	46.2900
1963	14.7700	23.3900	-	-	-	38.1600	1.1410	10.1550	0.1140	-	49.5700
1964	15.9100	23.1200	-	-	-	39.0300	1.1400	8.1600	0.0800	-	48.4100
1965	15.9300	24.2300	-	-	-	40.1600	1.1400	8.2300	0.1000	-	49.6300
1966	15.9000	24.8600	-	-	-	40.7600	1.1400	8.2100	0.6900	-	50.8000
1967	14.0600	21.8000	-	-	-	35.8600	1.0000	6.2000	0.6000	-	43.6600
1968	14.0000	23.3000	-	-	-	37.3000	2.5000	5.2000	0.6000	-	45.6000
1969	15.0000	21.8000	-	-	-	36.8000	2.5000	5.2000	1.1100	-	45.6100
1970	17.0000	19.8000	-	-	-	36.8000	2.5000	5.9000	1.1460	-	46.3460
1971	17.0000	22.0000	-	-	-	39.0000	2.5000	5.9000	2.2200	-	49.6200
1972	17.0000	21.3000	-	-	-	38.3000	2.5000	6.2000	2.6500	-	49.6500
1973	17.0000	27.1000	-	-	-	44.1000	2.5000	5.0000	2.7000	-	54.3000
1974	16.0000	24.1000	-	-	-	40.1000	2.5000	5.0000	2.7000	-	50.3000
1975	17.0000	23.7000	-	-	-	40.7000	2.5000	5.4500	2.6500	-	51.3000
1976	17.0000	27.2000	-	-	-	44.2000	2.5000	5.4500	2.6500	-	54.8000
1977	17.0000	27.2800	-	-	-	44.2800	2.5000	5.4500	2.6500	-	54.8800
1978	17.0000	16.7300	-	-	-	33.7300	2.5000	5.4500	2.6500	-	44.3300
1979	17.0000	27.6000	-	-	-	44.6000	2.5000	5.4500	2.6500	-	55.2000
1980	17.0000	30.1200	-	-	-	47.1200	2.5000	5.4500	2.6500	-	57.7200
1981	17.0000	32.4800	-	-	-	49.4800	2.5000	5.4500	2.6500	-	60.0800
1982	16.9900	31.2800	-	-	-	48.2700	2.5000	5.2000	2.6500	-	58.6200
1983	16.9371	21.2800	-	-	-	38.2171	2.5000	5.0844	2.6500	-	48.4515
1984	16.8867	31.6129	-	-	-	48.4996	2.5000	5.4500	2.6500	-	59.0996
1985	17.0000	33.8496	-	-	-	50.8496	2.5000	5.4500	2.6500	-	61.4496
1986	17.0000	33.4659	-	-	-	50.4659	2.5000	5.4500	2.6500	-	61.0659
1987	17.0000	33.2594	-	-	-	50.2594	2.5000	6.1000	2.6500	-	61.5094
1988	17.0000	33.2732	-	-	-	50.2732	2.5000	5.4500	2.6500	-	60.8732
1989	17.0000	37.5654	-	-	-	54.5654	2.5000	6.1000	2.6500	-	65.8154
1990	17.0000	37.5452	-	-	-	54.5452	2.5000	7.0500	2.6500	-	66.7452
1991	17.0000	37.0772	-	-	-	54.0772	2.5000	7.1000	2.6500	-	66.3272
1992	17.0000	37.0522	-	-	-	54.0522	2.5000	7.1000	2.6500	-	66.3022
1993	16.6575	35.6443	-	-	-	52.3018	2.4055	7.0873	2.5501	-	64.3447
1994	16.3115	-	18.0000	6.0000	1.5051	41.8166	2.3735	7.0483	2.5124	-	53.7508
1995	16.3115	-	18.0000	6.0000	1.5051	41.8166	3.2735	7.0483	2.5124	-	54.6508
1996	16.3115	-	18.0000	6.0000	1.0291	41.3406	3.3735	7.0483	2.5124	-	54.2748
1997	16.2528	-	18.0000	6.0000	8.5600	48.8128	3.3735	7.0483	2.5117	-	61.7463
1998	16.2528	-	18.0000	6.0000	8.5600	48.8128	3.3735	7.0483	2.5117	-	61.7463
1999	16.1065	-	18.0000	6.0000	8.5600	48.6665	3.3600	7.0107	2.4917	-	61.5289
2000	15.9180	-	18.0000	6.0000	8.5600	48.4780	3.3585	6.6319	2.4807	-	60.9491
2001	15.6744	-	18.0000	6.0000	8.5600	48.2344	3.3511	6.6112	2.4695	-	60.6662
2002	15.6680	-	18.0000	6.0000	8.5600	48.2280	3.3506	6.6097	2.4596	-	60.6479
2003	15.6303	-	18.0000	5.0000	8.5600	47.1903	3.5000	6.5719	2.4375	-	59.6997

CITY OF GLADSTONE, MICHIGAN
SCHEDULE OF ANNUAL TAX RATES (PER \$1,000 VALUATION)
(UNAUDITED) - continued
For the Year Ended March 31, 2025

Year	City Tax	School *	Schools			Total		County Taxes	I.S.D.	DATA	Total
			Non- Homestead	State	Debt	Local Taxes	Community College				
2004	15.6303	-	18.0000	6.0000	8.5600	48.1903	3.5000	6.5455	2.4191	-	60.6549
2005	15.5021	-	18.0000	6.0000	8.5600	48.0621	3.5501	7.1107	2.3994	-	61.1223
2006	15.5021	-	18.0000	6.0000	8.5600	48.0621	3.5501	7.1107	2.3994	0.6000	61.7223
2007	15.5021	-	18.0000	6.0000	8.5600	48.0621	3.5225	7.5897	2.3854	0.6000	62.1597
2008	15.5021	-	18.0000	6.0000	8.5600	48.0621	3.5149	7.5897	2.3851	0.6000	62.1518
2009	15.5021	-	18.0000	6.0000	8.5600	48.0621	3.5109	7.4397	2.3851	0.6000	61.9978
2010	15.5021	-	18.0000	6.0000	8.5600	48.0621	3.5111	7.4317	2.3851	0.6000	61.9900
2011	15.5021	-	17.5669	6.0000	7.0000	46.0690	3.3076	7.6317	2.3851	0.6000	59.9934
2012	13.6785	-	17.5669	6.0000	6.6500	43.8954	3.3076	7.6317	2.3851	0.6000	57.8198
2013	13.6785	-	18.0000	6.0000	6.6500	44.3285	3.3076	7.4317	2.3851	0.6000	58.0529
2014	15.5021	-	18.0000	6.0000	6.5900	46.0921	3.3076	7.4317	2.3851	0.6000	59.8165
2015	15.5021	-	18.0000	6.0000	6.5900	46.0921	3.3076	7.3317	2.3851	0.6000	59.7165
2016	13.6785	-	18.0000	6.0000	6.3000	43.9785	3.3076	7.6317	2.3851	0.6000	57.9029
2017	15.4897	-	18.0000	6.0000	6.2000	45.6897	3.3076	8.1667	2.3851	0.6000	60.1491
2018	15.4897	-	18.0000	6.0000	6.2000	45.6897	3.3076	8.7167	2.3851	0.6000	60.6991
2019	15.4773	-	18.0000	6.0000	6.2000	45.6773	3.3076	8.7167	2.3851	0.6000	60.6867
2020	15.4773	-	18.0000	6.0000	6.2000	45.6773	3.3076	8.7167	2.3851	0.6000	60.6867
2021	15.4773	-	18.0000	6.0000	6.2000	45.6773	3.3076	9.0341	2.3851	0.6000	61.0041
2022	15.4773	-	18.0000	6.0000	5.9000	45.3773	3.3076	9.0317	2.3851	0.6000	60.7017
2023	15.4773	-	18.0000	6.0000	5.7500	45.2273	3.3076	8.9017	2.3851	0.6000	60.4217
2024	15.4354	-	18.0000	6.0000	5.7500	45.1854	3.2974	8.8557	2.3776	0.6000	60.3161

* From 1961 to 1993, the school millage was applied to all properties and included the debt millage.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

Kristine P. Berhow, CPA, Principal
Brandy M. Olson, CPA, Principal
Kathleen A. Ciantar, CPA, Principal

"A Regional Firm Within the Upper Peninsula of Michigan"

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Mayor, Members of the
City Commission, and Management
City of Gladstone, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gladstone, Michigan (the "City"), as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Gladstone's basic financial statements and have issued our report thereon dated September 29, 2025. Our report includes a reference to other auditors who audited the financial statements of the Gladstone Housing Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2025-003.

City of Gladstone, Michigan's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City of Gladstone's response to the finding identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



ANDERSON, TACKMAN & COMPANY, PLC
 Certified Public Accountants
 Escanaba, Michigan

September 29, 2025

**CITY OF GLADSTONE, MICHIGAN
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended March 31, 2025**

Item 2.

FINDINGS – FINANCIAL STATEMENT AUDIT

2025-001 Material Weakness – Material Audit Adjustments and Financial Close & Reporting (repeat)

Condition: Material audit adjustments and prior period adjustments were required to properly classify and record activity to present the financial statements in accordance with generally accepted accounting principles (GAAP).

Criteria: In accordance with GAAP, the City is required to have adequate internal controls in place to properly record, process and report accounting data. Furthermore, proper accounting principles should be applied and year-end journal entries should be posted to all financial closing accounts, and processes, thus resulting in proper presentation of all City activities and/or funds in a timely manner prior to commencement of the audit.

Cause: The City did not have an adequate process in place to ensure an effective review and reconciliation was conducted of year-end balances to verify the balances were correct and properly supported in all instances. This condition was caused by the City's lack of formal procedures and controls as well as limited staff with necessary skills. External auditors cannot be part of the City's internal control structure.

Effect: The financial information as reported by the City following its financial close was not materially correct or presented in accordance with generally accepted accounting principles. Certain liability accounts were not reconciled to supporting documentation and included unknown items that carried forward and have not cleared out. Bank reconciliations include long outstanding items. An error correction (prior period adjustment) was necessary to properly reflect capital asset activity. There exists a potential for misstatements in the financial statements to go undetected by management.

Recommendation: The City should establish procedures and controls to improve its financial close and reporting process, including the recording of journal entries necessary to record all material financial activity in the trial balances used in the preparation of the year-end financial statements. Also, the City should develop reconciliation processes throughout the year to help management implement preventative measures to mitigate financial recording errors as opposed to detective measures that fix financial reporting errors during the financial closing process. The City could look for opportunities to develop the financial skills of personnel outside the traditional accounting team. A sound internal control system includes five elements: 1) control environment, 2) risk assessment, 3) monitoring and review, 4) information and communication, and 5) control activities.

Management Response: Staff has made improvements in the past few years. We will continue to make every effort to properly accrue all revenue and expenditures and to properly classify activity.

2025-002 Material Weakness – Inventory Management

Condition: The City does not have an effective system for tracking inventory movement, including a lack of timely and accurate recording of items in and out of the system, which can result in variances between the physical count and the accounting records. Material audit adjustments were necessary to accurately reflect inventory in the subledger and general ledger.

Criteria: In accordance with GAAP, the City is required to have adequate internal controls in place to properly record, track, and report inventory.

Cause: The City lacks procedures and controls to ensure the inventory subledger is reconciled to general ledger. In addition, the City does not have reliable procedures and controls for physical inventory counts making it difficult to ensure the accuracy of recorded inventory.

Effect: The City was overstating its Electric Fund inventory. The City required non-attest assistance at the time of the audit to ensure reconciliation of inventory balances.

**CITY OF GLADSTONE, MICHIGAN
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended March 31, 2025**

Item 2.

Recommendation: The City should establish formal procedures and controls to ensure that regular physical inventory counts are performed and reconciled to the accounting records. The City should also develop a system that ensures timely recording and reconciliation of inventory activity.

Management Response: The City will review its procedures and controls related to inventory and continue working to implement an inventory subledger that links to the general ledger.

2025-003: Compliance Finding – Violation of Public Act 2 of 1968, as Amended (repeat)

Condition: During the fiscal year ended March 31, 2025, expenditures were incurred in excess of amounts appropriated in the amended budgets for certain activities in the General Fund and other special revenue funds. See Note B for detail.

Criteria: Expenditures in excess of appropriations is contrary to the provisions of Public Act 2.

Cause: The City did not reallocate budgets prior to year end within certain functions of the General Fund and special revenue funds to cover the excess in specific departments/activities. In some cases, the City failed to amend the budgets of the affected funds prior to processing disbursements.

Effect: Expenditures were incurred in excess of amounts appropriated in the amended budget. The City is not in compliance with state statute.

Recommendation: Budgets should be amended prior to expenditures being incurred that are in excess of appropriated amounts.

Management Response: We will continue to make every effort to properly amend budgets.

Report to Management



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants

Kristine P. Berhow, CPA, Principal
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REPORT TO MANAGEMENT

To the Mayor, Members of the
City Commission, and Management
City of Gladstone, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Gladstone (the "City") for the year ended March 31, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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 the City of Gladstone are described in Note A to the financial statements. As described in Note A, the City changed accounting policies by adopting GASB Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62* and GASB Statement No. 101, *Compensated Absences* during 2025. Accordingly, the accounting change related to Compensated Absences has been retrospectively applied to prior periods in accordance with GASB Statement No. 100. No other accounting policies were adopted, and the application of existing policies was not changed during 2025. We noted no transactions entered into by the City 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. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of capital assets, which is based on the intended use of the asset and management's experience with similar assets.

Management's estimate of the net pension liability, which is based on actuarial assumptions prepared by third party professionals, such as actuarial valuations, related to the calculation of the net pension liability.

Management's estimate of the current and noncurrent percentages of accrued compensated absences, which is based on current hourly rates and an estimate of the percentage of employees' use of compensated absences.

Management's estimate of the discount rate used for leases, the lease term, and lease receipts is based on incremental borrowing rates and consideration of the noncancelable period of the lease and reasonably certain lease options.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Defined Benefit Retirement Plan – Municipal Employees Retirement System of Michigan (MERS), in the notes to the financial statements, includes significant actuarial assumptions used in calculating the valuation. An actuarial company was hired by MERS to prepare the annual actuarial valuation. The disclosures made in the notes to the financial statements were based on information included in that actuarial valuation.

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. Management has corrected all such misstatements. The material misstatements detected as a result of audit procedures were corrected by management and related to correction of beginning equity balances, correction of capital outlay and capital assets, adjustment of inventory balances, proper recording of enterprise fund debt, and correction of various activity related to the Wastewater Treatment Plant Improvement project, including amounts of debt principal, capital assets, grant revenues, receivables, and retainage payable.

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 September 29, 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 the City of Gladstone'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 the City of Gladstone'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, budgetary comparison information, schedule of changes in net pension liability and related ratios for the retirement system, and schedule of employer contributions for the retirement system, 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 nonmajor and individual fund financial statements, 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.

We were not engaged to report on the utility funds schedule of operating statistics, schedule of state equalized valuation & taxable values, and schedule of annual tax rates (per \$1,000 valuation), which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Comments, Recommendations, and Other Information

In planning and performing our audit of the financial statements of the City of Gladstone for the year ended March 31, 2025, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated September 29, 2025, on the financial statements of the City of Gladstone.

Informational Items – Upcoming Accounting Pronouncements

GASB Statement No. 102, Certain Risk Disclosures

The objective of this Statement is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The provisions of this statement are effective for the City's financial statements for the 2025-2026 fiscal year. The City should start to evaluate the impact the implementation of the standard will have on the City's funds.

GASB Statement No. 103, *Financial Reporting Model Improvements*

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This statement includes changes to management's discussion and analysis, unusual or infrequent items, presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position, major component unit information, and budgetary comparison information.

The provisions of this statement are effective for the City's financial statements for the 2026-2027 fiscal year. The City should start to evaluate the impact the implementation of the standard will have on the City's funds.

GASB Statement No. 104, *Disclosures of Certain Capital Assets*

The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

The provisions of this statement are effective for the City's financial statements for the 2026-2027 fiscal year. The City should start to evaluate the impact the implementation of the standard will have on the City's funds.

Restriction on Use

This information is intended solely for the information and use of the Mayor, members of the City Commission and management of the City of Gladstone and is not intended to be, and should not be, used by anyone other than these specified parties.



ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
Escanaba, Michigan

September 29, 2025

City of Gladstone
COMMENTS & RECOMMENDATIONS
March 31, 2025

OTHER MATTERS

1. Minimum Fund Balance (repeat)

Comment:

We noted that the City is not meeting its minimum General Fund unrestricted fund balance level as defined in the City's policy as amended March 13, 2023 and again August 28, 2023. The policy was amended during the current year for clarification. The policy states "The minimum level of General Fund balance that the City strives to maintain as undesignated (Committed, Assigned and Unassigned) is an amount equal to 20 to 30% of the City's General Fund previous years audited non-capital expenses." As of March 31, 2025, the City had an "undesignated" fund balance of 19.8% of the 2024 audited General Fund expenditures less capital outlays. The City has made improvements to increase "undesignated" fund balance and the percentage did exceed 20% prior to adjusting journal entries proposed by the auditor.

Recommendations:

We recommend the City work to budget for net profit in the General Fund to build the fund balance back toward the minimum threshold.

2. Uncollectable Utility Receivables (repeat)

Comment:

In our testing of utility revenues in the 2022 audit, it was determined that the City had many utility receivable accounts that were delinquent for several years and no longer collectable that required writing off directly. The Board did authorize a substantial writeoff of these accounts in 2022. However, the City is still reporting all receivables at gross amounts and has not recorded any allowance for uncollectable accounts. The City has not established a methodology for estimating uncollectable accounts receivable. The City also does not have a formal written procedures in place for periodically reviewing its accounting estimates or aging of accounts receivable. By reporting all receivables at gross amounts, the City is not following generally accepted accounting principles and may be overstating its assets and revenues.

Recommendations:

We recommend the City establish procedures for reviewing its accounting estimates, including collectability of accounts receivable, on at least an annual basis. In particular, utility accounts should be analyzed for collectability.

3. Leases and Contracts (repeat)

Comment:

In our testing of long-term lease contracts for continued compliance with GASB 87, *Leases*, we examined activity related to contracts that the City has with several utility companies for the use of City infrastructure. During that process, we found that some contracts were available, while others had inconsistencies between language in the contract and the actual collection procedures and fees paid. When we inquired about these differences, no one among City Management was able to provide any explanation for them. In addition, the City does not able to produce all requested contracts. The City is unable to ensure that it is properly collecting all revenues to which it is entitled. In addition, the City lacked any process for evaluating its contracts to identify leasing or subscription arrangements.

Recommendations:

We recommend the City strengthen its controls surrounding the receipt of rental and lease revenues. When money is received for one of these agreements, the amount should be agreed to a contract on file. The City should develop procedures for evaluating agreements involving buildings or equipment to identify potential leasing or subscription arrangements.

4. Master File and Rate Changes**Comment:**

In our testing of equipment rental rates, vendor management, and pay rates, we noted that the City does not have formal controls and procedures to ensure that only authorized personnel can modify master files in the software and to verify and approve any changes made to master files. We identified an error in one equipment rental rate entered by City personnel compared to the Michigan Department of Transportation approved rates.

Recommendations:

We recommend the City strengthen its procedures and controls surrounding changes to master files and rates entered into the accounting system.