

VILLAGE OF PENTWATER, MICHIGAN

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2026

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balance	19
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with Statement of Activities	20
Proprietary Funds	
Statement of Net Position	21
Statement of Revenues, Expenses, and Changes in Net Position	22
Statement of Cash Flows	23
Fiduciary Funds	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to the Financial Statements	27
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	59
Schedule of Changes in Net Pension Liability and Related Ratios - MERS	60
Schedule of Contributions - MERS	61
Schedule of Changes in Net OPEB (Asset)/Liability and Related Ratios	62
Schedule of Contributions - OPEB	63
Schedule of Investment Returns - OPEB	64
OTHER SUPPLEMENTARY INFORMATION	
Combining and Individual Fund Statements - Nonmajor Governmental Funds	
Combining Balance Sheet	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	67
SINGLE AUDIT ACT COMPLIANCE	
Schedule of Expenditures of Federal Awards	69
Notes to the Schedule of Expenditures of Federal Awards	70
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>	71
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	73
Schedule of Findings and Questioned Costs	76

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, 2026, 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, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 17, 2026, 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 17, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Village of Pentwater
Management's Discussion and Analysis
March 31, 2026**

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, 2026. 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 \$12,871,393 (net position). Of this amount, \$3,618,609 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 \$5,597,238 and total expenses were \$3,869,052 leading to an overall increase in net position of \$1,728,186 during the year.
- At the close of the current fiscal year, the Village's governmental funds reported combined fund balances of \$2,887,302, a decrease of \$6,715 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,646,543, or approximately 85.7% 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 and debt service fund, which are both 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 has been provided to demonstrate compliance with the budget.

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 enterprise 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 to allocate 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 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 schedule and the Village's 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 and other post-retirement benefits.

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 \$12,871,393, at the close of the most recent fiscal year.

Village of Pentwater's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2026	2025	2026	2025	2026	2025
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 2,896,696	\$ 2,815,267	\$ 2,653,832	\$ 3,111,302	\$ 5,550,528	\$ 5,926,569
Accounts Receivable	48,403	35,661	335,508	271,722	383,911	307,383
Due from Other Governments	84,773	86,438	63,940	533,509	148,713	619,947
Leases Receivable	68,822	67,288	-	-	68,822	67,288
Inventory	-	-	25,429	25,429	25,429	25,429
Internal Balances	-	-	-	-	-	-
Total Current Assets	3,098,694	3,004,654	3,078,709	3,941,962	6,177,403	6,946,616
<i>Noncurrent Assets</i>						
Restricted Cash - RRI	-	-	194,080	164,220	194,080	164,220
Restricted Cash - Bond Reserve	-	-	203,600	203,600	203,600	203,600
Capital Assets not Being Depreciated/Amortized	60,191	60,191	6,911,428	1,773,369	6,971,619	1,833,560
Capital Assets Being Depreciated/Amortized, net	6,795,417	7,001,377	5,826,106	6,099,835	12,621,523	13,101,212
Long-Term Leases Receivable	1,955,862	2,024,684	-	-	1,955,862	2,024,684
Net OPEB Asset	114,313	93,659	114,312	93,660	228,625	187,319
Total Assets	12,024,477	12,184,565	16,328,235	12,276,646	28,352,712	24,461,211
DEFERRED OUTFLOWS OF RESOURCES						
Pension	67,027	148,264	12,491	33,657	79,518	181,921
OPEB	-	-	-	-	-	-
Total Deferred Outflows of Resources	67,027	148,264	12,491	33,657	79,518	181,921
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	121,195	4,190	890,125	947,888	1,011,320	952,078
Accrued Expenses	68,674	29,331	11,838	9,494	80,512	38,825
Deposits Payable	775	-	-	-	775	-
Unearned Revenue	-	-	6,500	10,856	6,500	10,856
Accrued Interest	-	-	52,382	70,495	52,382	70,495
Current Portion of Compensated Absences	19,588	16,610	1,552	3,362	21,140	19,972
Current Portion of Long-term Debt	374,102	363,575	181,000	165,000	555,102	528,575
Internal Balances	-	1,500	-	(1,500)	-	-
Total Current Liabilities	584,334	415,206	1,143,397	1,205,595	1,727,731	1,620,801
<i>Noncurrent Liabilities</i>						
Compensated Absences	58,763	49,830	4,656	10,086	63,419	59,916
Long-term Debt	2,579,972	2,970,161	8,350,360	5,829,124	10,930,332	8,799,285
Net Pension Liability	649,717	805,336	121,094	182,807	770,811	988,143
Total Liabilities	3,872,786	4,240,533	9,619,507	7,227,612	13,492,293	11,468,145
DEFERRED INFLOWS OF RESOURCES						
Pension	102,759	-	19,154	-	121,913	-
OPEB	-	286	-	286	-	572
Deferred Lease Revenues	1,946,631	2,031,208	-	-	1,946,631	2,031,208
Total Deferred Inflows of Resources	2,049,390	2,031,494	19,154	286	2,068,544	2,031,780
NET POSITION						
Net Investment in Capital Assets	3,979,826	3,727,832	3,763,390	2,432,871	7,743,216	6,160,703
Restricted	1,111,888	927,477	397,680	367,820	1,509,568	1,295,297
Unrestricted	1,077,614	1,405,493	2,540,995	2,281,714	3,618,609	3,687,207
Total Net Position	\$ 6,169,328	\$ 6,060,802	\$ 6,702,065	\$ 5,082,405	\$ 12,871,393	\$ 11,143,207

The largest portion of the Village's net position, \$7,743,216 (or 60.2%), 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, \$1,509,568 (or 11.7%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,618,609 (or 28.1%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Due from other governments decreased by \$471,234, a large receivable related to grants in the prior year. Capital assets not being depreciated increased by \$5,138,059 due to increased construction in progress during the current year. Capital assets being depreciated decreased \$479,689 as a result of depreciation expense exceeding current year additions. Long-term debt, net of current portion increased \$2,157,574 as a result of a new capital improvement bond. See notes to the financial statements for more details. Net pension liability decreased by \$217,332. Deferred outflows of resources related to pension decreased by \$102,403 and deferred inflows of resources related to pension increased by \$121,913. 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	
	2026	2025	2026	2025	2026	2025
Revenues						
Program Revenues						
Charges for Services	\$ 378,064	\$ 412,408	\$ 1,387,658	\$ 1,249,111	\$ 1,765,722	\$ 1,661,519
Operating Grants and Contributions	404,227	370,528	-	-	404,227	370,528
Capital Grants and Contributions	-	-	1,475,132	700,547	1,475,132	700,547
General Revenues						
Taxes	1,624,298	1,553,631	-	-	1,624,298	1,553,631
Unrestricted State Aid	104,076	104,163	-	-	104,076	104,163
Interest Income	120,658	126,761	103,125	101,502	223,783	228,263
Total Revenues	2,631,323	2,567,491	2,965,915	2,051,160	5,597,238	4,618,651
Expenses						
General Government	781,968	647,927	-	-	781,968	647,927
Public Safety	456,035	350,362	-	-	456,035	350,362
Public Works	895,914	683,656	-	-	895,914	683,656
Community and Economic Development	62,710	93,543	-	-	62,710	93,543
Recreation and Culture	245,226	269,285	-	-	245,226	269,285
Interest on Long-term Debt	80,944	90,605	-	-	80,944	90,605
Sewer Fund	-	-	655,604	998,120	655,604	998,120
Water Fund	-	-	568,791	388,936	568,791	388,936
Marina Fund	-	-	121,860	87,370	121,860	87,370
Total Expenses	2,522,797	2,135,378	1,346,255	1,474,426	3,869,052	3,609,804
Changes in Net Position	108,526	432,113	1,619,660	576,734	1,728,186	1,008,847
<i>Net Position at the Beginning of Period</i>	<i>6,060,802</i>	<i>5,628,689</i>	<i>5,082,405</i>	<i>4,505,671</i>	<i>11,143,207</i>	<i>10,134,360</i>
Net Position at the End of Period	\$ 6,169,328	\$ 6,060,802	\$ 6,702,065	\$ 5,082,405	\$ 12,871,393	\$ 11,143,207

Governmental Activities. Governmental activities increased the Village's net position by \$108,526, compared to an increase of \$432,113 during the prior year. Taxes increased \$70,667 due to an increase in taxable value. General government expenses increased \$134,041 largely due to professional services increasing. Public works expenses increased by \$212,258 during the year due to increased road projects during the year. Public safety expenses increased by \$105,673 during the year due an increase in wage expenses.

Business-type Activities. Business-type activities increased the Village's net position by \$1,619,660, compared to an increase of \$576,734 during the prior year. Charges for services increased by \$138,547 due to an increase in billings for water and sewer usage. Capital grants increased \$774,585 from the new EGLE grant. Expenses related to the sewer fund decreased by

\$342,516 due to a decrease in sewer projects. Expenses related to the water fund increased by \$179,855 due to an increase in water projects.

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 it represents 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, 2026, the Village's governmental funds reported combined fund balances of \$2,887,302, a decrease of \$6,715 in comparison with the prior year. Approximately 57.0% of this amount, or \$1,646,543, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Additionally, approximately 38.5% of or \$1,111,888 of the fund balance is *restricted* to indicate that it is restricted for particular purposes, \$213,231 for debt service, \$710,674 for major and local streets, \$9,643 for municipal streets, \$18 for street construction, and \$156,986 for the friendship center. The remainder of the fund balance, \$128,871, is *nonspendable* to indicate that is not in spendable form.

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 \$1,646,543. 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 85.7% of total general fund expenditures and transfers out.

The fund balance of the Village's general fund decreased by \$191,126 during the current fiscal year. This is due to an increase in general government, public safety and public works expenditures.

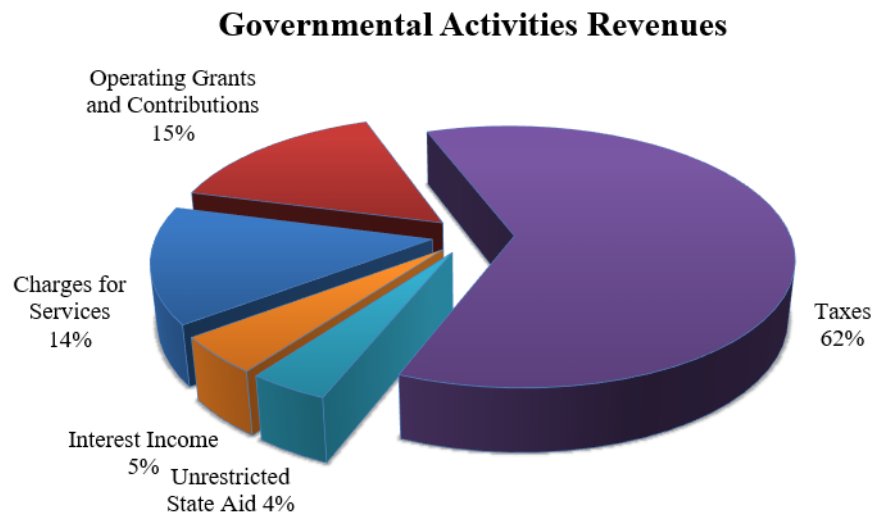
The debt service fund, a major fund, increased fund balance by \$80,057. This is due to slightly more tax revenues coming in compared to the debt principal and interest payments.

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

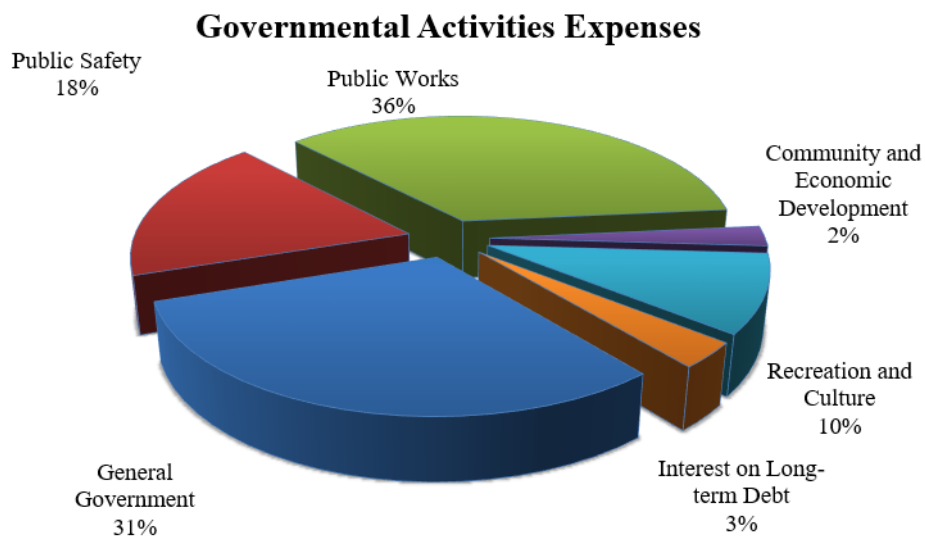
Unrestricted net position at the end of the year was \$380,912 for the sewer fund, \$1,937,248 for the water fund, and \$222,835 for the marina fund. All business-type funds reported increased in net position for an overall increase in net position of \$1,619,660. A summary of the changes in the sewer, 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 amendments were to increase estimated Police Department costs from \$355,200 to \$426,100 and increase estimated Clerk/Treasurer costs from \$214,800 to \$262,800.

Final budget compared to actual results. The Village had the following expenditures in excess of the amount appropriated during the year ended March 31, 2026:

	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Elected Officials	\$ 86,100	\$ 120,950	\$ (34,850)
Building and Grounds	89,800	146,204	(56,404)
Department of Public Works	174,700	190,495	(15,795)
Sanitation Services	192,800	222,694	(29,894)
Debt Service	58,700	63,577	(4,877)

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, 2026 amounts to \$19,593,142 (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 31.2% from the prior year primarily due to construction in progress starting on the sewer and water improvements.

More detailed information about the Village's 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 \$8,531,360 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 Village's long-term debt can be found in notes to the financial statements.

Economic Condition and Outlook

Management estimates that approximately \$1,722,000 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 2027, 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, 2026**

	Primary Government			Component Unit -
	Governmental	Business-type	Total	DDA
	Activities	Activities		
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 2,896,696	\$ 2,653,832	\$ 5,550,528	\$ 67,226
Accounts Receivable	48,403	335,508	383,911	--
Due from Other Governments	84,773	63,940	148,713	159
Leases Receivable	68,822	--	68,822	--
Inventory	--	25,429	25,429	--
Total Current Assets	3,098,694	3,078,709	6,177,403	67,385
<i>Noncurrent Assets</i>				
Restricted Cash - Bond RRI	--	194,080	194,080	--
Restricted Cash - Bond Reserve	--	203,600	203,600	--
Capital Assets not being Depreciated	60,191	6,911,428	6,971,619	--
Capital Assets being Depreciated, net	6,795,417	5,826,106	12,621,523	--
Long-term Leases Receivable	1,955,862	--	1,955,862	--
Net OPEB Asset	114,313	114,312	228,625	--
Total Assets	12,024,477	16,328,235	28,352,712	67,385
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	67,027	12,491	79,518	--
Total Deferred Outflows of Resources	67,027	12,491	79,518	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	121,195	890,125	1,011,320	--
Accrued Expenses	68,674	11,838	80,512	--
Deposits Payable	775	--	775	--
Unearned Revenue	--	6,500	6,500	--
Accrued Interest	--	52,382	52,382	--
Current Portion of Compensated Absences	19,588	1,552	21,140	--
Current Portion of Long-term Debt	374,102	181,000	555,102	--
Total Current Liabilities	584,334	1,143,397	1,727,731	--
<i>Noncurrent Liabilities</i>				
Compensated Absences	58,763	4,656	63,419	--
Long-term Debt	2,579,972	8,350,360	10,930,332	--
Net Pension Liability	649,717	121,094	770,811	--
Total Liabilities	3,872,786	9,619,507	13,492,293	--
DEFERRED INFLOWS OF RESOURCES				
Pension Related	102,759	19,154	121,913	--
Deferred Lease Revenues	1,946,631	--	1,946,631	--
Total Deferred Inflows of Resources	2,049,390	19,154	2,068,544	--
NET POSITION				
Net Investment in Capital Assets	3,979,826	3,763,390	7,743,216	--
<i>Restricted for:</i>				
Debt Service - Bond RRI	--	194,080	194,080	--
Debt Service - Bond Reserve	--	203,600	203,600	--
Downtown Development	--	--	--	67,385
Friendship Center	156,983	--	156,983	--
Streets	741,674	--	741,674	--
Debt Service	213,231	--	213,231	--
<i>Unrestricted</i>	1,077,614	2,540,995	3,618,609	--
Total Net Position	\$ 6,169,328	\$ 6,702,065	\$ 12,871,393	\$ 67,385

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, 2026**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit - DDA
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 781,968	\$ 155,518	\$ 46,153	\$ --	\$ (580,297)	\$ --	\$ (580,297)	\$ --
Public Safety	456,035	40,721	--	--	(415,314)	--	(415,314)	--
Public Works	895,914	145,567	357,953	--	(392,394)	--	(392,394)	--
Community and Economic Development	62,710	5,880	--	--	(56,830)	--	(56,830)	--
Recreation and Culture	245,226	30,378	121	--	(214,727)	--	(214,727)	--
Interest on Long-term Debt	80,944	--	--	--	(80,944)	--	(80,944)	--
Total Governmental Activities	2,522,797	378,064	404,227	--	(1,740,506)	--	(1,740,506)	--
Business-type Activities:								
Marina (nonmajor)	121,860	129,493	--	--	--	7,633	7,633	--
Sewer	655,604	750,359	--	--	--	94,755	94,755	--
Water	568,791	507,806	--	1,475,132	--	1,414,147	1,414,147	--
Total Business-type Activities	1,346,255	1,387,658	--	1,475,132	--	1,516,535	1,516,535	--
Total Primary Government	\$ 3,869,052	\$ 1,765,722	\$ 404,227	\$ 1,475,132	(1,740,506)	1,516,535	(223,971)	--
Component Unit								
Downtown Development Authority	\$ 35,780	\$ 2,050	\$ 3,490	\$ --	--	--	--	(30,240)
Total Component Unit	\$ 35,780	\$ 2,050	\$ 3,490	\$ --	--	--	--	(30,240)
General Purpose Revenues:								
Property Taxes					1,624,298	--	1,624,298	29,259
Unrestricted State Aid					104,076	--	104,076	--
Interest Income					120,658	103,125	223,783	2,453
Total General Revenues					1,849,032	103,125	1,952,157	31,712
Change in Net Position					108,526	1,619,660	1,728,186	1,472
<i>Net Position at Beginning of Period</i>					6,060,802	5,082,405	11,143,207	65,913
Net Position at End of Period					\$ 6,169,328	\$ 6,702,065	\$ 12,871,393	\$ 67,385

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

**Village of Pentwater
Balance Sheet
Governmental Funds
March 31, 2026**

		<u>Debt Service</u>		
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 1,674,376	\$ 208,436	\$ 854,888	\$ 2,737,700
Accounts Receivable	48,403	--	--	48,403
Due from Other Governments	32,943	4,795	47,035	84,773
Leases Receivable	2,024,684	--	--	2,024,684
Long-term Advance	128,871	--	--	128,871
<i>Total Assets</i>	<u>\$ 3,909,277</u>	<u>\$ 213,231</u>	<u>\$ 901,923</u>	<u>\$ 5,024,431</u>
LIABILITIES				
Accounts Payable	\$ 121,042	\$ --	\$ 153	\$ 121,195
Accrued Expenses	66,190	--	2,338	68,528
Deposits Payable	--	--	775	775
<i>Total Liabilities</i>	<u>187,232</u>	<u>--</u>	<u>3,266</u>	<u>190,498</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Lease Revenues	1,946,631	--	--	1,946,631
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>2,133,863</u>	<u>--</u>	<u>3,266</u>	<u>2,137,129</u>
FUND BALANCE				
Nonspendable	128,871	--	--	128,871
Restricted	--	213,231	898,657	1,111,888
Unassigned	1,646,543	--	--	1,646,543
<i>Total Fund Balance</i>	<u>1,775,414</u>	<u>213,231</u>	<u>898,657</u>	<u>2,887,302</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 3,909,277</u>	<u>\$ 213,231</u>	<u>\$ 901,923</u>	<u>\$ 5,024,431</u>

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, 2026

Total Fund Balance - Governmental Funds	\$ 2,887,302
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	341,020
General government capital assets of \$8,345,331, net of accumulated depreciation of \$1,808,611, are not financial resources and, accordingly, are not reported in the funds.	6,536,720
Net pension liability is not due and payable in the current period and is not reported in the funds.	(648,098)
The net other post-employment benefit liability is not an available resource and, therefore, is not reported in the funds.	114,599
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(78,351)
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.	(35,643)
Long-term liabilities are not due any payable in the current period and therefore are not reported in the funds.	(2,947,935)
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)
Total Net Position - Governmental Activities	\$ <u>6,169,328</u>

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

Village of Pentwater
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended March 31, 2026

		<u>Debt Service</u>		
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property Taxes	\$ 1,096,398	\$ 325,364	\$ 202,536	\$ 1,624,298
License and Permits	69,898	--	--	69,898
State Grants	179,238	847	304,547	484,632
Charges for Services	207,788	--	--	207,788
Interest and Rentals	171,589	6,166	45,493	223,248
Other Revenue	5,130	--	21,071	26,201
Total Revenues	<u>1,730,041</u>	<u>332,377</u>	<u>573,647</u>	<u>2,636,065</u>
Expenditures				
General Government	766,342	--	--	766,342
Public Safety	423,469	--	--	423,469
Public Works	438,898	--	287,343	726,241
Community and Economic Development	64,010	--	--	64,010
Recreation and Culture	164,871	--	43,950	208,821
Debt Service - Principal	57,286	200,000	105,000	362,286
Debt Service - Interest	6,291	52,320	33,000	91,611
Total Expenditures	<u>1,921,167</u>	<u>252,320</u>	<u>469,293</u>	<u>2,642,780</u>
Excess of Revenues Over (Under) Expenditures	<u>(191,126)</u>	<u>80,057</u>	<u>104,354</u>	<u>(6,715)</u>
Net Change in Fund Balance	<u>(191,126)</u>	<u>80,057</u>	<u>104,354</u>	<u>(6,715)</u>
<i>Fund Balance at Beginning of Period</i>	1,966,540	133,174	794,303	2,894,017
Fund Balance at End of Period	<u>\$ 1,775,414</u>	<u>\$ 213,231</u>	<u>\$ 898,657</u>	<u>\$ 2,887,302</u>

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, 2026

Total Net Change in Fund Balances - Governmental Funds	\$ (6,715)
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	(14,033)
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 \$18,497 are exceeded by depreciation expense of \$238,223.	(219,726)
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.	(33,119)
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.	20,940
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.	(11,911)
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.	373,090
Changes in Net Position - Governmental Activities	\$ <u>108,526</u>

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

**Village of Pentwater
Statement of Net Position
Proprietary Funds
March 31, 2026**

	Business-type Activities - Enterprise Funds				Governmental
	Sewer	Water	Marina (nonmajor)	Total Enterprise Funds	Activities Internal Service Funds
ASSETS					
Current Assets					
Cash and Investments	\$ 238,165	\$ 2,179,028	\$ 236,639	\$ 2,653,832	\$ 158,996
Accounts Receivable	189,231	146,277	--	335,508	--
Due from Other Governments	825	63,115	--	63,940	--
Inventory	--	25,429	--	25,429	--
Total Current Assets	428,221	2,413,849	236,639	3,078,709	158,996
Noncurrent Assets					
Restricted Cash - Bond RRI	194,080	--	--	194,080	--
Restricted Cash - Bond Reserve	203,600	--	--	203,600	--
Capital Assets not being Depreciated	450,080	6,248,961	212,387	6,911,428	--
Capital Assets being Depreciated, net	4,390,091	1,216,027	219,988	5,826,106	318,888
Net OPEB Asset	57,156	57,156	--	114,312	--
Total Assets	5,723,228	9,935,993	669,014	16,328,235	477,884
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	4,349	7,474	668	12,491	167
Total Deferred Outflows of Resources	4,349	7,474	668	12,491	167
LIABILITIES					
Current Liabilities					
Accounts Payable	8	890,077	40	890,125	--
Accrued Expenses	4,488	6,918	432	11,838	146
Unearned Revenue	--	--	6,500	6,500	--
Accrued Interest	52,382	--	--	52,382	--
Current Portion of Compensated Absences	776	776	--	1,552	--
Current Portion of Long-term Debt	98,000	83,000	--	181,000	6,139
Total Current Liabilities	155,654	980,771	6,972	1,143,397	6,285
Noncurrent Liabilities					
Compensated Absences	2,328	2,328	--	4,656	--
Long-term Debt	3,745,000	4,605,360	--	8,350,360	--
Net Pension Liability	42,163	72,456	6,475	121,094	1,619
Long-term Advance	--	--	--	--	128,871
Total Liabilities	3,945,145	5,660,915	13,447	9,619,507	136,775
DEFERRED INFLOWS OF RESOURCES					
Pension Related	6,669	11,460	1,025	19,154	256
Total Deferred Inflows of Resources	6,669	11,460	1,025	19,154	256
NET POSITION					
Net Investment in Capital Assets	997,171	2,333,844	432,375	3,763,390	312,749
Restricted for:					
Debt Service - Bond RRI	194,080	--	--	194,080	--
Debt Service - Bond Reserve	203,600	--	--	203,600	--
Unrestricted	380,912	1,937,248	222,835	2,540,995	28,271
Total Net Position	\$ 1,775,763	\$ 4,271,092	\$ 655,210	\$ 6,702,065	\$ 341,020

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, 2026

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer	Water	Marina (nonmajor)	Total Enterprise Funds	
Operating Revenues					
Charges for Services	\$ 746,960	\$ 498,842	\$ 129,493	\$ 1,375,295	\$ 33,992
Penalties	3,399	8,964	--	12,363	--
Equipment Rental	--	--	--	--	141,293
Total Operating Revenues	750,359	507,806	129,493	1,387,658	175,285
Operating Expenses					
Personnel Services	29,125	227,922	70,515	327,562	570
Supplies	74,857	48,175	2,768	125,800	50,893
Contracted Services	65,609	60,057	2,290	127,956	12,216
Administrative Expense	9,106	8,738	3,584	21,428	17,336
Other Services and Charges	165,764	89,472	24,327	279,563	24,067
Depreciation	206,185	49,168	18,376	273,729	88,157
Fees	--	1,203	--	1,203	--
Total Operating Expenses	550,646	484,735	121,860	1,157,241	193,239
Operating Income (Loss)	199,713	23,071	7,633	230,417	(17,954)
Non-Operating Revenues (Expenses)					
Interest Income	9,669	85,572	7,884	103,125	4,058
Federal Grants	--	1,083,132	--	1,083,132	--
Federal Loan Forgiveness	--	392,000	--	392,000	--
Interest on Long-term Debt	(104,958)	(84,056)	--	(189,014)	(137)
Net Non-Operating Revenues (Expenses)	(95,289)	1,476,648	7,884	1,389,243	3,921
Change In Net Position	104,424	1,499,719	15,517	1,619,660	(14,033)
<i>Net Position at Beginning of Period</i>	<i>1,671,339</i>	<i>2,771,373</i>	<i>639,693</i>	<i>5,082,405</i>	<i>355,053</i>
Net Position at End of Period	\$ 1,775,763	\$ 4,271,092	\$ 655,210	\$ 6,702,065	\$ 341,020

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, 2026**

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Fund
	Sewer	Water	Marina (nonmajor)	Total Enterprise Funds	
Cash Flows from Operating Activities					
Cash Received from Charges for Services	\$ 748,091	\$ 446,979	\$ 125,137	\$ 1,320,207	\$ 33,992
Cash Received from Interfund Services Provided	-	-	-	-	141,293
Cash Payments to Employees for Services and Fringe Benefits	(67,102)	(240,835)	(66,852)	(374,789)	(5,349)
Cash Payments to Suppliers for Goods and Services	(316,420)	(207,645)	(33,516)	(557,581)	(105,732)
Net Cash Provided by (Used in) Operating Activities	364,569	(1,501)	24,769	387,837	64,204
Cash Flows from Capital and Related Financing Activities					
Principal Paid on Long-term Debt	(95,000)	(70,331)	-	(165,331)	(6,572)
Interest Paid on Long-term Debt	(106,071)	(101,056)	-	(207,127)	(137)
Debt Issuance	-	2,702,567	-	2,702,567	-
Loan Forgiveness	-	392,000	-	392,000	-
Change in Interfund Balances/Advances	-	-	1,500	1,500	60,000
Federal Grants	-	1,552,010	-	1,552,010	-
Purchase of Capital Assets	(192,604)	(5,001,587)	-	(5,194,191)	(101,923)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(393,675)	(526,397)	1,500	(918,572)	(48,632)
Cash Flows from Investing Activities					
Investment Earnings	9,669	85,572	7,884	103,125	4,058
Net Cash Provided by Investing Activities	9,669	85,572	7,884	103,125	4,058
Net Increase in Cash and Investments	(19,437)	(442,326)	34,153	(427,610)	19,630
<i>Cash and Investments - Beginning of Year</i>	<i>655,282</i>	<i>2,621,354</i>	<i>202,486</i>	<i>3,479,122</i>	<i>139,366</i>
Cash and Investments - End of Year	\$ 635,845	\$ 2,179,028	\$ 236,639	\$ 3,051,512	\$ 158,996
Reconciliation of Operating Loss to					
Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$ 199,713	\$ 23,071	\$ 7,633	\$ 230,417	\$ (17,954)
Adjustments to Reconcile Operating Loss to					
Net Cash Provided by (Used in) Operating Activities					
Depreciation/Amortization Expense	206,185	49,168	18,376	273,729	88,157
Changes in Assets and Liabilities					
Accounts Receivable	(2,959)	(60,827)	-	(63,786)	-
Due from Other Governments	691	-	-	691	-
Inventory	-	-	-	-	-
Accounts Payable	(1,084)	-	(547)	(1,631)	(1,220)
Accrued Expenses	157	2,131	56	2,344	(37)
Unearned Revenue	-	-	(4,356)	(4,356)	-
Compensated Absences	(3,620)	(3,620)	-	(7,240)	-
Pension and Related Deferrals	(24,045)	(955)	3,607	(21,393)	(4,742)
OPEB and Related Deferrals	(10,469)	(10,469)	-	(20,938)	-
Net Cash Provided by (Used in) Operating Activities	\$ 364,569	\$ (1,501)	\$ 24,769	\$ 387,837	\$ 64,204

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, 2026

	<u>OPEB Trust Fund</u>
ASSETS	
Investments held in OPEB Trust	\$ 305,585
<i>Total Assets</i>	<u>305,585</u>
NET POSITION	
Restricted for OPEB	<u>\$ 305,585</u>

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, 2026

	<u>OPEB Trust Fund</u>
Additions	
Employer contributions	\$ 10,800
Investment Earnings (Losses)	
Interest, dividends, and other investment gains (losses)	36,046
<i>Total Additions</i>	<u>46,846</u>
Deductions	
Retirement benefits	(10,800)
Administration expense	(1,514)
<i>Total Deductions</i>	<u>(12,314)</u>
<i>Change in Net Position</i>	34,532
<i>Net Position at Beginning of Period</i>	271,053
<i>Net Position at End of Period</i>	<u>\$ 305,585</u>

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 (the “Village”) 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 segment 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 custodial 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 provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 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 determine the 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 improvements 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. 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 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.

Village of Pentwater

Notes to the Financial Statements

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 one item that qualifies for reporting in this category - pension 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 one item that qualifies for reporting in this category - pension related deferred inflows. This is 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 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

Village of Pentwater

Notes to the Financial Statements

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.

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 2025 taxable valuation of the Village totaled \$136,080,088 (exclusive of any Michigan Tax Tribunal or Board of Review adjustments), on which ad valorem taxes levied consisted of 7.9833 mills for the Village's

Village of Pentwater

Notes to the Financial Statements

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 \$20,889,751 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 the 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 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.

Village of Pentwater

Notes to the Financial Statements

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 April 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, 2026. Expenditures may not exceed appropriations.

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.

Village of Pentwater

Notes to the Financial Statements

The Village had the following expenditures in excess of the amount appropriated during the year ended March 31, 2026:

	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Elected Officials	\$ 86,100	\$ 120,950	\$ (34,850)
Building and Grounds	89,800	146,204	(56,404)
Department of Public Works	174,700	190,495	(15,795)
Sanitation Services	192,800	222,694	(29,894)
Debt Service	58,700	63,577	(4,877)

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, 2026:

	<u>Primary Government</u>	<u>Component Unit - DDA</u>	<u>Total</u>
Statement of Net Position			
Cash and Investments	\$ 5,550,528	\$ 67,226	\$ 5,617,754
Restricted Cash	397,680	-	397,680
Statement of Fiduciary Net Position			
Cash and Investments	305,585	-	305,585
<i>Total Cash and Investments</i>	<u>\$ 6,253,793</u>	<u>\$ 67,226</u>	<u>\$ 6,321,019</u>

Cash and Investments

Checking accounts	\$ 817,088
Savings accounts	620,957
Cash on hand	650
Certificates of deposits	790,344
OPEB trust investments	305,585
MI Class and Brokerage - investments	3,786,395
<i>Total Cash and Investments</i>	<u>\$ 6,321,019</u>

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, \$434,021 of the Village's bank balance of \$1,974,817 was exposed to custodial credit risk because it was uninsured and

Village of Pentwater

Notes to the Financial Statements

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 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, 2026, 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, 2026, 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:

	Certificates of Deposit	Investments
No maturity	\$ -	\$4,091,980
Less than one year	790,344	-
Totals	\$ 790,344	\$4,091,980

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 specific percent of the total investment portfolio. All investments held at year end are reported above.

Village of Pentwater

Notes to the Financial Statements

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 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 \$1,431,942 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 \$3,786,395. 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:

<u>Investments at Fair Value</u>	<u>Amount</u>
Bond Mutual Funds	\$ 77,253
Equity Mutual Funds	211,590
Alternative / Other Funds	16,432
Money Market	310
<i>Total</i>	<u>\$ 305,585</u>

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 counterparty 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.

Village of Pentwater

Notes to the Financial Statements

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:

<u>Investment Type</u>	<u>Issuer</u>	<u>% of Portfolio</u>
Equity Mutual Funds	Destinations Large Cap Equity Instl	44.5%
Bond Mutual Funds	Destinations Core Fixed Income Instl	17.1%
Equity Mutual Funds	Destinations Small Mid Cap Eq Instl	9.5%
Equity Mutual Funds	Destinations Intl Equity Fd Instl	8.0%
Alternative / Other Funds	Destinations Multi Strgy Alt Instl	5.4%
Equity Mutual Funds	Destinations Global Fixd Inc Oppor Instl	5.0%

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, 2026, the annual money-weighted rate of return on the Fund's investments, net of investment expense, was 12.5%. 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

Village of Pentwater

Notes to the Financial Statements

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.

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

Investments at Fair Value	Value as of March 31	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Bond Mutual Funds	\$ 77,253	\$ 77,253	\$ -	\$ -
Equity Mutual Funds	211,590	211,590	-	-
Alternative / Other Funds	16,432	16,432	-	-
Money Market	310	310	-	-
Total	\$ 305,585	\$ 305,585	\$ -	\$ -

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, 2026, the Village's Sewer Fund had restricted cash and investments (for debt service) of \$397,680, summarized below:

	March 31, 2026		March 31, 2025
	Required Balance	Actual Balance	Actual Balance
Sewer Fund - Restricted Cash			
Bond Reserves			
2012 A and B Series Water Refunding Bonds, \$20,360 per year up to \$203,600	\$ 203,600	\$ 203,600	\$ 203,600
Repair, Replacement and Improvement Accounts			
2012 A and B Series Water Refunding Bonds, \$29,860 per year less bond reserve	194,080	194,080	164,220
Totals	\$ 397,680	\$ 397,680	\$ 367,820

Village of Pentwater

Notes to the Financial Statements

Note 5 - Capital Assets

Capital asset activities for governmental activities for the year ended March 31, 2026 were as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not Being Depreciated/Amortized:				
Land	\$ 60,191	\$ -	\$ -	\$ 60,191
Capital Assets Being Depreciated/Amortized:				
Motor Pool Equipment	781,932	101,923	-	883,855
Buildings and Improvements	1,515,653	5,241	-	1,520,894
Land Improvements	376,809	-	-	376,809
Equipment	253,101	-	-	253,101
Infrastructure	6,114,540	13,256	-	6,127,796
Intangible Right to Use	6,540	-	-	6,540
<i>Subtotal</i>	<u>9,048,575</u>	<u>120,420</u>	<u>-</u>	<u>9,168,995</u>
Less Accumulated Depreciation/Amortization for:				
Motor Pool Equipment	476,810	88,157	-	564,967
Buildings and Improvements	584,919	41,208	-	626,127
Land Improvements	149,680	16,235	-	165,915
Equipment	208,381	23,088	-	231,469
Infrastructure	624,683	156,384	-	781,067
Intangible Right to Use	2,725	1,308	-	4,033
<i>Subtotal</i>	<u>2,047,198</u>	<u>326,380</u>	<u>-</u>	<u>2,373,578</u>
Capital Assets Being Depreciated, Net	<u>7,001,377</u>	<u>(205,960)</u>	<u>-</u>	<u>6,795,417</u>
<i>Capital Assets, Net</i>	<u>\$ 7,061,568</u>	<u>\$ (205,960)</u>	<u>\$ -</u>	<u>\$ 6,855,608</u>

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

Governmental Activities	
General Government	\$ 27,447
Public Safety	7,500
Public Works	164,247
Recreation and Culture	39,029
Depreciation Charged to the	
Motor Pool Internal Service Fund	88,157
<i>Total Depreciation</i>	<u>\$ 326,380</u>

Village of Pentwater

Notes to the Financial Statements

Capital asset activities for business-type activities for the year ended March 31, 2026 were as follows:

Business-type Activities	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not Being Depreciated:				
Land	\$ 214,583	\$ -	\$ -	\$ 214,583
Construction in Progress	1,558,786	5,138,059	-	6,696,845
<i>Subtotal</i>	<u>1,773,369</u>	<u>5,138,059</u>	<u>-</u>	<u>6,911,428</u>
Capital Assets Being Depreciated:				
Building and Improvements	733,803	\$ -	-	733,803
Docks and Land Improvements	525,744	-	1	525,743
Equipment	212,982	-	-	212,982
Sewer System	8,185,237	-	-	8,185,237
Water System	2,469,120	-	-	2,469,120
<i>Subtotal</i>	<u>12,126,886</u>	<u>-</u>	<u>1</u>	<u>12,126,885</u>
Less Accumulated Depreciation for:				
Building and Improvements	135,405	8,364	-	143,769
Docks and Land Improvements	423,287	10,012	-	433,299
Sewer System	3,988,599	206,185	-	4,194,784
Water System	1,479,760	49,167	-	1,528,927
<i>Subtotal</i>	<u>6,027,051</u>	<u>273,728</u>	<u>-</u>	<u>6,300,779</u>
Capital Assets Being Depreciated, Net	<u>6,099,835</u>	<u>(273,728)</u>	<u>1</u>	<u>5,826,106</u>
Capital Assets, Net	<u>\$ 7,873,204</u>	<u>\$ 4,864,331</u>	<u>\$ 1</u>	<u>\$ 12,737,534</u>

Depreciation/amortization expense for business-type activities was charged to the following funds:

Business-type Activities	
Sewer Fund	\$ 206,185
Water Fund	49,167
Marina Fund	18,376
Total Depreciation	<u>\$ 273,728</u>

Note 6 - Leases Receivable

The Village is reporting total lease receivables of \$2,024,684 and deferred inflows of resources related to leases of \$1,946,631 as of March 31, 2026. For fiscal year 2026, the Village reported lease revenue of \$84,576 and related lease interest revenue of \$3,575.

Village of Pentwater

Notes to the Financial Statements

The following describes the Village's lease receivables 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

All amounts due from other funds represent advances to other funds to finance operations or capital outlays. Interfund balances and transfers are short-term loans or transfers between funds to cover temporary cash needs for operating purposes. Advances from other funds are long-term in nature. The composition of interfund balances as of March 31, 2026 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Motor Pool	\$ 128,871

Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The Village 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, 2026 was as follows:

	Beginning of The Year	Additions	Reductions	End of The Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
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	\$ 990,000	\$ -	\$ 130,000	\$ 860,000	\$ 130,000
Premium on 2017 UTGO Bonds	28,510	-	4,073	24,437	-
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%	1,100,000	-	105,000	995,000	110,000
Premium on 2019 Capital Improvement Bonds	36,174	-	4,019	32,155	-
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%	700,000	-	70,000	630,000	75,000
Premium on 2019 UT Bonds	24,412	-	2,712	21,700	-
Direct Borrowing and Direct Placements:					
2020 Installment Purchase due in monthly installments of \$1,591 to \$2,342 through December 20, 2034 with an interest rate of 2.55%	237,852	-	24,668	213,184	22,751
2021 Installment Purchase due in monthly installments of \$2,349 to 2,694 through December 20, 2034 with an interest rate of 1.35%	204,077	-	32,618	171,459	30,212
2022 Installment Purchase due in monthly installments of \$562 through February 3, 2027 with an interest rate of 1.49%	12,711	-	6,572	6,139	6,139
Other:					
Compensated Absences	66,440	11,911	-	78,351	19,588
Total Governmental Activities	3,400,176	11,911	379,662	3,032,425	393,690
Business-type Activities:					
General Obligation Bonds:					
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	210,000	-	70,000	140,000	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	2,411,000	-	58,000	2,353,000	60,000
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	1,527,000	-	37,000	1,490,000	38,000
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	2,702,567	-	3,041,395	13,000
Premium on 2024 Capital Improvement Bonds	7,296	-	331	6,965	-
Other:					
Compensated Absences	13,448	-	7,240	6,208	1,552
Total Business-type Activities	6,007,572	2,702,567	172,571	8,537,568	182,552
Total Primary Government Long-term Debt	\$ 9,407,748	\$ 2,714,478	\$ 552,233	\$ 11,569,993	\$ 576,242

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, 2026 are as follows:

Year Ending March 31,	Governmental Activities		
	Principal	Interest	Total
2027	\$ 374,070	\$ 81,363	\$ 388,725
2028	378,958	70,797	389,200
2029	390,007	59,998	389,450
2030	401,061	48,893	389,400
2031	412,137	37,467	389,050
2032-2036	919,549	44,142	849,000
	<u>\$ 2,875,782</u>	<u>\$ 342,660</u>	<u>\$ 2,794,825</u>

Year Ending March 31,	Business-type Activities		
	Principal	Interest	Total
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	264,000	148,964	412,964
2032-2036	1,436,000	664,894	2,100,894
2037-2041	1,659,000	512,546	2,171,546
2042-2046	1,912,000	330,667	2,242,667
2047-2051	1,845,000	129,051	1,974,051
2052-2056	869,000	10,739	879,739
Totals:	<u>\$ 8,861,000</u>	<u>\$ 2,439,860</u>	<u>\$ 11,300,860</u>

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, 2026, 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 by accessing the MERS website at 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, 2025 measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits (including refunds)	10
Active employees	9
<i>Total membership</i>	<u>38</u>

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:

Division	Status	Employer Contribution Rate	Employee Contribution Rate
General	Closed	\$ 9,507	6.59%
General after 04/01/18	Open	6.24%	6.59%

Net Pension Liability

The Village's net pension liability was measured as of December 31, 2025 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, 2025 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	6.79%, 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%	6.79%	4.07%	2.50%	2.57%
Global fixed income	20.00%	4.35%	0.87%	2.50%	0.37%
Private investments	20.00%	9.25%	1.85%	2.50%	1.35%
Totals	100.00%		6.79%		4.29%

Discount Rate

The discount rate used to measure the total pension liability was 7.04%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Change in Discount Rate

Effective at the end of the fiscal year, the discount rate used to measure the total pension liability has been reduced from 7.18% to 7.04%. This change reflects updated expectations for long-term investment returns and other economic factors.

Village of Pentwater

Notes to the Financial Statements

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)
Balances at December 31, 2024	\$ 2,970,183	\$ 1,982,040	\$ 988,143
Service Cost	66,147	-	66,147
Interest	208,576	-	208,576
Differences between expected and actual experience	(52,530)	-	(52,530)
Changes in actuarial assumptions	40,733	-	40,733
Employer contributions	-	132,664	(132,664)
Employee contributions	-	46,267	(46,267)
Net investment income	-	305,336	(305,336)
Benefit payments, including refunds	(196,596)	(196,596)	-
Administrative expense	-	(4,009)	4,009
Other changes	-	-	-
<i>Net changes</i>	<u>66,330</u>	<u>283,662</u>	<u>(217,332)</u>
Balances at December 31, 2025	\$ 3,036,513	\$ 2,265,702	\$ 770,811

The net pension liability is allocated based on defined benefit expense with governmental activities (including internal service activities) at \$649,717 and business-type activities at \$121,094.

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 7.04% 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 (6.04%) or one percentage point higher (8.04%) than the current rate:

	1% Decrease (6.04%)	Current Discount Rate (7.04%)	1% Increase (8.04%)
Village's net pension liability	<u>\$ 1,099,814</u>	<u>\$ 770,811</u>	<u>\$ 501,831</u>

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.

Village of Pentwater

Notes to the Financial Statements

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

For the year ended March 31, 2026, the Village recognized pension expense of \$147,705.

At December 31, 2025, the Village reported deferred outflows and deferred inflows related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 92,838
Differences between expected and actual experience	25,195	26,265
Changes in assumptions	20,366	2,810
*Employer contributions (refunds) to the plan subsequent to the measurement date	33,957	-
Total	\$ 79,518	\$ 121,913

* 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, 2027.

Deferred outflows of resources are allocated based on defined benefit expense. Governmental activities (including internal service activities) have \$67,027 in deferred outflows of resources and business-type activities have \$12,491 in deferred outflows of resources.

Deferred inflows of resources are allocated based on defined benefit expense. Governmental activities (including internal service activities) have \$102,759 in deferred inflows of resources and business-type activities have \$19,154 in deferred inflows of resources.

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

Year Ended March 31,	Amount
2027	38,176
2028	(47,630)
2029	(34,138)
2030	(32,760)

Village of Pentwater

Notes to the Financial Statements

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, 2026):

Inactive plan members or beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	0
<i>Total employees covered by the Plan</i>	<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 annual actuarial valuation as a 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.

Village of Pentwater

Notes to the Financial Statements

Methods and Assumptions

The total OPEB (asset)/liability was determined by an actuarial valuation as of March 31, 2026 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, 2026 are summarized in the following table:

	Target	Long-term Expected Real Rate of
Asset Class	Allocation	Return
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%

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

Village of Pentwater

Notes to the Financial Statements

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:

Changes in Net OPEB Asset	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
Balance at March 31, 2025	\$ 83,734	\$ 271,053	\$ (187,319)
Interest	4,919	-	4,919
Changes in assumptions	(893)	-	(893)
Contributions/benefit paid from general operating funds	-	10,800	(10,800)
Net investment income	-	36,046	(36,046)
Benefit payments, including refunds	(10,800)	(10,800)	-
Administrative expenses	-	(1,514)	1,514
<i>Net changes</i>	<u>(6,774)</u>	<u>34,532</u>	<u>(41,306)</u>
Balance at March 31, 2026	\$ 76,960	\$ 305,585	\$ (228,625)

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:

	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 80,876	\$ 76,960	\$ 73,338
Plan Fiduciary Net Position	305,585	305,585	305,585
Net OPEB Asset of the Village	\$ (224,709)	\$ (228,625)	\$ (232,247)

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

For the year ending March 31, 2026, the Village recognized OPEB expense of \$(31,078). At March 31, 2026, the Village reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

Village of Pentwater

Notes to the Financial Statements

Note 12 - Subsequent Events

Subsequent events were evaluated through September 17, 2026, 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 its 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, 2026

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 1,133,400	\$ 1,109,850	\$ 1,096,398	\$ (13,452)
License and Permits	71,100	71,100	69,898	(1,202)
State Grants	178,600	178,600	179,238	638
Charges for Services	205,700	205,700	207,788	2,088
Interest and Rentals	162,000	162,000	171,589	9,589
Other Revenue	2,800	2,800	5,130	2,330
Total Revenues	1,753,600	1,730,050	1,730,041	(9)
Expenditures				
General Government				
Elected Officials	86,100	86,100	120,950	(34,850)
Manager	131,400	167,900	157,490	10,410
Clerk/Treasurer	214,800	262,800	241,698	21,102
Building and Grounds	74,600	89,800	246,204	(156,404)
Total General Government	506,900	606,600	766,342	(159,742)
Public Safety				
Police Department	355,200	426,100	423,469	2,631
Public Works				
Department of Public Works	154,900	174,700	190,495	(15,795)
Street Lighting	33,000	33,000	25,709	7,291
Sanitation Services	192,800	192,800	222,694	(29,894)
Total Public Works	380,700	400,500	438,898	(38,398)
Community and Economic Development				
Planning and Zoning	86,900	87,250	56,201	31,049
Community Promotion	10,100	10,200	7,809	2,391
Total Community and Economic Development	97,000	97,450	64,010	33,440
Recreation and Culture				
Recreation K-6 Program	18,800	18,800	11,766	7,034
Fish Cleaning Station	15,200	15,200	11,145	4,055
Parks and Recreation	194,400	194,400	141,960	52,440
Total Recreation and Culture	228,400	228,400	164,871	63,529
Debt Service	58,700	58,700	63,577	(4,877)
Total Expenditures	1,626,900	1,817,750	1,921,167	(103,417)
Excess (Deficiency) of Revenues				
Over Expenditures	126,700	(87,700)	(191,126)	(103,426)
Net Change in Fund Balance	126,700	(87,700)	(191,126)	(103,426)
<i>Fund Balance at Beginning of Period</i>	<i>1,966,540</i>	<i>1,966,540</i>	<i>1,966,540</i>	<i>--</i>
Fund Balance at End of Period	\$ 2,093,240	\$ 1,878,840	\$ 1,775,414	\$ (103,426)

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service Cost	\$ 66,147	\$ 91,371	\$ 86,220	\$ 77,882	\$ 65,653	\$ 65,755	\$ 65,750	\$ 66,650	\$ 60,021	\$ 60,706
Interest	208,576	197,600	183,253	177,681	176,992	173,283	171,449	163,109	159,945	148,711
Differences Between Expected and Actual Experience	(52,530)	75,585	108,220	(20,620)	(45,792)	(55,337)	3,039	33,026	(82,235)	37,179
Changes in Actuarial Assumptions*	40,733	(8,430)	19,889	-	83,240	39,372	74,982	-	-	92,191
Benefit Payments, Including Refunds	(196,596)	(184,704)	(166,685)	(157,808)	(170,746)	(177,711)	(178,865)	(137,307)	(124,704)	(123,070)
Other Changes	-	1	-	(1)	-	1	-	-	29,508	(17,804)
Net Change in Pension Liability	66,330	171,423	230,897	77,134	109,347	45,363	136,355	125,478	42,535	197,913
<i>Total Pension Liability - Beginning</i>	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
Total Pension Liability - Ending (a)	\$ 3,036,513	\$ 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
Plan Fiduciary Net Position										
Contributions - Employer	\$ 132,664	\$ 98,826	\$ 91,766	\$ 93,629	\$ 90,396	\$ 79,853	\$ 68,549	\$ 62,853	\$ 61,445	\$ 55,569
Contributions - Member	46,267	41,659	40,497	34,560	32,211	30,518	32,666	30,063	31,449	31,784
Net Investment Income (Loss)	305,336	140,826	191,925	(204,669)	247,565	203,167	204,684	(63,236)	194,472	153,663
Benefit Payments, Including Refunds	(196,596)	(184,704)	(166,685)	(157,808)	(170,746)	(177,711)	(178,865)	(137,307)	(124,704)	(123,070)
Administrative Expenses	(4,009)	(4,181)	(4,072)	(3,637)	(2,839)	(3,252)	(3,526)	(3,150)	(3,078)	(3,034)
Net Change in Plan Fiduciary Net Position	283,662	92,426	153,431	(237,925)	196,587	132,575	123,508	(110,777)	159,584	114,912
<i>Plan Fiduciary Net Position - Beginning</i>	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
Plan Fiduciary Net Position - Ending (b)	\$ 2,265,702	\$ 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
Net Pension Liability (Asset) - Ending (a) - (b)	\$ 770,811	\$ 988,143	\$ 909,146	\$ 831,680	\$ 516,621	\$ 603,861	\$ 691,073	\$ 678,226	\$ 441,971	\$ 559,020
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	74.6%	66.7%	67.5%	67.6%	79.3%	74.6%	70.4%	69.2%	78.7%	72.5%
Covered Payroll	\$ 532,625	\$ 637,909	\$ 600,747	\$ 519,669	\$ 481,669	\$ 468,166	\$ 484,043	\$ 468,045	\$ 429,335	\$ 426,161
Net Pension Liability (Asset) as a Percentage of Covered Payroll	144.7%	154.9%	151.3%	160.0%	107.3%	129.0%	142.8%	144.9%	102.9%	131.2%

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%

2025 valuation - The investment rate of return assumption was reduced from 7.18% to 7.04%

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially Determined Contribution	\$ 140,721	\$ 102,206	\$ 90,633	\$ 94,179	\$ 92,835	\$ 83,220	\$ 68,690	\$ 62,853	\$ 45,503	\$ 57,818
Contributions in Relation to the Actuarially Determined Contribution	140,721	102,206	90,633	94,179	92,835	83,220	68,690	62,853	45,503	57,818
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	706,198	628,346	629,680	534,513	525,252	452,328	474,105	468,045	429,335	426,161
Contributions as a Percentage of Covered Payroll	19.9%	16.3%	14.4%	17.6%	17.7%	18.4%	14.5%	13.4%	10.6%	13.6%

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	6.79%, 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 Nine Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability									
Service Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,491	\$ 1,931	\$ 1,841
Interest	4,919	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	(893)	2,154	1,835	(15,032)	12,374	(4,080)	253	(23,836)	-
Benefit Payments, Including Refunds	(10,800)	(10,800)	(10,475)	(9,338)	(13,444)	(8,365)	(11,474)	(6,786)	(14,803)
Net Change in total OPEB Liability	(6,774)	(3,380)	(18,294)	(18,039)	388	(9,157)	(20,441)	(21,107)	(4,467)
<i>Total OPEB Liability - Beginning</i>	<i>83,734</i>	<i>87,114</i>	<i>105,408</i>	<i>123,447</i>	<i>123,059</i>	<i>132,216</i>	<i>152,657</i>	<i>173,764</i>	<i>178,231</i>
Total OPEB Liability - Ending (a)	\$ 76,960	\$ 83,734	\$ 87,114	\$ 105,408	\$ 123,447	\$ 123,059	\$ 132,216	\$ 152,657	\$ 173,764
Plan Fiduciary Net Position									
Contributions	\$ 10,800	\$ 10,800	\$ 10,475	\$ 9,338	\$ 13,444	\$ 28,365	\$ 31,474	\$ 26,786	\$ 44,803
Net Investment Income (Loss)	36,046	14,123	41,911	(13,993)	9,574	61,417	(12,943)	3,536	9,003
Benefit Payments, Including Refunds	(10,800)	(10,800)	(10,475)	(9,338)	(13,444)	(8,365)	(11,474)	(6,786)	(14,803)
Administrative Expenses	(1,514)	(1,351)	(1,187)	(1,029)	(1,169)	(927)	(169)	(599)	(474)
Net Change in Plan Fiduciary Net Position	34,532	12,772	40,724	(15,022)	8,405	80,490	6,888	22,937	38,529
<i>Plan Fiduciary Net Position - Beginning</i>	<i>271,053</i>	<i>258,281</i>	<i>217,557</i>	<i>232,579</i>	<i>224,174</i>	<i>143,684</i>	<i>136,796</i>	<i>113,859</i>	<i>75,330</i>
Plan Fiduciary Net Position - Ending (b)	\$ 305,585	\$ 271,053	\$ 258,281	\$ 217,557	\$ 232,579	\$ 224,174	\$ 143,684	\$ 136,796	\$ 113,859
Net OPEB (Asset)/Liability - Ending (a) - (b)	\$ (228,625)	\$ (187,319)	\$ (171,167)	\$ (112,149)	\$ (109,132)	\$ (101,115)	\$ (11,468)	\$ 15,861	\$ 59,905
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	397.1%	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	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	N/A	-23.9%	51.2%	N/A

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

	2026	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	10,800	10,475	9,338	13,444	28,365	31,474	26,786	44,803
Contribution Deficiency (Excess)	<u>\$ (10,800)</u>	<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	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	N/A	38.6%	110.5%	N/A

Notes

Valuation Date: March 31, 2026, with a March 31, 2026 measurement date

Methods and assumptions used to determine contribution rates

Discount Rate	6.28% for 2026 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 Rates	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 Nine Fiscal Years

	<u>2026</u>	<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	12.50%	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, 2026**

	Special Revenue				Capital Projects	Total Nonmajor Governmental Funds
	Major Streets	Local Streets	Park Place	Municipal Street Fund	Street Construction	
ASSETS						
Cash and Investments	\$ 468,416	\$ 200,442	\$ 157,339	\$ 28,673	\$ 18	\$ 854,888
Due from Other Governments	29,290	14,761	686	2,298	--	47,035
Total Assets	\$ 497,706	\$ 215,203	\$ 158,025	\$ 30,971	\$ 18	\$ 901,923
LIABILITIES						
Accounts Payable	\$ --	\$ --	\$ 153	\$ --	\$ --	\$ 153
Accrued Expenses	1,003	1,221	114	--	--	2,338
Deposits Payable	--	--	775	--	--	775
Total Liabilities	1,003	1,221	1,042	--	--	3,266
FUND BALANCE						
Restricted	496,703	213,982	156,983	30,971	18	898,657
Unassigned	--	--	--	--	--	--
Total Fund Balance	496,703	213,982	156,983	30,971	18	898,657
Total Liabilities and Fund Balance	\$ 497,706	\$ 215,203	\$ 158,025	\$ 30,971	\$ 18	\$ 901,923

Village of Pentwater
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended March 31, 2026

	Special Revenue				Capital Projects	
	Major Streets	Local Streets	Park Place	Municipal Street Fund	Street Construction	Total Nonmajor Governmental Funds
Revenues						
Property Taxes	\$ --	\$ --	\$ 46,226	\$ 156,310	\$ --	\$ 202,536
State Grants	225,752	78,674	121	--	--	304,547
Interest and Rentals	17,222	8,106	17,146	3,018	1	45,493
Other Revenue	--	21,071	--	--	--	21,071
Total Revenues	242,974	107,851	63,493	159,328	1	573,647
Expenditures						
Public Works	147,790	139,553	--	--	--	287,343
Recreation and Culture	--	--	43,950	--	--	43,950
Debt Service - Principal	--	--	--	105,000	--	105,000
Debt Service - Interest	--	--	--	33,000	--	33,000
Total Expenditures	147,790	139,553	43,950	138,000	--	469,293
Excess of Revenues Over (Under) Expenditures	95,184	(31,702)	19,543	21,328	1	104,354
Net Change in Fund Balance	95,184	(31,702)	19,543	21,328	1	104,354
Fund Balance at Beginning of Period	401,519	245,684	137,440	9,643	17	794,303
Fund Balance at End of Period	\$ 496,703	\$ 213,982	\$ 156,983	\$ 30,971	\$ 18	\$ 898,657

VILLAGE OF PENTWATER, MICHIGAN

SINGLE AUDIT ACT COMPLIANCE

YEAR ENDED MARCH 31, 2026

Village of Pentwater
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2026

Federal/Pass-through Grantor Program Title	Assistance Listing Number	Pass-through Grantor Number	Federal Expenditures
U.S. Department of Treasury			
<i>Passed through the Michigan Department of Environment, Great Lakes, and Energy</i>			
COVID-19 American Rescue Plan Act (ARPA)	21.027	7676-01	\$ 1,083,132
<i>Total U.S. Department of Treasury</i>			<u>1,083,132</u>
U.S. Environmental Protection Agency			
<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	3,940,619
<i>Total U.S. Environmental Protection Agency</i>			<u>3,940,619</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 5,023,751</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, 2026. 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 2025 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:

Federal sources reported in the business-type funds

Business-type activities, water fund - capital contributions (federal grant) \$ 1,083,132

Business-type activities, water fund - capital contributions (federal loan forgiveness) 392,000

Total federal sources included on SEFA 1,475,132

Business-type activities loan activity

State revolving loan funds, federal portion 3,548,619

Total loans, federal portion 3,548,619

Total federal expenditures reported in the schedule: \$ 5,023,751

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, 2026, 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 17, 2026.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and has a fluid, connected style.

Gabridge & Company, PLC
Grand Rapids, MI
September 17, 2026

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, 2026. 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, 2026.

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 dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC
Grand Rapids, MI
September 17, 2026

Village of Pentwater
Schedule of Findings and Questioned Costs
For the Year Ended March 31, 2026

SECTION I - SUMMARY OF AUDITOR'S RESULTS

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?	No
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)?	No

Identification of Major Programs

Name of Federal Program or Cluster	Assistance Listing Number
ARP and Drinking Water State Revolving Fund	21.027 and 66.468

Dollar threshold used to distinguish between Type A and B programs?	\$1,000,000
Auditee qualified as a low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS
--

None to report

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
--

None to report

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

Item 2025-001 - Material Audit Adjustments (resolved in 2026)

September 17, 2026

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, 2026. 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 September 16, 2026. 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, 2026. 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 17, 2026.

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 dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI