

**VILLAGE OF PENTWATER, MICHIGAN**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED MARCH 31, 2025**

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	5
<b>BASIC FINANCIAL STATEMENTS</b>	
<hr/>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position	14
Statement of Activities	15
<b>Fund Financial Statements</b>	
<b>Governmental Funds</b>	
Balance Sheet	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balance	18
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with Statement of Activities	19
<b>Proprietary Funds</b>	
Statement of Net Position	20
Statement of Revenues, Expenses, and Changes in Net Position	21
Statement of Cash Flows	22
<b>Fiduciary Funds</b>	
Statement of Fiduciary Net Position	23
Statement of Changes in Fiduciary Net Position	24
<b>Notes to the Financial Statements</b>	26
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<hr/>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	57
Schedule of Changes in Net Pension Liability and Related Ratios - MERS	58
Schedule of Contributions - MERS	59
Schedule of Changes in Net OPEB (Asset)/Liability and Related Ratios	60
Schedule of Contributions - OPEB	61
Schedule of Investment Returns - OPEB	62
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<hr/>	
<b>Combining and Individual Fund Statements - Nonmajor Governmental Funds</b>	
Combining Balance Sheet	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	65
<b>SINGLE AUDIT ACT COMPLIANCE</b>	
<hr/>	
Schedule of Expenditures of Federal Awards	67
Notes to the Schedule of Expenditures of Federal Awards	68
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 <i>Government Auditing Standards</i>	69
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	71
Schedule of Findings and Questioned Costs	74
Corrective Action Plan	77

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Village of Council  
Village of Pentwater, 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 Village of Pentwater, Michigan (the "Village") as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, 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.

***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 Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village'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 Village'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 Village's ability to continue as a going concern for a reasonable period of time.

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and the pension and OPEB schedules, as 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 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 Village's basic financial statements. The accompanying combining and individual nonmajor and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2025, on our consideration of the Village'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 Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Gabridge & Company, PLC  
Grand Rapids, Michigan  
September 23, 2025

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Village of Pentwater  
Management's Discussion and Analysis  
March 31, 2025**

As management of the Village of Pentwater, Michigan (The "Village" or "government") we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended March 31, 2025. We encourage readers to consider the information presented here in conjunction with the financial statements.

**Financial Highlights**

- The assets and deferred outflows of resources of the Village exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$11,143,207 (net position). Of this amount, \$3,687,207 represents unrestricted net position, which may be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total revenues were \$4,618,651 and total expenses were \$3,609,84 leading to an overall increase in net position of \$1,008,847 during the year.
- At the close of the current fiscal year, the Village's governmental funds reported combined fund balances of \$2,894,017, an increase of \$413,325 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,897,669, or approximately 123.1% of total general fund expenditures.

**Overview of the Financial Statements**

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

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

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

The *statement of activities* presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future

fiscal periods (e.g., accrued but unpaid other postemployment benefits and earned but unused vacation leave).

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

The government-wide financial statements include not only the Village of Pentwater itself (known as the primary government), but also a legally separate Downtown Development Authority for which the Village is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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

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

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

The Village maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the street construction fund, which are all considered to be major funds. Data for all other governmental funds is presented as a separate column as they are considered nonmajor funds.

The Village adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

**Proprietary Funds.** The Village maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprises funds to account for its marina, water, and sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions.

The Village uses internal service funds to account for motor vehicle costs and allocating the cost to the funds that are using the resources. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the marina, water, and sewer operations, all of which are considered to be major funds of the Village. The internal service fund data is presented in the proprietary fund financial statements.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Village's budgetary comparison schedules and the Villages pension and other postemployment benefits plan schedules.

This report also presents other supplementary information which includes the nonmajor fund combining and individual statements. The combining statements are presented immediately following the required supplementary information on pensions.

## Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Village, assets and deferred outflows exceeded liabilities and deferred inflows by \$11,143,207, at the close of the most recent fiscal year.

### Village of Pentwater's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Investments	\$ 2,815,267	\$ 2,371,999	\$ 3,111,302	\$ 1,724,056	\$ 5,926,569	\$ 4,096,055
Accounts Receivable	35,661	36,336	271,722	245,141	307,383	281,477
Due from Other Governments	86,438	200,193	533,509	1,174	619,947	201,367
Leases Receivable	67,288	65,785	-	-	67,288	65,785
Inventory	-	-	25,429	25,429	25,429	25,429
Internal Balances	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>3,004,654</b>	<b>2,674,313</b>	<b>3,941,962</b>	<b>1,995,800</b>	<b>6,946,616</b>	<b>4,670,113</b>
<i>Noncurrent Assets</i>						
Restricted Cash - RRI	-	-	164,220	134,360	164,220	134,360
Restricted Cash - Bond Reserve	-	-	203,600	203,646	203,600	203,646
Capital Assets not Being Depreciated/Amortized	60,191	60,191	1,773,369	214,583	1,833,560	274,774
Capital Assets Being Depreciated/Amortized, net	7,001,377	7,262,643	6,099,835	6,463,925	13,101,212	13,726,568
Long-Term Leases Receivable	2,024,684	2,091,972	-	-	2,024,684	2,091,972
Net OPEB Asset	93,659	85,583	93,660	85,584	187,319	171,167
<b>Total Assets</b>	<b>12,184,565</b>	<b>12,174,702</b>	<b>12,276,646</b>	<b>9,097,898</b>	<b>24,461,211</b>	<b>21,272,600</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension	148,264	161,190	33,657	36,346	181,921	197,536
OPEB	-	-	-	-	-	-
<b>Total Deferred Outflows of Resources</b>	<b>148,264</b>	<b>161,190</b>	<b>33,657</b>	<b>36,346</b>	<b>181,921</b>	<b>197,536</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	4,190	34,154	947,888	30,210	952,078	64,364
Accrued Expenses	29,331	8,146	9,494	8,143	38,825	16,289
Unearned Revenue	-	89,115	10,856	11,668	10,856	100,783
Accrued Interest	-	-	70,495	54,787	70,495	54,787
Current Portion of Compensated Absences	16,610	9,655	3,362	2,504	19,972	12,159
Current Portion of Long-term Debt	363,575	357,508	165,000	158,000	528,575	515,508
Internal Balances	1,500	(33,069)	(1,500)	33,069	-	-
<b>Total Current Liabilities</b>	<b>415,206</b>	<b>465,509</b>	<b>1,205,595</b>	<b>298,381</b>	<b>1,620,801</b>	<b>763,890</b>
<i>Noncurrent Liabilities</i>						
Compensated Absences	49,830	28,964	10,086	7,512	59,916	36,476
Long-term Debt	2,970,161	3,343,340	5,829,124	4,148,000	8,799,285	7,491,340
Net Pension Liability	805,336	741,864	182,807	167,282	988,143	909,146
<b>Total Liabilities</b>	<b>4,240,533</b>	<b>4,579,677</b>	<b>7,227,612</b>	<b>4,621,175</b>	<b>11,468,145</b>	<b>9,200,852</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension	-	5,609	-	1,264	-	6,873
OPEB	286	6,133	286	6,134	572	12,267
Deferred Lease Revenues	2,031,208	2,115,784	-	-	2,031,208	2,115,784
<b>Total Deferred Inflows of Resources</b>	<b>2,031,494</b>	<b>2,127,526</b>	<b>286</b>	<b>7,398</b>	<b>2,031,780</b>	<b>2,134,924</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	3,727,832	3,621,986	2,432,871	2,372,508	6,160,703	5,994,494
Restricted	927,477	671,618	367,820	338,006	1,295,297	1,009,624
Unrestricted	1,405,493	1,335,085	2,281,714	1,795,157	3,687,207	3,130,242
<b>Total Net Position</b>	<b>\$ 6,060,802</b>	<b>\$ 5,628,689</b>	<b>\$ 5,082,405</b>	<b>\$ 4,505,671</b>	<b>\$ 11,143,207</b>	<b>\$ 10,134,360</b>

The largest portion of the Village's net position, \$6,160,703 (or 55.3%), reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Village uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position, \$11,295,297 (or 11.6%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,687,207 (or 33.1%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Cash increased by \$1,830,514 which closely follows the increase in net position paired with the changes in the other net position accounts. Capital assets being depreciated increased \$933,430 as a result of depreciation expense being exceeded by current year additions. Accounts payable increased by \$887,714 as there are ongoing projects at fiscal year-end. Long-term debt, net of current portion increased \$1,321,012 as a result of a new capital improvement bond. See note 8 to the financial statements for more details. Net pension liability increased \$78,997. See the notes to the financial statements for more information.

Following is a schedule summarizing the Village's changes in net position for each of the past two fiscal years:

**Village of Pentwater's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 412,408	\$ 640,413	\$ 1,249,111	\$ 1,180,007	\$ 1,661,519	\$ 1,820,420
Operating Grants and Contributions	370,528	350,361	-	4,500	370,528	354,861
Capital Grants and Contributions	-	108,343	700,547	-	700,547	108,343
<b>General Revenues</b>						
Taxes	1,553,631	1,457,666	-	-	1,553,631	1,457,666
Unrestricted State Aid	104,163	107,610	-	-	104,163	107,610
Interest Income	126,761	107,626	101,502	57,765	228,263	165,391
<b>Total Revenues</b>	<b>2,567,491</b>	<b>2,772,019</b>	<b>2,051,160</b>	<b>1,242,272</b>	<b>4,618,651</b>	<b>4,014,291</b>
<b>Expenses</b>						
General Government	647,927	502,851	-	-	647,927	502,851
Public Safety	350,362	318,096	-	-	350,362	318,096
Public Works	683,656	757,801	-	-	683,656	757,801
Community and Economic Development	93,543	87,794	-	-	93,543	87,794
Recreation and Culture	269,285	257,855	-	-	269,285	257,855
Interest on Long-term Debt	90,605	100,771	-	-	90,605	100,771
Sewer Fund	-	-	998,120	825,522	998,120	825,522
Water Fund	-	-	388,936	373,750	388,936	373,750
Marina Fund	-	-	87,370	106,043	87,370	106,043
<b>Total Expenses</b>	<b>2,135,378</b>	<b>2,025,168</b>	<b>1,474,426</b>	<b>1,305,315</b>	<b>3,609,804</b>	<b>3,330,483</b>
<b>Changes in Net Position</b>	<b>432,113</b>	<b>746,851</b>	<b>576,734</b>	<b>(63,043)</b>	<b>1,008,847</b>	<b>683,808</b>
<i>Net Position at the Beginning of Period</i>	<i>5,628,689</i>	<i>4,881,838</i>	<i>4,505,671</i>	<i>4,568,714</i>	<i>10,134,360</i>	<i>9,450,552</i>
<b>Net Position at the End of Period</b>	<b>\$ 6,060,802</b>	<b>\$ 5,628,689</b>	<b>\$ 5,082,405</b>	<b>\$ 4,505,671</b>	<b>\$ 11,143,207</b>	<b>\$ 10,134,360</b>

**Governmental Activities.** Governmental activities increased the Village's net position by \$432,113, compared to an increase of \$746,851 during the prior year. Taxes increased \$95,965 due to an increase in taxable value. General government increased \$145,076 largely due to professional services increasing. Public works expenses decreased \$74,145 during the year due to a decrease in road projects during the year.

**Business-type Activities.** Business-type activities increased the Village's net position by \$576,734, compared to a decrease of \$63,043 during the prior year. Charges for services increased by \$69,104 due to an increase in billings for water and sewer usage. Capital grants increased \$700,547 from the new EGLE grant. Correspondingly, expenses increased by \$169,111.

## Financial Analysis of Governmental Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Village itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Village's Council.

At March 31, 2025, the Village's governmental funds reported combined fund balances of \$2,894,017, an increase of \$413,325 in comparison with the prior year. Approximately 65.5% of this amount, or \$1,897,669, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *restricted* to indicate that it is restricted for particular purposes, \$133,174 for debt service, \$656,863 for major and local streets, and \$137,440 for the friendship center.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,897,669. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 123.1% of total general fund expenditures and transfers out.

The fund balance of the Village's general fund increased by \$157,466 during the current fiscal year. The Village Council monitors the expenditures of the general fund closely to ensure that spending does not exceed the Village's available resources.

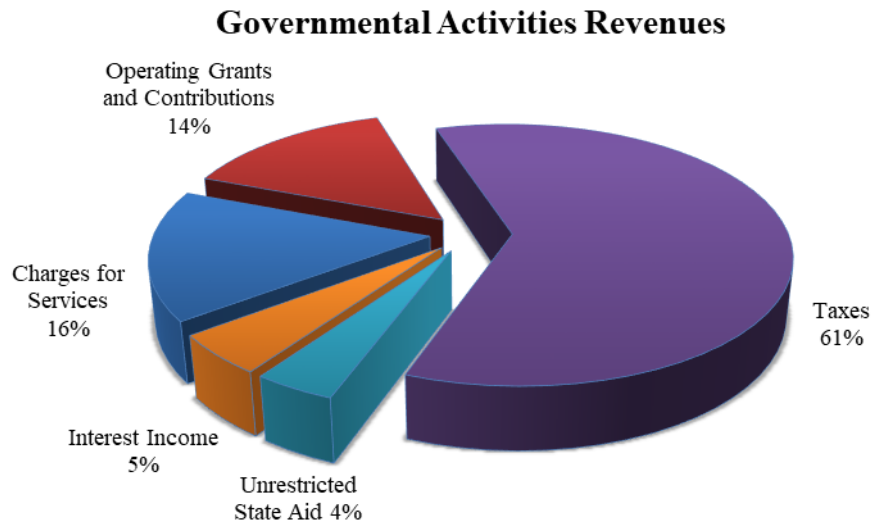
The debt service fund, a major fund, increased fund balance by \$59,613. This is due to slightly more tax revenues coming in compared to the debt principal and interest payments.

**Proprietary Funds.** The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

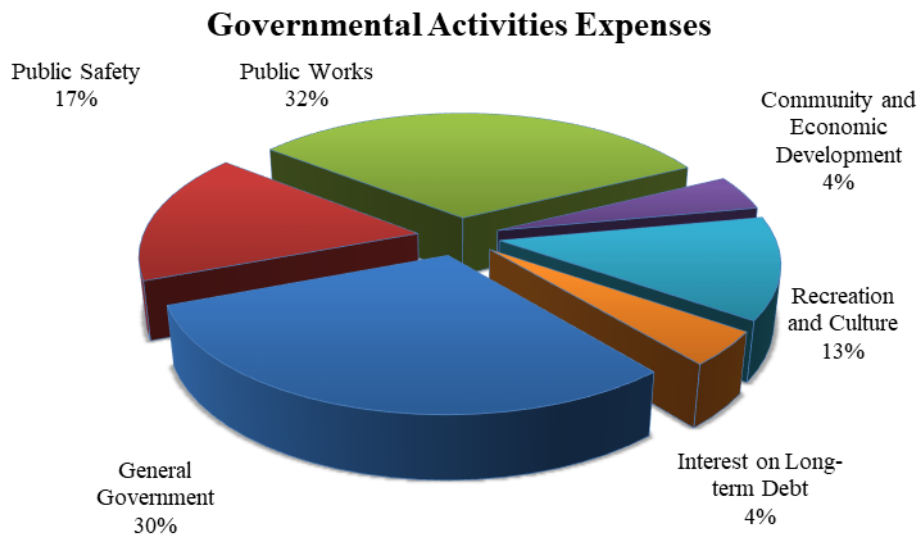
Unrestricted net position at the end of the year was \$387,767 for the sewer fund, \$1,705,005 for the water fund, and \$188,942 for the marina fund. The water fund and marina fund had an increase in net position of \$768,374 and \$47,121, respectively, while the sewer fund had a decrease in net position of \$238,761. A summary of the changes in the sewer, water, and marina funds net position can be found in the business-type activities paragraph found earlier in this report.

## Governmental Activities

The following chart summarizes the revenue sources for the governmental activities of the Village for the most recent fiscal year-end.



The following chart summarizes the expenses for the governmental activities of the Village for the most recent fiscal year-end.



## General Fund Budgetary Highlights

*Original budget compared to final budget.* The most significant budget amendment was to increase estimated manager costs from \$123,900 to \$256,400 for professional services.

*Final budget compared to actual results.* The Village had the no expenditures in excess of the amount appropriated during the year ended March 31, 2025.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

The Village's investment in capital assets for its governmental and business-type activities as of March 31, 2025 amounts to \$14,934,772 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, equipment, vehicles, and water and sewer infrastructure. This was an increase of 6.7% from the prior year primarily due to construction in progress starting on the sewer and water improvements.

More detailed information about the Villages' capital assets can be found in notes to the financial statements.

### ***Long-term Debt***

As described in the notes to the financial statements, the Village had \$9,327,860 in long-term debt at the end of the fiscal year. The Village is well under its legal debt limit as of year-end.

More detailed information about the Villages' long-term debt can be found in notes to the financial statements.

## **Economic Condition and Outlook**

Management estimates that approximately \$1,800,000 of revenues will be available for appropriation in the general fund in the upcoming year. The Village continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2026, the Village plans again to use current revenues to provide essential services and to maintain the Village's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values.

## **Contacting the Village**

This financial report is designed to provide a general overview of the Village's finances to its citizens, customers, investors, and creditors and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

The Village of Pentwater  
327 S. Hancock Street  
Pentwater, MI 49449

## **BASIC FINANCIAL STATEMENTS**

**Village of Pentwater  
Statement of Net Position  
March 31, 2025**

	Primary Government			Component Unit - DDA
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Investments	\$ 2,815,267	\$ 3,111,302	\$ 5,926,569	\$ 65,642
Accounts Receivable	35,661	271,722	307,383	--
Due from Other Governments	86,438	533,509	619,947	389
Leases Receivable	67,288	--	67,288	--
Inventory	--	25,429	25,429	--
<b>Total Current Assets</b>	<u>3,004,654</u>	<u>3,941,962</u>	<u>6,946,616</u>	<u>66,031</u>
<i>Noncurrent Assets</i>				
Restricted Cash - Bond RRI	--	164,220	164,220	--
Restricted Cash - Bond Reserve	--	203,600	203,600	--
Capital Assets not being Depreciated	60,191	1,773,369	1,833,560	--
Capital Assets being Depreciated, net	7,001,377	6,099,835	13,101,212	--
Long-term Leases Receivable	2,024,684	--	2,024,684	--
Net OPEB Asset	93,659	93,660	187,319	--
<b>Total Assets</b>	<u>12,184,565</u>	<u>12,276,646</u>	<u>24,461,211</u>	<u>66,031</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related	148,264	33,657	181,921	--
<b>Total Deferred Outflows of Resources</b>	<u>148,264</u>	<u>33,657</u>	<u>181,921</u>	<u>--</u>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	4,190	947,888	952,078	118
Accrued Expenses	25,131	9,494	34,625	--
Deposits Payable	4,200	--	4,200	--
Unearned Revenue	--	10,856	10,856	--
Accrued Interest	--	70,495	70,495	--
Current Portion of Compensated Absences	16,610	3,362	19,972	--
Current Portion of Long-term Debt	363,575	165,000	528,575	--
Internal Balances	1,500	(1,500)	--	--
<b>Total Current Liabilities</b>	<u>415,206</u>	<u>1,205,595</u>	<u>1,620,801</u>	<u>118</u>
<i>Noncurrent Liabilities</i>				
Compensated Absences	49,830	10,086	59,916	--
Long-term Debt	2,970,161	5,829,124	8,799,285	--
Net Pension Liability	805,336	182,807	988,143	--
<b>Total Liabilities</b>	<u>4,240,533</u>	<u>7,227,612</u>	<u>11,468,145</u>	<u>118</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
OPEB Related	286	286	572	--
Deferred Lease Revenues	2,031,208	--	2,031,208	--
<b>Total Deferred Inflows of Resources</b>	<u>2,031,494</u>	<u>286</u>	<u>2,031,780</u>	<u>--</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	3,727,832	2,432,871	6,160,703	--
<i>Restricted for:</i>				
Debt Service - Bond RRI	--	164,220	164,220	--
Debt Service - Bond Reserve	--	203,600	203,600	--
Downtown Development	--	--	--	65,913
Friendship Center	137,440	--	137,440	--
Streets	656,863	--	656,863	--
Debt Service	133,174	--	133,174	--
<i>Unrestricted</i>	1,405,493	2,281,714	3,687,207	--
<b>Total Net Position</b>	<u>\$ 6,060,802</u>	<u>\$ 5,082,405</u>	<u>\$ 11,143,207</u>	<u>\$ 65,913</u>

The Notes to the Financial Statements are an Integral part of these Financial Statements

**Village of Pentwater  
Statement of Activities  
For the Year Ended March 31, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit - DDA
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
<b>Governmental Activities:</b>								
General Government	\$ 647,927	\$ 174,163	\$ 28,675	\$ --	\$ (445,089)	\$ --	\$ (445,089)	\$ --
Public Safety	350,362	36,141	--	--	(314,221)	--	(314,221)	--
Public Works	683,656	146,932	341,853	--	(194,871)	--	(194,871)	--
Community and Economic Development	93,543	7,370	--	--	(86,173)	--	(86,173)	--
Recreation and Culture	269,285	47,802	--	--	(221,483)	--	(221,483)	--
Interest on Long-term Debt	90,605	--	--	--	(90,605)	--	(90,605)	--
<b>Total Governmental Activities</b>	<b>2,135,378</b>	<b>412,408</b>	<b>370,528</b>	<b>--</b>	<b>(1,352,442)</b>	<b>--</b>	<b>(1,352,442)</b>	<b>--</b>
<b>Business-type Activities:</b>								
Marina (nonmajor)	87,370	125,791	--	--	--	38,421	38,421	--
Sewer	998,120	740,475	--	--	--	(257,645)	(257,645)	--
Water	388,936	382,845	--	700,547	--	694,456	694,456	--
<b>Total Business-type Activities</b>	<b>1,474,426</b>	<b>1,249,111</b>	<b>--</b>	<b>700,547</b>	<b>--</b>	<b>475,232</b>	<b>475,232</b>	<b>--</b>
<b>Total Primary Government</b>	<b>\$ 3,609,804</b>	<b>\$ 1,661,519</b>	<b>\$ 370,528</b>	<b>\$ 700,547</b>	<b>(1,352,442)</b>	<b>475,232</b>	<b>(877,210)</b>	<b>--</b>
<b>Component Unit</b>								
Downtown Development Authority	\$ 26,914	\$ 4,800	\$ 5,418	\$ --	--	--	--	(16,696)
<b>Total Component Unit</b>	<b>\$ 26,914</b>	<b>\$ 4,800</b>	<b>\$ 5,418</b>	<b>\$ --</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(16,696)</b>
<b>General Purpose Revenues:</b>								
Property Taxes					1,553,631	--	1,553,631	28,970
Unrestricted State Aid					104,163	--	104,163	--
Interest Income					126,761	101,502	228,263	3,008
<b>Total General Revenues</b>					<b>1,784,555</b>	<b>101,502</b>	<b>1,886,057</b>	<b>31,978</b>
<b>Change in Net Position</b>					<b>432,113</b>	<b>576,734</b>	<b>1,008,847</b>	<b>15,282</b>
<i>Net Position at Beginning of Period</i>					5,628,689	4,505,671	10,134,360	50,631
<b>Net Position at End of Period</b>					<b>\$ 6,060,802</b>	<b>\$ 5,082,405</b>	<b>\$ 11,143,207</b>	<b>\$ 65,913</b>

The Notes to the Financial Statements are an Integral part of these Financial Statements

**Village of Pentwater  
Balance Sheet  
Governmental Funds  
March 31, 2025**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Investments	\$ 1,783,728	\$ 131,475	\$ 760,698	\$ 2,675,901
Accounts Receivable	35,661	--	--	35,661
Due from Other Governments	42,483	1,699	42,256	86,438
Leases Receivable	2,091,972	--	--	2,091,972
Long-term Advance	68,871	--	--	68,871
<b>Total Assets</b>	<b>\$ 4,022,715</b>	<b>\$ 133,174</b>	<b>\$ 802,954</b>	<b>\$ 4,958,843</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 764	\$ --	\$ 2,206	\$ 2,970
Accrued Expenses	22,703	--	2,245	24,948
Deposits Payable	--	--	4,200	4,200
Due to Other Funds	1,500	--	--	1,500
<b>Total Liabilities</b>	<b>24,967</b>	<b>--</b>	<b>8,651</b>	<b>33,618</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Lease Revenues	2,031,208	--	--	2,031,208
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>2,056,175</b>	<b>--</b>	<b>8,651</b>	<b>2,064,826</b>
<b>FUND BALANCE</b>				
Nonspendable	68,871	--	--	68,871
Restricted	--	133,174	794,303	927,477
Unassigned	1,897,669	--	--	1,897,669
<b>Total Fund Balance</b>	<b>1,966,540</b>	<b>133,174</b>	<b>794,303</b>	<b>2,894,017</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 4,022,715</b>	<b>\$ 133,174</b>	<b>\$ 802,954</b>	<b>\$ 4,958,843</b>

The Notes to the Financial Statements are an Integral part of these Financial Statements

**Village of Pentwater**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**March 31, 2025**

Total Fund Balance - Governmental Funds	\$	2,894,017
Net Position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements		355,053
General government capital assets of \$8,326,834, net of accumulated depreciation of \$1,570,388, are not financial resources and, accordingly, are not reported in the funds.		6,756,446
Net pension liability is not due and payable in the current period and is not reported in the funds.		(797,431)
The net other post-employment benefit liability is not an available resource and, therefore, is not reported in the funds.		93,659
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(66,440)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows and inflows of resources in the statement of net position, but are reported as expenses in the governmental funds.		146,809
Long-term liabilities are not due any payable in the current period and therefore are not reported in the funds.		(3,690,044)
Certain opeb contributions and changes in opeb plan net position are reported as deferred outflows and inflows of resources in the statement of net position, but are reported as expenses in the governmental funds.		(286)
Current year long-term debt principal payments on contractual obligations and bonds payable, are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements. This amount includes long-term debt principal payment in addition to the amortization of the premium on long-term debt.		369,019
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>6,060,802</u></b>

**Village of Pentwater**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended March 31, 2025**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property Taxes	\$ 1,055,763	\$ 306,760	\$ 191,108	\$ 1,553,631
License and Permits	72,667	--	--	72,667
Intergovernmental	165,252	--	305,590	470,842
Charges for Services	208,707	--	--	208,707
Interest and Rentals	188,798	5,023	38,858	232,679
Other Revenue	7,447	--	11,829	19,276
<b>Total Revenues</b>	<u>1,698,634</u>	<u>311,783</u>	<u>547,385</u>	<u>2,557,802</u>
<b>Expenditures</b>				
General Government	598,811	--	--	598,811
Public Safety	317,267	--	--	317,267
Public Works	294,030	--	166,529	460,559
Community and Economic Development	93,543	--	--	93,543
Recreation and Culture	180,867	--	42,460	223,327
Debt Service - Principal	49,805	195,000	105,000	349,805
Debt Service - Interest	6,845	57,170	37,150	101,165
<b>Total Expenditures</b>	<u>1,541,168</u>	<u>252,170</u>	<u>351,139</u>	<u>2,144,477</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>157,466</u>	<u>59,613</u>	<u>196,246</u>	<u>413,325</u>
<b>Net Change in Fund Balance</b>	<b>157,466</b>	<b>59,613</b>	<b>196,246</b>	<b>413,325</b>
<i>Fund Balance at Beginning of Period</i>	<u>1,809,074</u>	<u>73,561</u>	<u>598,057</u>	<u>2,480,692</u>
<b>Fund Balance at End of Period</b>	<b>\$ 1,966,540</b>	<b>\$ 133,174</b>	<b>\$ 794,303</b>	<b>\$ 2,894,017</b>

The Notes to the Financial Statements are an Integral part of these Financial Statements

**Village of Pentwater**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended March 31, 2025**

Total Net Change in Fund Balances - Governmental Funds	\$	413,325
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements		(46,315)
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures of \$30,416 are exceeded by depreciation expense of \$240,500.		(210,084)
Changes to the net pension liability are not shown in the fund financial statements. The net effect of the current year increase is to increase net position.		(71,524)
Changes to the net other post-employment benefits liability are not shown in the fund financial statements. The net effect of the current year increase is to increase net position.		13,923
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in compensated absences during the year.		(27,821)
Long-term liabilities are not due any payable in the current period and therefore are not reported in the funds.		369,019
Current year long-term debt principal payments on contractual obligations and bonds payable, are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements. This amount includes long-term debt principal payment in addition to the amortization of the premium on long-term debt.		(8,410)
<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>432,113</u></b>

**Village of Pentwater  
Statement of Net Position  
Proprietary Funds  
March 31, 2025**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities Internal Service Funds</b>
	<b>Sewer</b>	<b>Water</b>	<b>Marina (nonmajor)</b>	<b>Total Enterprise Funds</b>	
<b>ASSETS</b>					
<i>Current Assets</i>					
Cash and Investments	\$ 287,462	\$ 2,621,354	\$ 202,486	\$ 3,111,302	\$ 139,366
Accounts Receivable	186,272	85,450	--	271,722	--
Due from Other Governments	1,516	531,993	--	533,509	--
Inventory	--	25,429	--	25,429	--
Due from Other Funds	--	--	1,500	1,500	--
<b>Total Current Assets</b>	<b>475,250</b>	<b>3,264,226</b>	<b>203,986</b>	<b>3,943,462</b>	<b>139,366</b>
<i>Noncurrent Assets</i>					
Restricted Cash - Bond RRI	164,220	--	--	164,220	--
Restricted Cash - Bond Reserve	203,600	--	--	203,600	--
Capital Assets not being Depreciated	257,476	1,303,506	212,387	1,773,369	--
Capital Assets being Depreciated, net	4,596,276	1,265,195	238,364	6,099,835	305,122
Net OPEB Asset	46,830	46,830	--	93,660	--
<b>Total Assets</b>	<b>5,743,652</b>	<b>5,879,757</b>	<b>654,737</b>	<b>12,278,146</b>	<b>444,488</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension Related	15,464	17,465	728	33,657	1,455
<b>Total Deferred Outflows of Resources</b>	<b>15,464</b>	<b>17,465</b>	<b>728</b>	<b>33,657</b>	<b>1,455</b>
<b>LIABILITIES</b>					
<i>Current Liabilities</i>					
Accounts Payable	1,092	946,209	587	947,888	1,220
Accrued Expenses	4,331	4,787	376	9,494	183
Unearned Revenue	--	--	10,856	10,856	--
Accrued Interest	53,495	17,000	--	70,495	--
Current Portion of Compensated Absences	1,681	1,681	--	3,362	--
Current Portion of Long-term Debt	95,000	70,000	--	165,000	6,602
<b>Total Current Liabilities</b>	<b>155,599</b>	<b>1,039,677</b>	<b>11,819</b>	<b>1,207,095</b>	<b>8,005</b>
<i>Noncurrent Liabilities</i>					
Compensated Absences	5,043	5,043	--	10,086	--
Long-term Debt	3,843,000	1,986,124	--	5,829,124	6,109
Net Pension Liability	83,992	94,862	3,953	182,807	7,905
Long-term Advance	--	--	--	--	68,871
<b>Total Liabilities</b>	<b>4,087,634</b>	<b>3,125,706</b>	<b>15,772</b>	<b>7,229,112</b>	<b>90,890</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
OPEB Related	143	143	--	286	--
<b>Total Deferred Inflows of Resources</b>	<b>143</b>	<b>143</b>	<b>--</b>	<b>286</b>	<b>--</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	915,752	1,066,368	450,751	2,432,871	292,411
<i>Restricted for:</i>					
Debt Service - Bond RRI	164,220	--	--	164,220	--
Debt Service - Bond Reserve	203,600	--	--	203,600	--
<i>Unrestricted</i>	387,767	1,705,005	188,942	2,281,714	62,642
<b>Total Net Position</b>	<b>\$ 1,671,339</b>	<b>\$ 2,771,373</b>	<b>\$ 639,693</b>	<b>\$ 5,082,405</b>	<b>\$ 355,053</b>

The Notes to the Financial Statements are an Integral part of these Financial Statements

**Village of Pentwater**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended March 31, 2025**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities Internal Service Funds</b>
	<b>Sewer</b>	<b>Water</b>	<b>Marina (nonmajor)</b>	<b>Total Enterprise Funds</b>	
<b>Operating Revenues</b>					
Charges for Services	\$ 737,505	\$ 375,173	\$ 125,791	\$ 1,238,469	\$ 28,462
Penalties	2,970	7,672	--	10,642	--
Equipment Rental	--	--	--	--	63,583
<b>Total Operating Revenues</b>	<b>740,475</b>	<b>382,845</b>	<b>125,791</b>	<b>1,249,111</b>	<b>92,045</b>
<b>Operating Expenses</b>					
Personnel Services	83,500	165,501	38,412	287,413	6,218
Supplies	182,226	9,405	3,778	195,409	38,809
Contracted Services	118,998	--	500	108,586	40
Administrative Expense	7,130	22,466	10,826	40,422	18,214
Other Services and Charges	184,357	100,918	15,478	311,665	4,973
Depreciation	220,033	50,948	18,376	289,357	79,551
<b>Total Operating Expenses</b>	<b>796,244</b>	<b>349,238</b>	<b>87,370</b>	<b>1,232,852</b>	<b>147,805</b>
<b>Operating Income (Loss)</b>	<b>(55,769)</b>	<b>33,607</b>	<b>38,421</b>	<b>16,259</b>	<b>(55,760)</b>
<b>Non-Operating Revenues (Expenses)</b>					
Interest Income	18,884	73,918	8,700	101,502	5,689
Gain on Disposal of Capital Assets	--	--	--	--	4,000
Federal Grants	--	700,547	--	700,547	--
Interest on Long-term Debt	(107,226)	(39,698)	--	(146,924)	(244)
Loss on Disposal of Assets	(94,650)	--	--	(94,650)	--
<b>Net Non-Operating Revenues (Expenses)</b>	<b>(182,992)</b>	<b>734,767</b>	<b>8,700</b>	<b>560,475</b>	<b>9,445</b>
<b>Change In Net Position</b>	<b>(238,761)</b>	<b>768,374</b>	<b>47,121</b>	<b>576,734</b>	<b>(46,315)</b>
<i>Net Position at Beginning of Period</i>	1,910,100	2,002,999	592,572	4,505,671	401,368
<b>Net Position at End of Period</b>	<b>\$ 1,671,339</b>	<b>\$ 2,771,373</b>	<b>\$ 639,693</b>	<b>\$ 5,082,405</b>	<b>\$ 355,053</b>

The Notes to the Financial Statements are an Integral part of these Financial Statements

**Village of Pentwater  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended March 31, 2025**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds	Governmental Activities Internal Service Fund
	Sewer	Water	Marina (nonmajor)		
<b>Cash Flows from Operating Activities</b>					
Cash Received from Charges for Services	\$ 722,723	\$ (158,319)	\$ 124,979	\$ 689,383	\$ 28,462
Cash Received from Interfund Services Provided	-	-	-	-	63,583
Cash Payments to Employees for Services and Fringe Benefits	(75,098)	(163,670)	(40,836)	(279,604)	(6,905)
Cash Payments to Suppliers for Goods and Services	(496,641)	789,086	(30,849)	261,596	(65,282)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>150,984</u>	<u>467,097</u>	<u>53,294</u>	<u>671,375</u>	<u>19,858</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Principal Paid on Long-term Debt	(93,000)	(65,000)	-	(158,000)	(6,503)
Interest Paid on Long-term Debt	(108,518)	(22,698)	-	(131,216)	(244)
Debt Issuance	-	1,846,124	-	1,846,124	-
Change in Interfund Balances/Advances	-	-	(34,569)	-	-
Federal Grants	-	700,547	-	700,547	-
Purchase of Capital Assets	(180,547)	(1,303,506)	-	(1,484,053)	(28,369)
Gain (Loss) on Capital Assets	(94,650)	-	-	(94,650)	4,000
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(476,715)</u>	<u>1,155,467</u>	<u>(34,569)</u>	<u>678,752</u>	<u>(31,116)</u>
<b>Cash Flows from Investing Activities</b>					
Investment Earnings	18,884	73,918	8,700	101,502	5,689
<b>Net Cash Provided by Investing Activities</b>	<u>18,884</u>	<u>73,918</u>	<u>8,700</u>	<u>101,502</u>	<u>5,689</u>
Net Increase in Cash and Investments	(306,847)	1,696,482	27,425	1,417,060	(5,569)
<i>Cash and Investments - Beginning of Year</i>	962,129	924,872	175,061	2,062,062	144,935
<b>Cash and Investments - End of Year</b>	<u>\$ 655,282</u>	<u>\$ 2,621,354</u>	<u>\$ 202,486</u>	<u>\$ 3,479,122</u>	<u>\$ 139,366</u>
<b>Reconciliation of Operating Loss to</b>					
<b>Net Cash Provided by (Used in) Operating Activities</b>					
Operating Income (Loss)	\$ (55,769)	\$ 33,607	\$ 38,421	\$ 16,259	\$ (55,760)
<b>Adjustments to Reconcile Operating Loss to</b>					
<b>Net Cash Provided by (Used in) Operating Activities</b>					
Depreciation/Amortization Expense	220,033	50,948	18,376	289,357	79,551
<b>Changes in Assets and Liabilities</b>					
Accounts Receivable	(17,004)	(9,577)	-	(26,581)	-
Due from Other Governments	(748)	(531,587)	-	(532,335)	-
Inventory	-	-	-	-	-
Accounts Payable	(3,930)	921,875	(267)	917,678	(3,246)
Accrued Expenses	443	809	99	1,351	48
Unearned Revenue	-	-	(812)	(812)	-
Compensated Absences	1,716	1,716	-	3,432	-
Pension and Related Deferrals	13,205	6,268	(2,523)	16,950	(735)
OPEB and Related Deferrals	(6,962)	(6,962)	-	(13,924)	-
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 150,984</u>	<u>\$ 467,097</u>	<u>\$ 53,294</u>	<u>\$ 671,375</u>	<u>\$ 19,858</u>

The Notes to the Financial Statements are an Integral part of these Financial Statements

**Village of Pentwater  
Statement of Fiduciary Net Position  
Fiduciary Funds  
March 31, 2025**

	<b>OPEB Trust Fund</b>
<b>ASSETS</b>	
Investments held in OPEB Trust	\$ 271,053
<i><b>Total Assets</b></i>	<b>271,053</b>
<b>NET POSITION</b>	
Restricted for OPEB	<b>\$ 271,053</b>

The Notes to the Financial Statements are an Integral part of these Financial Statements

**Village of Pentwater**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**March 31, 2025**

	<b>OPEB Trust Fund</b>
<b>Additions</b>	
Employer contributions	\$ 10,800
<b>Investment Earnings (Losses)</b>	
Interest, dividends, and other investment gains (losses)	14,123
<b><i>Total Additions</i></b>	<b>24,923</b>
<b>Deductions</b>	
Retirement benefits	(10,800)
Administration expense	(1,351)
<b><i>Total Deductions</i></b>	<b>(12,151)</b>
<b><i>Change in Net Position</i></b>	<b>12,772</b>
<i>Net Position at Beginning of Period</i>	258,281
<b><i>Net Position at End of Period</i></b>	<b>\$ 271,053</b>

The Notes to the Financial Statements are an Integral part of these Financial Statements

**NOTES TO THE FINANCIAL STATEMENTS**

# Village of Pentwater

## Notes to the Financial Statements

---

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Village of Pentwater conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village:

#### **Reporting Entity**

The Village of Pentwater is governed by a seven-member Council. The Village provides the following services: general administrative services, police protection, highway and street maintenance, recreation and other governmental functions. The accounting policies of the Village conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies.

As required by generally accepted accounting principles, the accompanying financial statements present the Village as the primary government. Component units are separate legal entities for which the Village is financially accountable. Discretely presented component units are reported in separate columns in the government-wide financial statements. The Village has determined that it has one component unit and that it should be discretely presented.

#### **Discretely Presented Component Unit**

##### ***Downtown Development Authority***

The Village appoints all board members and approves annual budgets for the Downtown Development Authority (DDA), and the legal liability for the general obligation debt of the DDA, if any, remains with the Village. The budgets and expenditures of the DDA must be approved by the Village Council. The Village also has the ability to significantly influence operations of the DDA. Complete financial statements for the component unit are not separately prepared.

#### **Joint Venture**

##### ***Pentwater Fire Department***

The Village of Pentwater and the Township of Pentwater entered into an agreement effective June 1, 2008 under which the Township assumed responsibility for the accounting of the Pentwater Fire Department. The Fire Department is jointly operated by the Village and the Township. The Pentwater Fire Department is reported as a discretely presented component unit of the Township of Pentwater. Financial statements can be obtained by contacting the Village Office at 327 S. Hancock Street, Pentwater, MI.

## Village of Pentwater

### Notes to the Financial Statements

---

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. The fiduciary fund financial statements use the economic resources measurement focus, although the agency funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure driven grants. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, and interest associated with the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, claims, judgments, and accrued employee benefit expenditures are recorded only when payment is due.

## Village of Pentwater

### Notes to the Financial Statements

---

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village of Pentwater reports the following major governmental funds:

The **general fund** is the Village's primary operating fund. It accounts for all financial resources of the general government, except those accounted for and reported in another fund.

The **debt service fund** accounts for the accumulation of resources that are used for the interest and principal payments of the Village's long-term debt obligations. It is a debt service fund and is funded with property tax revenues.

The Village of Pentwater reports the following major proprietary funds:

The **water fund** accounts for the cost of providing water services to Village residents. Revenues are primarily from charges to customers for water usage. These revenues are used to pay operating costs and principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the system.

The **sewer fund** accounts for the cost of collecting and treating wastewater. Revenues are primarily from service charges to customers. These revenues are also used to pay principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the system.

Additionally, the government reports the following fund types:

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

**Internal service funds** account for the financing of goods or services provided by the Village to other departments or funds on a cost reimbursement basis.

**Capital projects funds** account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

**Debt service funds** account for the accumulation of resources (generally transfers in from other funds) that are used for interest and principal payments of the Village's general obligation debt.

## Village of Pentwater

### Notes to the Financial Statements

---

Additionally, the Village reports the following fiduciary fund type:

The ***OPEB trust fund*** accumulates resources held in trust for OPEB benefit payments to qualified beneficiaries.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Village's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

### **Assets, Liabilities, and Equity**

#### ***Cash and Cash Equivalents***

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and Village policy authorize the Village to invest in:

- Bonds, securities, other obligations and repurchase agreements 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 qualified 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.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

## Village of Pentwater

### Notes to the Financial Statements

---

- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

#### ***Investments***

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

#### ***Restricted Assets***

Certain resources set aside for repayment of bonds and to meet bond covenants, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants. Liabilities payable for such restricted assets are separately classified.

#### ***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable.

#### ***Due from Other Governmental Units***

Due from to other governmental units consist primarily of amounts due from State of Michigan and Oceana County.

#### ***Leases Receivable***

The Village acts as a lessor for leases involving the right to use Village assets. As per GASB 87, the Village recognizes a lease receivable and a deferred inflow of resources in its government-wide and governmental fund financial statements.

## Village of Pentwater

### Notes to the Financial Statements

---

Initially, the lease receivable is measured at the present value of expected lease payments over the lease term. The lease receivable is subsequently 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, adjusted for prepaid lease payments received at lease inception. Over the lease term, the deferred inflow of resources is recognized as revenue.

Significant estimates and judgments involved include determining the discount rate used to present value lease receipts, determining the lease term, and estimating lease receipts. The Village utilizes its estimated incremental borrowing rate as the discount rate for leases. The lease term comprises the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable consist of fixed payments from the lessee.

The Village continually monitors changes that may necessitate a remeasurement of the lease receivable. If significant changes occur, the lease receivable will be remeasured accordingly.

#### *Inventory*

Inventories consist of meters and parts for the water enterprise fund and are valued at cost on the first-in/first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

#### *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available or at an estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays of capital assets and improvement are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

## Village of Pentwater

### Notes to the Financial Statements

---

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

	<u>Years</u>
Buildings and Improvements	7 - 40
Land Improvements	10 - 20
Infrastructure	20 - 40
Equipment	3 - 40
Docks and Land Improvements	10 - 50
Water and Sewer System	10 - 100

The Village reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred, the asset is written down to its net realizable value and a current charge to income is recognized.

#### ***Unearned Revenues***

Unearned revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

#### ***Compensated Absences***

Village employees are granted vacation and sick leave in varying amounts based on length of service. Employees must use earned vacation time in the current year. Upon termination, employees are paid for unused vacation at their current rates. Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave is accumulated up to 120 days for police and 90 days for all other Village employees. One-half of all unused accumulated sick leave is paid to employees who resign or retire. All vacation and sick pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are normally liquidated by the fund in which the individual employees are budgeted.

#### ***Long-term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the

## Village of Pentwater

### Notes to the Financial Statements

---

effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period that the bond was issued.

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

#### ***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The Village has two items that qualify for reporting in this category, pension and OPEB related deferred outflows. The government-wide statements report deferred outflows from the differences between plan expected and actual experience, changes in actuarial assumptions, as well as Village contributions made after the measurement date of the net pension liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Village has two items that qualify for reporting in this category, pension and OPEB related deferred outflows these items are discussed in the notes to the financial statements. The Village also reports *deferred lease revenues* as deferred inflows.

#### ***Net Position Flow Assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### ***Fund Balance Flow Assumptions***

Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in

## Village of Pentwater

### Notes to the Financial Statements

---

the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### ***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes.

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact.

*Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Village Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Village Council has authorized the Village Manager to assign fund balance. The Village Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*Unassigned fund balance* is the residual classification for the Village's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Village Council.

## Village of Pentwater

### Notes to the Financial Statements

---

#### ***Property Tax Revenue Recognition***

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14. The 2024 taxable valuation of the Village totaled \$127,844,278 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 8.1338 mills for the Village's operating purposes, 0.3426 mills for friendship center, 2.4000 mills for improvement projects, and 1.1500 mills for streets. An additional 1.4188 mills are levied on the \$20,495,804 taxable valuation in the Downtown Development Authority District. The delinquent real property taxes of the Village are purchased by Oceana County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

#### ***Pension***

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

#### ***Postemployment Benefits Other Than Pensions***

For purposes of measuring the net OPEB (asset)/liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Village's OPEB trust (the "Trust") and additions to/deductions from the Trust's net position have been determined on the same basis as they are reported by the investment company. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### ***Interfund Transactions***

During the course of operations, the Village has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While

## Village of Pentwater

### Notes to the Financial Statements

---

reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results may differ from those estimates.

#### *Budgetary and Budgetary Accounting*

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to the first day of the following fiscal year, the budget is legally enacted through passage of a resolution.
4. The legal level of budgetary control is at the activity level.
5. The Village Manager is authorized to transfer budget amounts between line items within the department. Supplemental appropriations that amend total expenditures for any department require Village Council resolution.
6. Budget appropriations lapse at year-end.
7. Adoption and amendments of all budgets used by the Village are governed by Public Act 621, which was followed for the year ended March 31, 2025. Expenditures may not exceed appropriations.

## Village of Pentwater

### Notes to the Financial Statements

#### Note 2 - Budgetary Compliance

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. Budgetary control is exercised at the activity level in the general fund and the function level in other funds.

The Village had no expenditures in excess of the amount appropriated during the year ended March 31, 2025.

#### Note 3 - Cash and Investments

The Village maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts.

Following is a reconciliation of deposit and investment balances as of March 31, 2025:

	<b>Primary Government</b>	<b>Component Unit - DDA</b>	<b>Total</b>
<b>Statement of Net Position</b>			
Cash and Investments	\$ 5,926,569	\$ 65,642	\$ 5,992,211
Restricted Cash	367,820	-	367,820
<b>Statement of Fiduciary Net Position</b>			
Cash and Investments	271,053	-	271,053
<b>Total Cash and Investments</b>	<b>\$ 6,565,442</b>	<b>\$ 65,642</b>	<b>\$ 6,631,084</b>

#### Cash and Investments

Checking accounts	\$ 30,286
Savings accounts	677,628
Cash on hand	850
Certificates of deposits	765,633
OPEB trust investments	271,053
MI Class and Brokerage - investments	4,885,634
<b>Total Cash and Investments</b>	<b>\$ 6,631,084</b>

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits might not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year-end, \$468,571 of the Village's bank balance of \$1,529,254 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Village believes it is impractical to insure all bank deposits. As a result, the Village evaluates each

## Village of Pentwater

### Notes to the Financial Statements

financial institution with which it deposits Village funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk – Investments.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to minimize this risk, Village policy limits the types of investments and pre-qualifies financial institutions. As of March 31, 2025, none of the Village’s investments were exposed to risk since the securities are held in the Village’s name by the counterparty.

**Credit Risk.** State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO’s). As of March 31, 2025, the Village had two investments that would be subject to rating by a NRSRO: Michigan CLASS account with an S&P rating of AAAM and an investment with Goldman Sachs Financial Square Government Fund FGTX with an S&P rating of AAAM. The Village has no investment policy that would further limit its investment choices.

**Interest Rate Risk.** Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Village’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates for investments and certificates of deposit held at year-end are summarized as follows:

	<b>Certificates of Deposit</b>	<b>Investments</b>
No maturity	\$ -	\$5,156,687
Less than one year	765,633	-
<b>Totals</b>	<b>\$ 765,633</b>	<b>\$5,156,687</b>

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the Village’s investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Village’s investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a % of the total investment portfolio. All investments held at year end are reported above.

#### **Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value

## Village of Pentwater

### Notes to the Financial Statements

---

hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

All Goldman Sachs Financial Square Government Fund investments totaling \$1,189,444 are valued using level 1 measurements.

The Village holds shares in the Michigan CLASS government investment pool whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year-end, the net asset value of the Village's investment in the Michigan CLASS government investment pool was \$3,967,243. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS government investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, villages, school districts, authorities and other public agencies.

## Village of Pentwater

### Notes to the Financial Statements

---

#### ***Other Post-employment Benefits Trust Fund - Trust Investments***

The Other Post-Employment Benefits Trust Fund (the “Fund”) investments are primarily held in a CLS Investments - Section 115 trust. Following is a summary of those investments as of year-end:

<b><u>Investments at Fair Value</u></b>	<b><u>Amount</u></b>
Bond Mutual Funds	\$ 73,841
Equity Mutual Funds	180,431
Alternative / Other Funds	15,621
Money Market	1,161
<b><i>Total</i></b>	<b><u>\$ 271,053</u></b>

The Michigan Public Employees Retirement System’s Investment Act, Public Act 314 of 1965, as amended, authorizes the Fund to invest in domestic and foreign stock, government securities, corporate securities, mortgages, real estate and various other investment instruments, subject to certain limitations.

#### ***Credit Risk – Trust Investments***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund’s investment policy emphasizes appropriate risk/return parameters and compliance with Public Act 314 and gives discretionary authority to its investment managers as opposed to establishing specific credit rating benchmarks.

#### ***Custodial Credit Risk - Trust Investments***

For investments, custodial credit risk is the risk that, in the event of the failure of the counterpart to a transaction, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Fund’s investment policy requires that securities be held in trust by a third-party institution in the fund’s name or its nominee custodian’s name or in bearer form. Although uninsured and unregistered, the Fund’s investments are not exposed to custodial credit risk since the securities are held by the counterparty’s trust department or agent in the Fund’s name.

#### ***Concentration of Credit Risk - Trust Investments***

Concentration of credit risk is the risk of loss attributed to the magnitude of the Fund’s investment in a single issuer. The Fund’s investment policy places no limit on the amount it may invest in any one issuer. At year-end, concentrations in securities of any one issuer greater than 5% of investment fair value were as follows:

## Village of Pentwater

### Notes to the Financial Statements

---

<b>Investment Type</b>	<b>Issuer</b>	<b>% of Portfolio</b>
Equity Mutual Funds	Destinations Large Cap Equity Instl	44.4%
Bond Mutual Funds	Destinations Core Fixed Income Instl	18.6%
Equity Mutual Funds	Destinations Small Mid Cap Eq Instl	8.2%
Equity Mutual Funds	Destinations Intl Equity Fd Instl	7.3%
Alternative / Other Funds	Destinations Multi Strgy Alt Instl	5.8%
Equity Mutual Funds	Destinations Global Fixd Inc Oppor Instl	5.3%

#### ***Interest Rate Risk - Trust Investments***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund's investment policy does not discuss the maximum maturity for any single fixed income security or the weighted average portfolio maturity.

#### ***Rate of Return - Trust Investments***

For the year ended March 31, 2025, the annual money-weighted rate of return on the Fund's investments, net of investment expense, was -1.53%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### ***Fair Value Measurements - Trust Investments***

The Village measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

***Level 1:*** Quoted prices in active markets for identical securities.

***Level 2:*** Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

***Level 3:*** Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

## Village of Pentwater

### Notes to the Financial Statements

At year-end, the Fund had the following recurring fair value measurements:

<u>Investments at Fair Value</u>	<u>Value as of March 31</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Bond Mutual Funds	\$ 73,841	\$ 73,841	\$ -	\$ -
Equity Mutual Funds	180,431	180,431	-	-
Alternative / Other Funds	15,621	15,621	-	-
Money Market	1,161	1,161	-	-
<b>Total</b>	<b>\$ 271,053</b>	<b>\$ 271,053</b>	<b>\$ -</b>	<b>\$ -</b>

#### Note 4 - Bond Reserves and Restricted Cash

The Village's ordinance authorizing issuance of the \$3,000,000 Sewer Disposal System Revenue Refunding Bond, Series 2012A (Taxable) and the \$1,900,000 Sewer Disposal System Revenue Bond, Series 2012B (Taxable) requires that specific bond reserve and replacement reserve accounts be established and monies deposited.

At March 31, 2025, the Village's Sewer Fund had restricted cash and investments (for debt service) of \$367,820, summarized below:

	<u>March 31, 2025</u>		<u>March 31, 2024</u>
	<u>Required Balance</u>	<u>Actual Balance</u>	<u>Actual Balance</u>
<b>Sewer Fund - Restricted Cash</b>			
<b>Bond Reserves</b>			
2012 A and B Series Water Refunding Bonds, \$20,360 per year up to \$203,600	\$ 203,600	\$ 203,600	\$ 203,646
<b>Repair, Replacement and Improvement Accounts</b>			
2012 A and B Series Water Refunding Bonds, \$29,860 per year less bond reserve	164,220	164,220	134,360
<b>Totals</b>	<b>\$ 367,820</b>	<b>\$ 367,820</b>	<b>\$ 338,006</b>

## Village of Pentwater

### Notes to the Financial Statements

#### Note 5 - Capital Assets

Capital asset activities for governmental activities for the year ended March 31, 2025 were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital Assets not Being Depreciated/Amortized:				
Land	\$ 60,191	\$ -	\$ -	\$ 60,191
Capital Assets Being Depreciated/Amortized:				
Motor Pool Equipment	783,718	28,368	(30,154)	781,932
Buildings and Improvements	1,515,653	-	-	1,515,653
Land Improvements	376,809	-	-	376,809
Equipment	253,101	-	-	253,101
Infrastructure	6,084,124	30,416	-	6,114,540
Intangible Right to Use	6,540	-	-	6,540
<i>Subtotal</i>	<u>9,019,945</u>	<u>58,784</u>	<u>(30,154)</u>	<u>9,048,575</u>
Less Accumulated Depreciation/Amortization for:				
Motor Pool Equipment	427,414	79,550	(30,154)	476,810
Buildings and Improvements	544,085	40,834	-	584,919
Land Improvements	132,375	17,305	-	149,680
Equipment	183,465	24,916	-	208,381
Infrastructure	468,546	156,137	-	624,683
Intangible Right to Use	1,417	1,308	-	2,725
<i>Subtotal</i>	<u>1,757,302</u>	<u>320,050</u>	<u>(30,154)</u>	<u>2,047,198</u>
Capital Assets Being Depreciated, Net	7,262,643	(261,266)	-	7,001,377
<b>Capital Assets, Net</b>	<u>\$ 7,322,834</u>	<u>\$ (261,266)</u>	<u>\$ -</u>	<u>\$ 7,061,568</u>

## Village of Pentwater

### Notes to the Financial Statements

Capital asset activities for business-type activities for the year ended March 31, 2025 were as follows:

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Capital Assets not Being Depreciated:				
Land	\$ 214,583	\$ -	\$ -	\$ 214,583
Construction in Progress	-	1,558,786	-	1,558,786
<i>Subtotal</i>	<u>214,583</u>	<u>1,558,786</u>	<u>-</u>	<u>1,773,369</u>
Capital Assets Being Depreciated:				
Building and Improvements	733,803	\$ -	-	733,803
Docks and Land Improvements	525,744	-	-	525,744
Equipment	212,982	-	-	212,982
Sewer System	8,582,083	19,917	416,763	8,185,237
Water System	2,469,120	-	-	2,469,120
<i>Subtotal</i>	<u>12,523,732</u>	<u>19,917</u>	<u>416,763</u>	<u>12,126,886</u>
Less Accumulated Depreciation for:				
Building and Improvements	124,598	10,807	-	135,405
Docks and Land Improvements	413,275	10,012	-	423,287
Sewer System	4,091,342	219,370	322,113	3,988,599
Water System	1,430,592	49,168	-	1,479,760
<i>Subtotal</i>	<u>6,059,807</u>	<u>289,357</u>	<u>322,113</u>	<u>6,027,051</u>
Capital Assets Being Depreciated, Net	<u>6,463,925</u>	<u>(269,440)</u>	<u>94,650</u>	<u>6,099,835</u>
<b>Capital Assets, Net</b>	<u><b>\$ 6,678,508</b></u>	<u><b>\$ 1,289,346</b></u>	<u><b>\$ 94,650</b></u>	<u><b>\$ 7,873,204</b></u>

Depreciation/amortization expense was charged to functions of the Village as follows:

<b>Governmental Activities</b>	
General Government	\$ 28,393
Public Safety	7,500
Public Works	164,799
Recreation and Culture	39,807
Depreciation Charged to the Motor Pool Internal Service Fund	<u>79,551</u>
<b>Total Depreciation</b>	<u><b>\$ 320,050</b></u>

## Village of Pentwater

### Notes to the Financial Statements

---

<b><u>Business-type Activities</u></b>	
Sewer Fund	\$ 220,033
Water Fund	50,948
Marina Fund	18,376
<b><i>Total Depreciation</i></b>	<b><u>\$ 289,357</u></b>

#### **Note 6 - Leases Receivable**

The Village is reporting total lease receivables of \$2,091,972 and deferred lease revenues of \$2,031,207 as of March 31, 2025. For fiscal year 2025, the Village reported lease revenue of \$65,785 and related lease interest revenue of \$3,721.

The following describes the Village's leases receivable as of year-end:

***Verizon Wireless Cell Tower Lease:*** On October 7, 2009, the Village entered into an agreement with Verizon Wireless to lease a portion of space on the water tower to attach a cell phone antenna. The initial term is from October, 2009 to September 30, 2034, with two options to extend for ten-year periods. The Village expects all extensions to be executed and to receive payments through September 30, 2069.

***AT&T Cell Tower Lease:*** On September 30, 1998, the Village entered into an agreement with AT&T Wireless to lease a portion of space on the water tower to attach a cell phone antenna. The lease is expected to extend until November 1, 2037.

#### **Note 7 - Interfund Transactions**

The composition of interfund balances as of March 31, 2025 was as follows:

<b><u>Receivable Fund</u></b>	<b><u>Payable Fund</u></b>	<b><u>Amount</u></b>
General Fund	Marina Fund	\$ 1,500
General Fund	Motor Pool	68,871

Interfund balances and transfers are short-term loans, or transfer, between funds to cover temporary cash needs for operating purposes. The township had no interfund transfers for the year.

# Village of Pentwater

## Notes to the Financial Statements

### Note 8 - Long-term Debt

Long-term debt activity for the year ended March 31, 2025 was as follows:

	Beginning of The Year	Additions	Reductions	End of The Year	Due Within One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
2017 Unlimited Tax General Obligation Bonds in the amount of \$2,000,000, payable in annual installments of \$105,000 - \$165,000, plus interest at 2.00% - 3.00%, through April 1, 2033	\$ 1,115,000	\$ -	\$ 125,000	\$ 990,000	\$ 130,000
Premium on 2017 UTGO Bonds	32,583	-	4,073	28,510	-
2019 Capital Improvement Bonds due in annual installments of \$95,000 to \$135,000 through April 1, 2034 with an interest rate from 2.00% to 3.00%	1,205,000	-	105,000	1,100,000	105,000
Premium on 2019 Capital Improvement Bonds	40,193	-	4,019	36,174	-
2019 Unlimited Tax General Obligation Bonds due in annual installments of \$70,000 to \$85,000 through April 1, 2034 with an interest rate from 2.00% to 3.00%	770,000	-	70,000	700,000	70,000
Premium on 2019 UT Bonds	27,124	-	2,712	24,412	-
<b>Direct Borrowing and Direct Placements:</b>					
2020 Installment Purchase due in monthly installments of \$1,591 to \$2,342 through December 20, 2034 with an interest rate of 2.55%	258,343	-	20,491	237,852	22,171
2021 Installment Purchase due in monthly installments of \$2,349 to 2,694 through December 20, 2034 with an interest rate of 1.35%	233,391	-	29,314	204,077	29,802
2022 Installment Purchase due in monthly installments of \$562 through February 3, 2027 with an interest rate of 1.49%	19,214	-	6,503	12,711	6,602
<b>Other:</b>					
Compensated Absences	38,619	27,821	-	66,440	16,610
<b>Total Governmental Activities</b>	<u>3,739,467</u>	<u>27,821</u>	<u>367,112</u>	<u>3,400,176</u>	<u>380,185</u>
<b>Business-type Activities:</b>					
<b>General Obligation Bonds:</b>					
2007 Water Project Limited Tax Bonds in the amount of \$1,177,353, payable in annual installments of \$55,000 - \$70,000 plus interest at 2.125%, through October 1, 2027	275,000	-	65,000	210,000	70,000
2012A Sewage Disposal System Revenue Refunding Bond in the amount of \$3,000,000, payable in annual installments of \$47,000 - \$120,000, plus interest at 2.75%, through April 1, 2052	2,468,000	-	57,000	2,411,000	58,000
2012B Sewage Disposal System Revenue Refunding Bond in the amount of \$1,900,000, payable in annual installments of \$30,000 - \$76,000 plus interest at 2.75%, through April 1, 2052	1,563,000	-	36,000	1,527,000	37,000
2024A Capital Improvement Bond in the amount of \$1,500,000, payable in annual installments of \$50,000 - \$110,000, plus interest at 4.00%, through April 1, 2048	-	1,500,000	-	1,500,000	-
2024B Capital Improvement Bond in the amount of \$3,770,000, payable in annual installments of \$13,000 - \$165,000, plus interest at 2.00%, through April 1, 2054	-	338,828	-	338,828	-
Premium on 2024 Capital Improvement Bonds	-	7,296	-	7,296	-
<b>Other:</b>					
Compensated Absences	10,016	3,432	-	13,448	3,362
<b>Total Business-type Activities</b>	<u>4,041,016</u>	<u>1,849,556</u>	<u>93,000</u>	<u>5,797,572</u>	<u>98,362</u>
<b>Total Primary Government Long-term Debt</b>	<u>\$ 7,780,483</u>	<u>\$ 1,877,377</u>	<u>\$ 460,112</u>	<u>\$ 9,197,748</u>	<u>\$ 478,547</u>

## Village of Pentwater

### Notes to the Financial Statements

The annual requirements, excluding compensated absences and unamortized discounts, to maturity on the total long-term debt obligations outstanding at March 31, 2024 are as follows:

Year Ending March 31,	Governmental Activities		
	Principal	Interest	Total
2026	\$ 363,575	\$ 91,677	\$ 455,252
2027	374,070	81,363	455,433
2028	378,958	70,797	449,755
2029	390,007	59,998	450,005
2030	401,061	48,893	449,954
2031-2034	1,336,969	81,609	1,418,578
<b>Totals:</b>	<b>\$ 3,244,640</b>	<b>\$ 434,337</b>	<b>\$ 3,678,977</b>

Year Ending March 31,	Business-type Activities		
	Principal	Interest	Total
2026	\$ 165,000	\$ 158,395	\$ 323,395
2027	181,000	167,255	348,255
2028	186,000	163,030	349,030
2029	253,000	158,794	411,794
2030	256,000	153,920	409,920
2031-2035	1,396,000	692,139	2,088,139
2036-2040	1,615,000	545,357	2,160,357
2041-2045	1,856,000	369,548	2,225,548
2046-2050	1,906,000	165,795	2,071,795
2051-2055	1,212,000	24,022	1,236,022
<b>Totals:</b>	<b>\$ 9,026,000</b>	<b>\$ 2,598,255</b>	<b>\$ 11,624,255</b>

### Note 9 - Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees (workers' compensation); and natural disasters. During the year ended March 31, 2025, the Village carried commercial insurance to cover all risks of loss. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. There was no significant change in coverage during the year.

**Village of Pentwater**

Notes to the Financial Statements

**Note 10 - Defined Benefit Pension Plan**

**Defined Benefit**

***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 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](http://www.mersofmich.com).

***Benefits Provided***

Retirement benefits for employees are calculated as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
01 - General - Closed	2.00%	N/A	5	60	50/25	55/15	8
10 - General after 04/01/2018 - Open	2.00%	N/A	5	60	50/25	55/15	10

***Employees Covered by Benefit Terms***

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

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits (including refunds)	6
Active employees	10
<b><i>Total membership</i></b>	<b><u>33</u></b>

***Contributions***

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

## Village of Pentwater

### Notes to the Financial Statements

Contributions are as follows for the Village's divisions:

<u>Division</u>	<u>Status</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
General	Closed	\$ 7,211	6.59%
General after 04/01/18	Open	6.39%	6.59%

#### *Net Pension Liability*

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

#### *Actuarial Assumptions*

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

Inflation	2.50%
Salary Increases	3.00% plus merit and longevity: 3.00% in the long-term
Investment Rate of Return	6.93%, net of investment and administrative expense including inflation

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

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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.

## Village of Pentwater

### Notes to the Financial Statements

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	Target Allocation Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global equity	60.00%	6.93%	4.16%	2.50%	2.66%
Global fixed income	20.00%	4.44%	0.89%	2.50%	0.39%
Private investments	20.00%	9.44%	1.89%	2.50%	1.39%
<b>Totals</b>	<b>100.00%</b>		<b>6.93%</b>		<b>4.43%</b>

### ***Discount Rate***

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

### ***Changes in Net Pension Liability***

Changes in the net pension liability during the measurement year were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>Balances at December 31, 2023</b>	\$ 2,798,760	\$ 1,889,614	\$ 909,146
Service Cost	91,371	-	91,371
Interest	197,600	-	197,600
Differences between expected and actual experience	75,585	-	75,585
Changes in actuarial assumptions	(8,430)	-	(8,430)
Employer contributions	-	98,826	(98,826)
Employee contributions	-	41,659	(41,659)
Net investment income	-	140,826	(140,826)
Benefit payments, including refunds	(184,704)	(184,704)	-
Administrative expense	-	(4,181)	4,181
Other changes	1	-	1
<i>Net changes</i>	<u>171,423</u>	<u>92,426</u>	<u>78,997</u>
<b>Balances at December 31, 2024</b>	<b>\$ 2,970,183</b>	<b>\$ 1,982,040</b>	<b>\$ 988,143</b>

The net pension liability is allocated based on defined benefit expense with governmental activities (including internal service activities) at \$805,336 and business-type activities at \$182,807.

## Village of Pentwater

### Notes to the Financial Statements

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

The following presents the net pension liability of the Village, calculated using the discount rate of 7.8 percent, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.18 percent) or one percentage point higher (8.18 percent) than the current rate:

	<b>1% Decrease (6.18%)</b>	<b>Current Discount Rate (7.18%)</b>	<b>1% Increase (8.18%)</b>
Village's net pension liability	\$ 1,318,549	\$ 988,143	\$ 711,180

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

#### ***Pension Expense and Deferred Outflows of Resources Related to Pensions***

For the year ended March 31, 2024, the Village recognized pension expense of \$155,192. At December 31, 2023, the Village reported deferred outflows related to pension from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 68,548	\$ -
Differences between expected and actual experience	86,464	-
Changes in assumptions	1,009	-
*Employer contributions (refunds) to the plan subsequent to the measurement date	25,900	-
<b>Total</b>	<b>\$ 181,921</b>	<b>\$ -</b>

\* 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.

Deferred outflows of resources is allocated based on defined benefit expense. Governmental activities (including internal service activities) have \$148,264 in deferred outflows of resources and business-type activities have \$33,657 in deferred outflows of resources.

**Village of Pentwater**

Notes to the Financial Statements

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

<b>Year Ended</b>	
<b>March 31,</b>	<b>Amount</b>
2026	\$ 95,431
2027	76,836
2028	(14,869)
2029	(1,377)

**Note 11 - Other Post-Employment Benefits**

***Plan Description***

Village of Pentwater Other Post-Employment Benefit Plan (the “Plan”) is a single employer plan established and administered by the Village and can be amended at its discretion.

***Benefits Provided***

The Village will contribute the following portion of the medical, dental, and vision insurance premium for eligible Village retirees and his/her dependents for their lifetimes, based on the table below:

<u>Years of Service</u>	<u>Percent of Coverage</u>
15	0%
16	10
17	20
18	30
19	50

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (March 31, 2025):

Inactive plan members or beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	0
<b><i>Total employees covered by the Plan</i></b>	<u>3</u>

***Contributions***

The Plan was established and is being funded under the authority of the Village Council. The plan's funding policy is that the employer will contribute any required amounts as determined by an

## Village of Pentwater

### Notes to the Financial Statements

annual actuarial valuation as reference but not as a definitive requirement. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

#### *Investments*

The Plan's assets are held by CLS Investments. It is the policy of CLS Investments to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

#### *Methods and Assumptions*

The total OPEB (asset)/liability was determined by an actuarial valuation as of March 31, 2024 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Included in investment rate of return
Discount Rate	6.28%
Healthcare Cost Rate	Not applicable
Salary Increases	Not applicable; all participants are retired
Investment Rate of Return	6.28% (including inflation)
20-year Aa Municipal bond rate	4.55%
Mortality	Pub-2016 General Retirees, Headcount weighted
Improvement scale	IRS 2024 Adjusted Scale MP-2021

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense 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.

Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation as of March 31, 2025 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	64.00%	7.10%
Global Fixed Income	26.00%	4.20%
Private Assets	5.00%	8.00%
Diversifying Strategies	5.00%	4.90%

## Village of Pentwater

### Notes to the Financial Statements

#### ***Discount Rate***

The discount rate used to measure the total OPEB (asset)/liability was 6.28%. The projection of cash flows used to determine the discount rate assumed that Village will make no further contributions to the trust and will pay retiree benefits from the trust. Based on those assumptions, the retirement plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB (asset)/liability.

Changes in the net OPEB (asset)/liability during the measurement year were as follows:

<u>Changes in Net OPEB Asset</u>	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Asset</u>
Balance at March 31, 2024	\$ 87,114	\$ 258,281	\$ (171,167)
Interest	5,266	-	5,266
Changes in assumptions	2,154	-	2,154
Contributions/benefit paid from general operating funds	-	10,800	(10,800)
Net investment income	-	14,123	(14,123)
Benefit payments, including refunds	(10,800)	(10,800)	-
Administrative expenses	-	(1,351)	1,351
<i>Net changes</i>	<u>(3,380)</u>	<u>12,772</u>	<u>(16,152)</u>
<b><i>Balance at March 31, 2025</i></b>	<b><u>\$ 83,734</u></b>	<b><u>\$ 271,053</u></b>	<b><u>\$ (187,319)</u></b>

The net OPEB (asset)/liability is allocated based on the trust's payment with governmental activities and business-type activities.

#### ***Sensitivity of the Net OPEB (asset)/liability to Changes in the Discount Rate***

The following presents the net OPEB (asset)/liability of the Village, calculated using the discount rate of 6.28%, as well as what the employer's net OPEB (asset)/liability would be using a discount rate that is 1 percentage point lower or higher than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 88,525	\$ 83,734	\$ 79,439
Plan Fiduciary Net Position	271,053	271,053	271,053
<b><i>Net OPEB Asset of the Village</i></b>	<b><u>\$ (182,528)</u></b>	<b><u>\$ (187,319)</u></b>	<b><u>\$ (191,614)</u></b>

## Village of Pentwater

### Notes to the Financial Statements

---

#### ***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plan***

For the year ending March 31, 2025, Village recognized OPEB expense of \$(17,046). At March 31, 2025, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Source</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 572

Deferred outflows and inflows of resources are allocated based on the trust's payments.

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

<b>Years Ended December 31</b>	<b>Amount</b>
2026	\$ 2,168
2027	950
2028	(4,421)
2029	731

#### **Note 12 - Subsequent Events**

Subsequent events were evaluated through September 23, 2025, the date the financial statements were available to be issued. The Village is not aware of any subsequent events that would have a material impact on their financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Village of Pentwater**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended March 31, 2025**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable) Final to Actual</b>
<b>Revenues</b>				
Property Taxes	\$ 1,077,800	\$ 1,063,350	\$ 1,055,763	\$ (7,587)
License and Permits	38,400	58,400	72,667	14,267
Federal Grants	140,000	140,000	--	(140,000)
State Grants	172,900	172,900	165,252	(7,648)
Charges for Services	198,400	198,400	208,707	10,307
Interest and Rentals	151,300	151,300	188,798	37,498
Other Revenue	3,200	3,200	7,447	4,247
<b>Total Revenues</b>	<u>1,782,000</u>	<u>1,787,550</u>	<u>1,698,634</u>	<u>(88,916)</u>
<b>Expenditures</b>				
<b>General Government</b>				
Elected Officials	97,900	131,950	115,934	16,016
Manager	123,900	256,400	212,827	43,573
Clerk/Treasurer	193,200	217,700	202,923	14,777
Building and Grounds	76,100	86,700	67,127	19,573
<b>Total General Government</b>	<u>491,100</u>	<u>692,750</u>	<u>598,811</u>	<u>93,939</u>
<b>Public Safety</b>				
Police Department	326,600	337,700	317,267	20,433
<b>Public Works</b>				
Department of Public Works	244,800	245,300	93,674	151,626
Street Lighting	33,000	33,000	32,184	816
Sanitation Services	195,600	195,600	168,172	27,428
<b>Total Public Works</b>	<u>473,400</u>	<u>473,900</u>	<u>294,030</u>	<u>179,870</u>
<b>Community and Economic Development</b>				
Planning and Zoning	87,300	106,350	85,439	20,911
Community and Economic Development	4,900	4,900	3,285	1,615
Community Promotion	15,600	15,800	4,819	10,981
<b>Total Community and Economic Development</b>	<u>107,800</u>	<u>127,050</u>	<u>93,543</u>	<u>33,507</u>
<b>Recreation and Culture</b>				
Recreation K-6 Program	18,000	19,850	17,940	1,910
Fish Cleaning Station	13,700	12,350	11,884	466
Parks and Recreation	220,900	220,900	151,043	69,857
<b>Total Recreation and Culture</b>	<u>252,600</u>	<u>253,100</u>	<u>180,867</u>	<u>72,233</u>
<b>Debt Service</b>	59,200	59,200	56,650	2,550
<b>Total Expenditures</b>	<u>1,710,700</u>	<u>1,943,700</u>	<u>1,541,168</u>	<u>402,532</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	71,300	(156,150)	157,466	313,616
<b>Net Change in Fund Balance</b>	<u>71,300</u>	<u>(156,150)</u>	<u>157,466</u>	<u>313,616</u>
<i>Fund Balance at Beginning of Period</i>	1,809,074	1,809,074	1,809,074	--
<b>Fund Balance at End of Period</b>	<u>\$ 1,880,374</u>	<u>\$ 1,652,924</u>	<u>\$ 1,966,540</u>	<u>\$ 313,616</u>

**Village of Pentwater**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios**  
**Last Ten Plan Years**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>										
Service Cost	\$ 91,371	\$ 86,220	\$ 77,882	\$ 65,653	\$ 65,755	\$ 65,750	\$ 66,650	\$ 60,021	\$ 60,706	\$ 58,298
Interest	197,600	183,253	177,681	176,992	173,283	171,449	163,109	159,945	148,711	142,500
Differences Between Expected and Actual Experience	75,585	108,220	(20,620)	(45,792)	(55,337)	3,039	33,026	(82,235)	37,179	-
Changes in Actuarial Assumptions*	(8,430)	19,889	-	83,240	39,372	74,982	-	-	92,191	-
Benefit Payments, Including Refunds	(184,704)	(166,685)	(157,808)	(170,746)	(177,711)	(178,865)	(137,307)	(124,704)	(123,070)	(115,630)
Other Changes	1	-	(1)	-	1	-	-	29,508	(17,804)	(7,363)
<b>Net Change in Pension Liability</b>	171,423	230,897	77,134	109,347	45,363	136,355	125,478	42,535	197,913	77,805
<i>Total Pension Liability - Beginning</i>	2,798,760	2,567,863	2,490,729	2,381,382	2,336,019	2,199,664	2,074,186	2,031,651	1,833,738	1,755,933
<b>Total Pension Liability - Ending (a)</b>	\$ 2,970,183	\$ 2,798,760	\$ 2,567,863	\$ 2,490,729	\$ 2,381,382	\$ 2,336,019	\$ 2,199,664	\$ 2,074,186	\$ 2,031,651	\$ 1,833,738
<b>Plan Fiduciary Net Position</b>										
Contributions - Employer	\$ 98,826	\$ 91,766	\$ 93,629	\$ 90,396	\$ 79,853	\$ 68,549	\$ 62,853	\$ 61,445	\$ 55,569	\$ 45,613
Contributions - Member	41,659	40,497	34,560	32,211	30,518	32,666	30,063	31,449	31,784	26,870
Net Investment Income (Loss)	140,826	191,925	(204,669)	247,565	203,167	204,684	(63,236)	194,472	153,663	(21,230)
Benefit Payments, Including Refunds	(184,704)	(166,685)	(157,808)	(170,746)	(177,711)	(178,865)	(137,307)	(124,704)	(123,070)	(115,630)
Administrative Expenses	(4,181)	(4,072)	(3,637)	(2,839)	(3,252)	(3,526)	(3,150)	(3,078)	(3,034)	(3,102)
<b>Net Change in Plan Fiduciary Net Position</b>	92,426	153,431	(237,925)	196,587	132,575	123,508	(110,777)	159,584	114,912	(67,479)
<i>Plan Fiduciary Net Position - Beginning</i>	1,889,614	1,736,183	1,974,108	1,777,521	1,644,946	1,521,438	1,632,215	1,472,631	1,357,719	1,425,198
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 1,982,040	\$ 1,889,614	\$ 1,736,183	\$ 1,974,108	\$ 1,777,521	\$ 1,644,946	\$ 1,521,438	\$ 1,632,215	\$ 1,472,631	\$ 1,357,719
<b>Net Pension Liability (Asset) - Ending (a) - (b)</b>	\$ 988,143	\$ 909,146	\$ 831,680	\$ 516,621	\$ 603,861	\$ 691,073	\$ 678,226	\$ 441,971	\$ 559,020	\$ 476,019
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.7%	67.5%	67.6%	79.3%	74.6%	70.4%	69.2%	78.7%	72.5%	74.0%
Covered Payroll	\$ 637,909	\$ 600,747	\$ 519,669	\$ 481,669	\$ 468,166	\$ 484,043	\$ 468,045	\$ 429,335	\$ 426,161	\$ 416,584
Net Pension Liability (Asset) as a Percentage of Covered Payroll	154.9%	151.3%	160.0%	107.3%	129.0%	142.8%	144.9%	102.9%	131.2%	114.3%

**Notes to Schedule:**

\*The following were significant changes to economic and demographic assumptions:

2015 valuation - The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to 3.25%, and the mortality assumption was updated to be based on the RP-2014 tables.

2019 valuation - The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.

2020 valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions.

2021 valuation - The investment rate of return assumption was reduced from 7.60% to 7.25%.

2023 valuation - The investment rate of return assumption was reduced from 7.25% to 7.18%.

**Village of Pentwater  
Required Supplementary Information  
Schedule of Contributions  
Last Ten Fiscal Years**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 102,206	\$ 90,633	\$ 94,179	\$ 92,835	\$ 83,220	\$ 68,690	\$ 62,853	\$ 45,503	\$ 57,818	\$ 47,758
Contributions in Relation to the Actuarially Determined Contribution	102,206	90,633	94,179	92,835	83,220	68,690	62,853	45,503	57,818	47,758
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	628,346	629,680	534,513	525,252	452,328	474,105	468,045	429,335	426,161	305,683
Contributions as a Percentage of Covered Payroll	16.3%	14.4%	17.6%	17.7%	18.4%	14.5%	13.4%	10.6%	13.6%	15.6%

*Notes*

**Valuation Date:**

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 15 months prior to the beginning of the fiscal year in which the contributions are required.

**Methods and assumptions used to determine contribution rates**

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of pay, open
Remaining amortization period	15 years
Asset valuation method	5-Year smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.93%, net of investment expenses, including inflation
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 and fully generational MP-2019

**Village of Pentwater**  
**Required Supplementary Information**  
**Schedule of Changes in Net OPEB (Asset)/Liability and Related Ratios**  
**Last Eight Fiscal Years**

	2025	2024	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>								
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,491	\$ 1,931	\$ 1,841
Interest	5,266	7,464	6,580	11,032	8,961	10,522	8,477	8,495
Changes in Benefit Terms	-	(22,950)	-	-	-	-	-	-
Difference Between Expected and Actual Experience	-	5,832	(249)	(9,574)	(5,673)	(21,233)	(893)	-
Changes in Actuarial Assumptions	2,154	1,835	(15,032)	12,374	(4,080)	253	(23,836)	-
Benefit Payments, Including Refunds	(10,800)	(10,475)	(9,338)	(13,444)	(8,365)	(11,474)	(6,786)	(14,803)
<b>Net Change in total OPEB Liability</b>	<b>(3,380)</b>	<b>(18,294)</b>	<b>(18,039)</b>	<b>388</b>	<b>(9,157)</b>	<b>(20,441)</b>	<b>(21,107)</b>	<b>(4,467)</b>
<i>Total OPEB Liability - Beginning</i>	87,114	105,408	123,447	123,059	132,216	152,657	173,764	178,231
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 83,734</b>	<b>\$ 87,114</b>	<b>\$ 105,408</b>	<b>\$ 123,447</b>	<b>\$ 123,059</b>	<b>\$ 132,216</b>	<b>\$ 152,657</b>	<b>\$ 173,764</b>
<b>Plan Fiduciary Net Position</b>								
Contributions	\$ 10,800	\$ 10,475	\$ 9,338	\$ 13,444	\$ 28,365	\$ 31,474	\$ 26,786	\$ 44,803
Net Investment Income (Loss)	14,123	41,911	(13,993)	9,574	61,417	(12,943)	3,536	9,003
Benefit Payments, Including Refunds	(10,800)	(10,475)	(9,338)	(13,444)	(8,365)	(11,474)	(6,786)	(14,803)
Administrative Expenses	(1,351)	(1,187)	(1,029)	(1,169)	(927)	(169)	(599)	(474)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>12,772</b>	<b>40,724</b>	<b>(15,022)</b>	<b>8,405</b>	<b>80,490</b>	<b>6,888</b>	<b>22,937</b>	<b>38,529</b>
<i>Plan Fiduciary Net Position - Beginning</i>	258,281	217,557	232,579	224,174	143,684	136,796	113,859	75,330
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 271,053</b>	<b>\$ 258,281</b>	<b>\$ 217,557</b>	<b>\$ 232,579</b>	<b>\$ 224,174</b>	<b>\$ 143,684</b>	<b>\$ 136,796</b>	<b>\$ 113,859</b>
<b>Net OPEB (Asset)/Liability - Ending (a) - (b)</b>	<b>\$ (187,319)</b>	<b>\$ (171,167)</b>	<b>\$ (112,149)</b>	<b>\$ (109,132)</b>	<b>\$ (101,115)</b>	<b>\$ (11,468)</b>	<b>\$ 15,861</b>	<b>\$ 59,905</b>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	323.7%	296.5%	206.4%	188.4%	182.2%	108.7%	89.6%	65.5%
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	48,082	30,951	N/A
Net OPEB (Asset)/Liability as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	-23.9%	51.2%	N/A

**Village of Pentwater  
Required Supplementary Information  
Schedule of Contributions - OPEB  
Last Eight Fiscal Years**

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,582	\$ 34,207	\$ 32,306
Contributions in Relation to the Actuarially Determined Contribution	10,800	10,475	9,338	13,444	28,365	31,474	26,786	44,803
Contribution Deficiency (Excess)	<u>\$ (10,800)</u>	<u>\$ (10,475)</u>	<u>\$ (9,338)</u>	<u>\$ (13,444)</u>	<u>\$ (28,365)</u>	<u>\$ (12,892)</u>	<u>\$ 7,421</u>	<u>\$ (12,497)</u>
Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	48,082	30,951	N/A
Contributions as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A	N/A	38.6%	110.5%	N/A

*Notes*

**Valuation Date: March 31, 2025, with a March 31, 2025 measurement date**

**Methods and assumptions used to determine contribution rates**

Discount Rate	6.90% for 2025 contribution, 6.28% for 2025 liability and 2026 contribution
20-year Aa Municipal bond rate	4.55% (S&P Municipal Bond 20-year High Grade Rate Index)
Actuarial cost method	Entry age normal (level percentage of compensation)
Amortization method	Level \$
Remaining amortization period	1 Year
Asset valuation method	Market Value
Inflation	Included in investment return
Salary increases	Not applicable
Investment rate of return	6.28%
Utilization, Termination and Retirement Rate:	Not applicable
Mortality	Pub-2016 General Retirees, Headcount weighted
Improvement scale	IRS 2024 Adjusted Scale MP-2021

**Village of Pentwater  
 Required Supplementary Information  
 Schedule of Investment Returns - OPEB\*  
 Last Eight Fiscal Years**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual Money-Weighted Rate of Return, Net of Investment Expenses	5.34%	17.62%	-6.22%	4.19%	33.39%	-9.23%	2.82%	9.52%

*\* Built prospectively upon implementation on GASB Statement No.75. An additional year will be added each year until ten years are presented.*

## **Other Supplementary Information**

**Village of Pentwater  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2025**

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Major Streets	Local Streets	Park Place	Municipal Street Fund	Street Construction	
<b>ASSETS</b>						
Cash and Investments	\$ 377,197	\$ 232,812	\$ 141,843	\$ 8,829	\$ 17	\$ 760,698
Due from Other Governments	27,176	13,686	580	814	--	42,256
<b>Total Assets</b>	<b>\$ 404,373</b>	<b>\$ 246,498</b>	<b>\$ 142,423</b>	<b>\$ 9,643</b>	<b>\$ 17</b>	<b>\$ 802,954</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 2,007	\$ --	\$ 199	\$ --	\$ --	\$ 2,206
Accrued Expenses	847	814	584	--	--	2,245
Deposits Payable	--	--	4,200	--	--	4,200
<b>Total Liabilities</b>	<b>2,854</b>	<b>814</b>	<b>4,983</b>	<b>--</b>	<b>--</b>	<b>8,651</b>
<b>FUND BALANCE</b>						
Restricted	401,519	245,684	137,440	9,643	17	794,303
Unassigned	--	--	--	--	--	--
<b>Total Fund Balance</b>	<b>401,519</b>	<b>245,684</b>	<b>137,440</b>	<b>9,643</b>	<b>17</b>	<b>794,303</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 404,373</b>	<b>\$ 246,498</b>	<b>\$ 142,423</b>	<b>\$ 9,643</b>	<b>\$ 17</b>	<b>\$ 802,954</b>

**Village of Pentwater**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended March 31, 2025**

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Major Streets	Local Streets	Park Place	Municipal Street Fund	Street Construction	
<b>Revenues</b>						
Property Taxes	\$ --	\$ --	\$ 44,122	\$ 146,986	\$ --	\$ 191,108
Intergovernmental	225,328	80,262	--	--	--	305,590
Interest and Rentals	14,379	9,488	12,424	2,567	--	38,858
Other Revenue	--	3,699	8,130	--	--	11,829
<b>Total Revenues</b>	<u>239,707</u>	<u>93,449</u>	<u>64,676</u>	<u>149,553</u>	<u>--</u>	<u>547,385</u>
<b>Expenditures</b>						
Public Works	112,276	54,253	--	--	--	166,529
Recreation and Culture	--	--	42,460	--	--	42,460
Debt Service - Principal	--	--	--	105,000	--	105,000
Debt Service - Interest	--	--	--	37,150	--	37,150
<b>Total Expenditures</b>	<u>112,276</u>	<u>54,253</u>	<u>42,460</u>	<u>142,150</u>	<u>--</u>	<u>351,139</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>127,431</u>	<u>39,196</u>	<u>22,216</u>	<u>7,403</u>	<u>--</u>	<u>196,246</u>
<b>Net Change in Fund Balance</b>	<u>127,431</u>	<u>39,196</u>	<u>22,216</u>	<u>7,403</u>	<u>--</u>	<u>196,246</u>
<i>Fund Balance at Beginning of Period</i>	274,088	206,488	115,224	2,240	17	598,057
<b>Fund Balance at End of Period</b>	<u>\$ 401,519</u>	<u>\$ 245,684</u>	<u>\$ 137,440</u>	<u>\$ 9,643</u>	<u>\$ 17</u>	<u>\$ 794,303</u>

**VILLAGE OF PENTWATER, MICHIGAN**

**SINGLE AUDIT ACT COMPLIANCE**

**YEAR ENDED MARCH 31, 2025**

**Village of Pentwater  
Schedule of Expenditures of Federal Awards  
For the Year Ended March 31, 2025**

<b>Federal/Pass-through Grantor Program Title</b>	<b>Assistance Listing Number</b>	<b>Pass-through Grantor Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Treasury</b>			
<i>Passed through the Michigan Department of Environment, Great Lakes, and Energy</i>			
COVID-19 American Rescue Plan Act (ARPA)	21.027	N/A	\$ 89,515
<b>Total U.S. Department of Treasury</b>			<u>89,515</u>
<b>U.S. Environmental Protection Agency</b>			
<i>Passed through the Michigan Department of Environment, Great Lakes, and Energy</i>			
<i>Drinking Water State Revolving Fund</i>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	7676-01	1,420,616
<b>Total U.S. Environmental Protection Agency</b>			<u>1,420,616</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,510,131</u>

See Notes to the Schedule of Expenditures of Federal Awards

## Village of Pentwater

### Notes to the Schedule of Expenditures of Federal Awards

#### NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Village of Pentwater (the "Village") under programs of the federal government for the year ended March 31, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position or cash flows of the Village.

The Village's reporting entity is defined in Note 1 of the Village's Audited Financial Statements.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements with the exception of the expenditures related to Assistance Listing Number 66.468, Capitalization Grants for Drinking Water – State Revolving Fund (DWSRF) program and Assistance Listing Number 66.458. The DWSRF expenditures are reported on cash basis in accordance with the subrecipient reporting guidelines outlined in the 2024 OMB Compliance Supplement for ALN 66.468. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the Village has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

#### NOTE 3 - RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the federal activity from the basic financial statements with the federal expenditures in the Schedule:

<b>Federal sources reported in the governmental funds</b>	
Total intergovernmental revenues	\$ 470,842
Subtract state intergovernmental revenues	(381,327)
<b>Total federal Sources included on SEFA</b>	<u>89,515</u>
<b>Federal sources reported in the business-type funds</b>	
Business-type activities, water fund - capital contributions (federal grant)	\$ 700,547
<b>Total federal Sources included on SEFA</b>	<u>700,547</u>
<b>Business-type activities loan activity</b>	
State revolving loan funds, federal portion	720,069
<b>Total loans, federal portion</b>	<u>720,069</u>
<b>Total federal expenditures reported in the Schedule:</b>	<u>\$ 1,510,131</u>

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 Members of the Village Council  
Village of Pentwater, 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 Village of Pentwater (the "Village"), as of and for the years ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated September 23, 2025.

### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village'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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of finding and questioned costs as item 2025-001 that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The Village's Response to Findings**

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

### **Purpose of this Report**

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



Gabridge & Company, PLC  
Grand Rapids, MI  
September 23, 2025

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Members of the Village Council  
Village of Pentwater, Michigan

**Report on Compliance for Each Major Federal Program*****Opinion on Each Major Federal Program***

We have audited the Village of Pentwater's (the "Village"), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended March 31, 2025. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Village complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2025.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

## ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC  
Grand Rapids, MI  
September 23, 2025

**Village of Pentwater  
Schedule of Findings and Questioned Costs  
For the Year Ended March 31, 2025**

<b>SECTION I - SUMMARY OF AUDITOR'S RESULTS</b>
---

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs					
Material weaknesses identified?	No				
Significant deficiencies identified not considered to be material weaknesses?	No				
Type of auditor's report issued on compliance for major programs	Unmodified				
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes				
Identification of Major Programs					
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-bottom: 1px solid black; width: 80%;">Name of Federal Program or Cluster</td> <td style="text-align: right; border-bottom: 1px solid black; width: 20%;">Assistance Listing Number</td> </tr> <tr> <td>Drinking Water State Revolving Fund</td> <td style="text-align: right;">66.468</td> </tr> </table>	Name of Federal Program or Cluster	Assistance Listing Number	Drinking Water State Revolving Fund	66.468	
Name of Federal Program or Cluster	Assistance Listing Number				
Drinking Water State Revolving Fund	66.468				
Dollar threshold used to distinguish between Type A and B programs?	\$750,000				
Auditee qualified as a low-risk auditee?	No				

<b>SECTION II - FINANCIAL STATEMENT FINDINGS</b>
--

See item 2025-001 on following pages

<b>SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS</b>
--

None to report

<b>SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS</b>
---

Item 2024-001 was a repeat finding, see 2025-001 on the following pages

## Village of Pentwater

### Schedule of Findings and Questioned Costs

---

#### **Material Weakness**

#### **2025-001 Material Audit Adjustments and Financial Statement Preparation (repeat finding)**

**Condition:** We identified and proposed material audit adjustments for receivables, liabilities, revenues, and expenditures that management reviewed and approved. We also assisted management with preparing the basic financial statements and the related footnotes.

As is the case with many small and medium-sized governmental units, the Village has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Village's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Village's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses.

**Criteria:** All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the management. The preparation of financial statements in accordance with GAAP requires internal controls over both: 1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and 2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).

**Cause:** This condition was caused by the Village's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Village to perform this task internally because outsourcing the task is considered more cost effective.

**Effect:** The Village's accounting records were initially misstated by amounts material to the financial statements. In addition, the Village lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

## Village of Pentwater

### Schedule of Findings and Questioned Costs

---

Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Village's annual financial statements versus contracting with its auditor for these services.

Views of Responsible

Officials: See corrective action plan

Planned Corrective

Action: Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

September 23, 2025

## CORRECTIVE ACTION PLAN

### **Finding: 2025-001 – Material Audit Adjustments and Financial Statement Preparation (repeat finding)**

**Auditor Description of Condition and Effect:** Material audit adjustments were identified and proposed by the auditors for various financial statement components, and the Village continues to rely on the external auditor to prepare financial statements.

The Village's initial accounting records were materially misstated, and there is a lack of complete internal controls over the preparation of GAAP-compliant financial statements.

**Auditor Recommendation:** Management should continuously evaluate the cost-benefit of securing internal or other external resources to handle material adjustments and financial statement preparation versus continuing to rely on the auditor.

#### **Corrective Action:**

**Cost-Benefit Analysis:** The Village will conduct an in-depth analysis of the costs and benefits associated with hiring internal resources or external consultants to prepare financial statements. This analysis will consider both the financial impact and the potential improvement in internal controls.

**Enhanced Review Process:** The Village will continue and strengthen the review process for draft financial statements and notes prepared by the external auditor. This review will focus on ensuring accuracy and completeness before final approval.

**Staff Training:** The Village will provide ongoing training opportunities for internal staff to enhance their ability to prepare financial statements independently. This training will focus on GAAP compliance and the prevention of material misstatements.

Responsible Person Printed Name: Rande Listerman

Signature:

Title: Village Clerk/Treasurer

Anticipated Completion Date: March 31, 2026

September 23, 2025

To the Members of the Village Council  
Village of Pentwater, 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 Village of Pentwater (the “Village”) as of and 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 11, 2025. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village are described in Note 1 to the financial statements. There were no new accounting policies adopted and the application of existing policies was not changed during the fiscal year ended March 31, 2025. We noted no transactions entered into by the governmental unit 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 Village’s financial statements were:

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences and the related pay rates as of year-end.
- The assumptions used in the valuations of the pension and OPEB plans are based on historical trends and industry standards.
- The assumptions used in the calculations of lease receivables and intangible right to use assets.

- Management’s estimate of the inventory within the water fund.

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

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.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as 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 23, 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 governmental unit’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 governmental unit’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 the budgetary comparison schedules, the pension and OPEB plan schedules, and management's discussion and analysis, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

*Restriction on Use*

This information is intended solely for the use of management, the Village Council, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

Gabridge & Company, PLC  
Grand Rapids, MI