

**TOWNSHIP OF PENTWATER, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED MARCH 31, 2025**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Board  
Township of Pentwater  
Oceana County, Michigan

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Pentwater ("the Township"), as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the Township'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 Township, as of March 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Township, 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 Township'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 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, 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 Township'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 Township's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

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, Michigan  
August 4, 2025

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

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

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

**Financial Highlights**

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$3,177,295 (net position). Of this amount, \$679,888 represents unrestricted net position, which may be used to meet the Township's ongoing obligations to citizens and creditors.
- During the year, the Township received \$1,470,843 in revenues and incurred \$1,346,069 in expenses, resulting in an increase in net position of \$124,774.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$1,835,260, an increase of \$99,687 in comparison with the prior year. Approximately 31.3% of this amount \$575,039 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$575,039, or approximately 71.5% of the annual general fund expenditures and transfers out.

**Overview of the Financial Statements**

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

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

The *statement of net position* presents financial information on all of the Township's assets 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 Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township'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., depreciation of capital assets).

Both of the government-wide financial statements report functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Township include general government, public safety, public works, community and economic development, and culture and recreation.

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

**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 Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Township reports governmental and fiduciary fund types.

**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 Township maintains five 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, cemetery, library, road, and ARPA funds. All funds are considered to be major funds.

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

**Proprietary Funds.** The Township maintains one type of proprietary fund, an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the



government-wide financial statements. The Township uses enterprises funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provides information for the sewer operations, which is considered to be a major fund of the Township.

***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 statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Township reports one fiduciary fund, the tax fund.

**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 Township's budgetary comparison schedules.

## 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 Township, assets exceeded liabilities by \$3,177,295, at the close of the most recent fiscal year.

### Township of Pentwater's Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2025	2024	2025	2024	2025	2024
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Investments	\$ 1,630,101	\$ 1,648,607	\$ 80,258	\$ 101,210	\$ 1,710,359	\$ 1,749,817
Accounts Receivable	-	-	37,139	36,444	37,139	36,444
Taxes Receivable	38,673	28,350	-	-	-	-
Due from State	92,750	12,874	-	-	92,750	12,874
<b>Total Current Assets</b>	<b>1,761,524</b>	<b>1,689,831</b>	<b>117,397</b>	<b>137,654</b>	<b>1,878,921</b>	<b>1,827,485</b>
<i>Noncurrent Assets</i>						
Capital Assets not being Depreciated	63,279	61,929	-	-	63,279	61,929
Capital Assets being Depreciated, net	1,273,961	1,254,485	-	-	1,273,961	1,254,485
<b>Total Assets</b>	<b>3,098,764</b>	<b>3,006,245</b>	<b>117,397</b>	<b>137,654</b>	<b>3,216,161</b>	<b>3,143,899</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	10,773	1,385	12,548	12,031	23,321	13,416
Accrued Payroll Liabilities	15,545	10,810	-	-	15,545	10,810
Unearned Revenue	-	67,152	-	-	-	67,152
Internal Balances	-	(35)	-	35	-	-
<b>Total Current Liabilities</b>	<b>26,318</b>	<b>79,312</b>	<b>12,548</b>	<b>12,066</b>	<b>38,866</b>	<b>91,378</b>
<i>Noncurrent Liabilities</i>						
Internal Balances	(100,000)	(125,000)	100,000	125,000	-	-
<b>Total Liabilities</b>	<b>(73,682)</b>	<b>(45,688)</b>	<b>112,548</b>	<b>137,066</b>	<b>38,866</b>	<b>91,378</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	1,337,240	1,316,414	-	-	1,337,240	1,316,414
Restricted	1,160,167	979,954	-	-	1,160,167	979,954
Unrestricted	675,039	755,565	4,849	588	679,888	756,153
<b>Total Net Position</b>	<b>\$ 3,172,446</b>	<b>\$ 3,051,933</b>	<b>\$ 4,849</b>	<b>\$ 588</b>	<b>\$ 3,177,295</b>	<b>\$ 3,052,521</b>

The largest portion of the Township's net position (42.1%, or \$1,337,240) reflects its investment in capital assets (e.g., buildings, machinery, equipment, vehicles, library collections, and land/building improvements). The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

An additional portion of the Township's net position (36.5%, or \$1,160,167) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$679,888 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Due from State increased by \$79,876 largely due to the spending and waiting on reimbursement for a grant. Unearned revenues decreased \$67,152 as the township used the remaining amount of their ARPA funding.

A comparative analysis of the changes in net position for the Township follows:

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 73,695	\$ 75,585	\$ 132,370	\$ 133,343	\$ 206,065	\$ 208,928
Operating Grants and Contributions	140,721	19,037	56,705	-	197,426	19,037
<b>Total Program Revenues</b>	<b>214,416</b>	<b>94,622</b>	<b>189,075</b>	<b>133,343</b>	<b>403,491</b>	<b>227,965</b>
<b>General Revenues</b>						
Property Taxes	920,623	854,441	-	-	920,623	854,441
Intergovernmental	85,490	84,883	-	-	85,490	84,883
Interest Income	61,239	51,410	-	-	61,239	51,410
Transfer	(32,714)	(41,000)	32,714	41,000	-	-
<b>Total General Revenues</b>	<b>1,034,638</b>	<b>949,734</b>	<b>32,714</b>	<b>41,000</b>	<b>1,067,352</b>	<b>990,734</b>
<b>Total Revenues</b>	<b>1,249,054</b>	<b>1,044,356</b>	<b>221,789</b>	<b>174,343</b>	<b>1,470,843</b>	<b>1,218,699</b>
<b>Expenses</b>						
General Government	446,976	401,223	-	-	446,976	401,223
Public Works	314,967	278,271	-	-	314,967	278,271
Community and Economic Development	68,037	43,832	-	-	68,037	43,832
Recreation and Culture	298,561	314,980	-	-	298,561	314,980
Sewer System	-	-	217,528	173,755	217,528	173,755
<b>Total Expenses</b>	<b>1,128,541</b>	<b>1,038,306</b>	<b>217,528</b>	<b>173,755</b>	<b>1,346,069</b>	<b>1,212,061</b>
<b>Change in Net Position</b>	<b>120,513</b>	<b>6,050</b>	<b>4,261</b>	<b>588</b>	<b>124,774</b>	<b>6,638</b>
Net Position at the Beginning of Period	3,051,933	3,045,883	588	-	3,052,521	3,045,883
<b>Net Position at the End of Period</b>	<b>\$ 3,172,446</b>	<b>\$ 3,051,933</b>	<b>\$ 4,849</b>	<b>\$ 588</b>	<b>\$ 3,177,295</b>	<b>\$ 3,052,521</b>

At the end of the current fiscal year, the Township is able to report positive balances in all reported categories of net position and fund balance, both for the government as a whole as well as for its separate governmental funds. The same situation held true for the prior fiscal year.

**Governmental Activities.** During the current fiscal year, net position increased \$124,774 from the prior fiscal year for an ending balance of \$3,177,295. Property tax revenue increased by \$66,182 due largely to an increase in taxable value, net of the reduction in millage rates. All expense functions remained comparable to the prior year.

**Business-type Activities.** For the Township's business-type activities, the results for the current fiscal year led to an increase in overall net position of \$4,261 leading to an ending net position of \$4,849.

### Financial Analysis of Governmental Funds

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

**Governmental Funds.** The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose

by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township's Board.

At March 31, 2025, the Township's governmental funds reported combined fund balances of \$1,835,206, an increase of \$99,687 in comparison with the prior year. Approximately 31.3% of this amount, or \$575,039, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *restricted* to indicate that it is restricted for particular purposes \$1,160,167 or nonspendable \$100,000.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$575,039. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 71.5% of total general fund expenditures and transfers out. The fund balance of the Township's general fund decreased by \$80,526 during the current fiscal year.

The cemetery fund, a major fund, had a \$62,957 increase in fund balance during the current fiscal year which put the overall fund balance at \$431,787.

The library fund, a major fund, had a \$14,425 decrease in fund balance during the current fiscal year which put the overall fund balance at \$469,777.

The road fund, a major fund, had a \$137,323 increase in fund balance during the current fiscal year which put the overall fund balance at \$258,603.

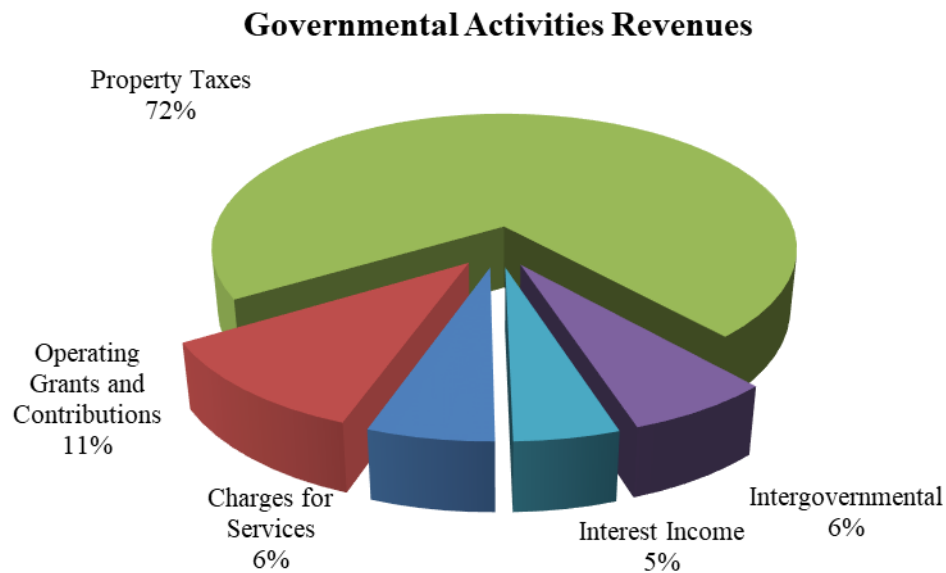
The ARPA fund, a major fund, had a \$5,642 decrease in fund balance during the current fiscal year which put the overall fund balance at \$0.

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

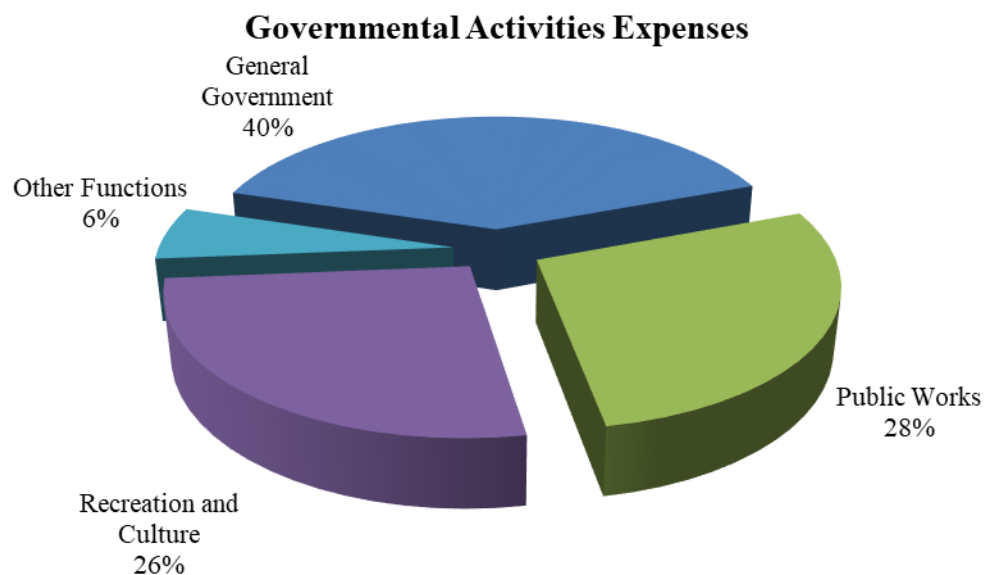
Unrestricted net position of the sewer fund at the end of the year was \$4,849. The increase in net position for the sewer fund was \$4,261.

## Governmental Activities

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



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



## General Fund Budgetary Highlights

*Original budget compared to final budget.* During the year there was no need for any significant amendments to the original estimated revenues or original appropriated expenditures.

*Final budget compared to actual results.* During the current fiscal year the Township had the following expenditures in excess of appropriated amounts within the general fund:

<b>Fund</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>General</b>			
Township Board	\$ 3,739	\$ 5,358	\$ (1,619)
Treasurer	67,840	68,952	(1,112)
Election	29,715	42,219	(12,504)
Drain	20,000	108,557	(88,557)
Transfer Station	75,431	159,828	(84,397)
Planning Commission	6,995	10,203	(3,208)
Zoning Administration	50,488	57,834	(7,346)
Transfers Out	-	25,000	(25,000)
<b>ARPA</b>			
Transfers Out	-	7,714	(7,714)

## Capital Assets and Debt Administration

### *Capital Assets*

The Township's investment in capital assets for its governmental activities as of March 31, 2025 amounts to \$1,337,240 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, library collections, and vehicles. The total increase in capital assets for the current fiscal year was approximately 1.6% as a result of excess depreciation over additions. More detailed information about the Township's capital assets can be found in Note 4 to the financial statements.

### *Long-term Debt*

As described in note 6 to the financial statements, the Fire Department issued an installment purchase agreement for a fire truck during fiscal 2021. Total long-term debt decreased by \$119,333 during 2025 leaving a total balance due of \$238,668. More information about the Township's long-term debt can be found in note 5 to the financial statements.

## Economic Condition and Outlook

Revenues are expected to remain consistent in the general fund in the upcoming year. Expenditures are expected to change by small amounts compared to 2025. The Township 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 2025-2026, the Township

plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values. The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition of the Township.

### **Contacting the Township**

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township'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:

Township of Pentwater  
500 N Hancock Street  
P.O. Box 512  
Pentwater, MI 49449

## **BASIC FINANCIAL STATEMENTS**



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

	Primary Government			Component Unit -
	Governmental	Business-type	Total	Fire Dept.
	Activities	Activities		
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Investments	\$ 1,630,101	\$ 80,258	\$ 1,710,359	\$ 406,467
Accounts Receivable	--	37,139	37,139	--
Taxes Receivable	38,673	--	38,673	169,958
Due from State	92,750	--	92,750	--
<b>Total Current Assets</b>	<b>1,761,524</b>	<b>117,397</b>	<b>1,878,921</b>	<b>576,425</b>
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	63,279	--	63,279	--
Capital Assets being Depreciated, net	1,273,961	--	1,273,961	1,066,898
<b>Total Assets</b>	<b>3,098,764</b>	<b>117,397</b>	<b>3,216,161</b>	<b>1,643,323</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	10,773	12,548	23,321	5,092
Accrued Payroll Liabilities	15,545	--	15,545	1,615
Current Portion of Long-term Debt	--	--	--	119,333
Accrued Interest	--	--	--	716
<b>Total Current Liabilities</b>	<b>26,318</b>	<b>12,548</b>	<b>38,866</b>	<b>126,756</b>
<i>Noncurrent Liabilities</i>				
Long-term Debt	--	--	--	119,335
Internal Balances	(100,000)	100,000	--	--
<b>Total Liabilities</b>	<b>(73,682)</b>	<b>112,548</b>	<b>38,866</b>	<b>246,091</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,337,240	--	1,337,240	828,230
<i>Restricted for:</i>				
Library	469,777	--	551,497	--
Cemetery	431,787	--	431,787	--
Roads	258,603	--	258,603	--
<i>Unrestricted</i>	675,039	4,849	598,168	569,002
<b>Total Net Position</b>	<b>\$ 3,172,446</b>	<b>\$ 4,849</b>	<b>\$ 3,177,295</b>	<b>\$ 1,397,232</b>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
<b>Governmental Activities:</b>								
General Government	\$ 446,976	\$ 28,734	\$ 117,970	\$ --	\$ (300,272)	\$ --	\$ (300,272)	\$ --
Public Works	314,967	36,167	--	--	(278,800)	--	(278,800)	--
Community and Economic Development	68,037	3,425	--	--	(64,612)	--	(64,612)	--
Recreation and Culture	298,561	5,369	22,751	--	(270,441)	--	(270,441)	--
<i>Total Governmental Activities</i>	<u>1,128,541</u>	<u>73,695</u>	<u>140,721</u>	<u>--</u>	<u>(914,125)</u>	<u>--</u>	<u>(914,125)</u>	<u>--</u>
<b>Business-type Activities:</b>								
Sewer	217,528	132,370	56,705	--	--	(28,453)	(28,453)	--
<i>Total Business-type Activities</i>	<u>217,528</u>	<u>132,370</u>	<u>56,705</u>	<u>--</u>	<u>--</u>	<u>(28,453)</u>	<u>(28,453)</u>	<u>--</u>
<i>Total Primary Government</i>	<u>\$ 1,346,069</u>	<u>\$ 206,065</u>	<u>\$ 197,426</u>	<u>\$ --</u>	<u>\$ (914,125)</u>	<u>\$ (28,453)</u>	<u>\$ (942,578)</u>	<u>--</u>
<b>Component Units</b>								
Fire Department	\$ 368,932	\$ 43,079	\$ 4,328	\$ --	--	--	--	(321,525)
<i>Total Component Units</i>	<u>\$ 368,932</u>	<u>\$ 43,079</u>	<u>\$ 4,328</u>	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(321,525)</u>
<b>General Purpose Revenues and Transfers:</b>								
<b>Revenues</b>								
Property Taxes					920,623	--	920,623	424,858
Intergovernmental					85,490	--	85,490	--
Interest Revenue					61,239	--	61,239	15,923
<b>Transfers</b>					(32,714)	32,714	--	--
<i>Total General Revenues and Transfers</i>					<u>1,034,638</u>	<u>32,714</u>	<u>1,067,352</u>	<u>440,781</u>
<i>Change in Net Position</i>					<b>120,513</b>	<b>4,261</b>	<b>124,774</b>	<b>119,256</b>
<i>Net Position at Beginning of Period</i>					3,051,933	588	3,052,521	1,257,976
<i>Prior Period Restatement - Note 9</i>					--	--	--	20,000
<i>Net Position at End of Period</i>					<u>\$ 3,172,446</u>	<u>\$ 4,849</u>	<u>\$ 3,177,295</u>	<u>\$ 1,397,232</u>

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

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

	<u>Special Revenue</u>					
	<u>General</u>	<u>Cemetery Fund</u>	<u>Library</u>	<u>Road Fund</u>	<u>ARPA Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and Investments	\$ 470,201	\$ 428,530	\$ 478,447	\$ 252,923	\$ --	\$ 1,630,101
Taxes Receivable	18,440	4,144	9,914	6,175	--	38,673
Due from State	92,750	--	--	--	--	92,750
Advances from Other Funds	100,000	--	--	--	--	100,000
<b><i>Total Assets</i></b>	<b><u>\$ 681,391</u></b>	<b><u>\$ 432,674</u></b>	<b><u>\$ 488,361</u></b>	<b><u>\$ 259,098</u></b>	<b><u>\$ --</u></b>	<b><u>\$ 1,861,524</u></b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 3,845	\$ 887	\$ 5,546	\$ 495	\$ --	\$ 10,773
Accrued Payroll Liabilities	2,507	--	13,038	--	--	15,545
<b><i>Total Liabilities</i></b>	<b><u>6,352</u></b>	<b><u>887</u></b>	<b><u>18,584</u></b>	<b><u>495</u></b>	<b><u>--</u></b>	<b><u>26,318</u></b>
<b>FUND BALANCE</b>						
Nonspendable	100,000	--	--	--	--	100,000
Restricted	--	431,787	469,777	258,603	--	1,160,167
Unassigned	575,039	--	--	--	--	575,039
<b><i>Total Fund Balance</i></b>	<b><u>675,039</u></b>	<b><u>431,787</u></b>	<b><u>469,777</u></b>	<b><u>258,603</u></b>	<b><u>--</u></b>	<b><u>1,835,206</u></b>
<b><i>Total Liabilities and Fund Balance</i></b>	<b><u>\$ 681,391</u></b>	<b><u>\$ 432,674</u></b>	<b><u>\$ 488,361</u></b>	<b><u>\$ 259,098</u></b>	<b><u>\$ --</u></b>	<b><u>\$ 1,861,524</u></b>

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

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

Total Fund Balance - Governmental Funds	\$ 1,835,206
General government capital assets of \$1,863,940, net of accumulated depreciation of \$526,700, are not financial resources and, accordingly, are not reported in the funds.	1,337,240
<b>Total Net Position - Governmental Activities</b>	<b>\$ <u>3,172,446</u></b>

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

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

	Special Revenue					Total Governmental Funds
	General	Cemetery Fund	Library	Road Fund	ARPA Fund	
<b>Revenues</b>						
Property Taxes	\$ 453,079	\$ 95,759	\$ 229,104	\$ 142,681	\$ --	\$ 920,623
Licenses and Permits	12,436	--	--	--	--	12,436
Intergovernmental	203,460	--	12,544	--	--	216,004
Charges for Services	18,545	16,127	--	--	--	34,672
Fines and Forfeitures	--	--	4,167	--	--	4,167
Fees	--	--	275	--	--	275
Contributions	--	--	7,707	--	--	7,707
Interest Revenue	16,900	14,995	18,535	8,739	2,072	61,241
Other Revenue	18,921	2,295	3,427	--	--	24,643
<b>Total Revenues</b>	<b>723,341</b>	<b>129,176</b>	<b>275,759</b>	<b>151,420</b>	<b>2,072</b>	<b>1,281,768</b>
<b>Expenditures</b>						
General Government	409,167	--	--	--	--	409,167
Public Works	301,663	66,219	--	14,097	--	381,979
Community and Economic Development	68,037	--	--	--	--	68,037
Recreation and Culture	--	--	290,184	--	--	290,184
<b>Total Expenditures</b>	<b>778,867</b>	<b>66,219</b>	<b>290,184</b>	<b>14,097</b>	<b>--</b>	<b>1,149,367</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(55,526)</b>	<b>62,957</b>	<b>(14,425)</b>	<b>137,323</b>	<b>2,072</b>	<b>132,401</b>
<b>Other Financing Sources (Uses)</b>						
Transfers Out	(25,000)	--	--	--	(7,714)	(32,714)
<b>Net Other Financing Sources (Uses)</b>	<b>(25,000)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(7,714)</b>	<b>(32,714)</b>
<b>Net Change in Fund Balance</b>	<b>(80,526)</b>	<b>62,957</b>	<b>(14,425)</b>	<b>137,323</b>	<b>(5,642)</b>	<b>99,687</b>
<b>Fund Balance at Beginning of Period</b>	<b>755,565</b>	<b>368,830</b>	<b>484,202</b>	<b>121,280</b>	<b>5,642</b>	<b>1,735,519</b>
<b>Fund Balance at End of Period</b>	<b>\$ 675,039</b>	<b>\$ 431,787</b>	<b>\$ 469,777</b>	<b>\$ 258,603</b>	<b>\$ --</b>	<b>\$ 1,835,206</b>

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

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

Total Net Change in Fund Balances - Governmental Funds	\$ 99,687
Governmental fund 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 \$120,192 is exceeded by depreciation expense of \$99,366.	20,826
<b>Changes in Net Position - Governmental Activities</b>	<b>\$ <u>120,513</u></b>

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

**Township of Pentwater  
Statement of Net Position  
Proprietary Fund  
March 31, 2025**

	<b>Business-type Activities - Enterprise Fund</b>
	<b>Sewer</b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and Investments	\$ 80,258
Accounts Receivable	37,139
<b>Total Current Assets</b>	<b>117,397</b>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts Payable	12,548
<b>Total Current Liabilities</b>	<b>12,548</b>
<i>Noncurrent Liabilities</i>	
Advances to Other Funds	100,000
<b>Total Liabilities</b>	<b>112,548</b>
<b>NET POSITION</b>	
<i>Unrestricted</i>	4,849
<b>Total Net Position</b>	<b>\$ 4,849</b>

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

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

	<b><u>Business-type Activities - Enterprise Fund</u></b>
	<b><u>Sewer</u></b>
<b>Operating Revenues</b>	
Charges for Services	\$ 132,370
<b><i>Total Operating Revenues</i></b>	<b><u>132,370</u></b>
<b>Operating Expenses</b>	
Miscellaneous Expenses	10,016
Salaries and Wages	6,349
Payroll Taxes and Benefits	3,189
Supplies	20,693
Utilities	44,244
Repairs and Maintenance	29,133
Contractual services	69,557
Professional Fees	32,324
<b><i>Total Operating Expenses</i></b>	<b><u>215,505</u></b>
<b><i>Operating Income (Loss)</i></b>	<b><u>(83,135)</u></b>
<b>Non-Operating Revenues (Expenses)</b>	
Grants	46,705
Other	10,000
Interest on Long-Term Debt	(2,023)
<b><i>Net Non-Operating Revenues (Expenses)</i></b>	<b><u>54,682</u></b>
<b><i>Income Before Transfers</i></b>	<b><u>(28,453)</u></b>
Transfers In	32,714
<b><i>Change In Net Position</i></b>	<b><u>4,261</u></b>
<i>Net Position at Beginning of Period</i>	588
<b><i>Net Position at End of Period</i></b>	<b><u>\$ 4,849</u></b>

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



**Township of Pentwater  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended March 31, 2025**

	<b>Business-type Activities - Enterprise Fund</b>
	<b>Sewer</b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Charges for Services	\$ 131,675
Cash Payments to Employees for Services and Fringe Benefits	(9,538)
Cash Payments to Suppliers for Goods and Services	(205,450)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(83,313)</b>
<b>Cash Flows from Non-capital Financing Activities</b>	
Grants	46,705
Other Revenue	10,000
Transfers In and Transfers Out	32,714
Change in Internal Balances	(25,035)
<b>Net Cash Provided by Non-capital Financing Activities</b>	<b>64,384</b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Interest Payments on Internal Balances	(2,023)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(2,023)</b>
<b>Net Increase in Cash and Equivalents</b>	<b>(20,952)</b>
<i>Cash and Investments - Beginning of Year</i>	<i>101,210</i>
<b><i>Cash and Investments - End of Year</i></b>	<b><i>\$ 80,258</i></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>	
<b>Operating Income (Loss)</b>	<b>\$ (83,135)</b>
<b>Changes in Assets and Liabilities</b>	
Receivables (Net)	(695)
Accounts Payable	517
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (83,313)</b>

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

**Township of Pentwater**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**For the Year Ended March 31, 2025**

	<u><b>Custodial</b></u>
<b>ASSETS</b>	
Cash and Investments	\$ 2,304,168
<i><b>Total Assets</b></i>	<u>2,304,168</u>
<b>LIABILITIES</b>	
Undistributed Receipts	<u>2,304,168</u>
<i><b>Total Liabilities</b></i>	<u>2,304,168</u>
<b>NET POSITION</b>	
Restricted for Individuals, organizations, and other governments	\$ --

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

**Township of Pentwater**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the Year Ended March 31, 2025**

	<u>Custodial</u>
<b>Additions</b>	
Taxes Collected for Other Governments	\$ 9,256,902
<b><i>Total Additions</i></b>	<u>9,256,902</u>
<b>Deductions</b>	
Payments of Property Taxes to Other Governments	9,256,902
<b><i>Total Deductions</i></b>	<u>9,256,902</u>
<b><i>Change in Net Position</i></b>	--
Net Position at Beginning of Period	--
<b><i>Net Position at End of Period</i></b>	<u>\$ --</u>

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

**Pentwater Fire Department (Component Unit of the Township of Pentwater)**  
**Governmental Fund Balance Sheet / Statement of Net Position**  
**March 31, 2025**

	<u>Fire Department Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Investments	\$ 406,467		\$ 406,467
Taxes Receivable	<u>169,958</u>		<u>169,958</u>
<b>Total Current Assets</b>	<u>576,425</u>		<u>576,425</u>
<i>Noncurrent Assets</i>			
Capital Assets being Depreciated	-- (1)	1,066,898	<u>1,066,898</u>
<b>Total Assets</b>	<u>576,425</u>		<u>1,643,323</u>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	5,092		5,092
Accrued Payroll	1,615		1,615
Accrued Interest	-- (2)	716	716
Current Long-term Debt	<u>-- (2)</u>	119,333	<u>119,333</u>
<b>Total Current Liabilities</b>	<u>6,707</u>		<u>126,756</u>
<i>Noncurrent Liabilities</i>			
Long-term Debt	<u>-- (2)</u>	119,335	<u>119,335</u>
<b>Total Liabilities</b>	<u>6,707</u>		<u>246,091</u>
<b>FUND BALANCE / NET POSITION</b>			
Investment in Capital Assets	--	828,230	828,230
Unassigned / Unrestricted	<u>569,718</u>		<u>569,002</u>
<b>Total Fund Balance / Net Position</b>	<u>\$ 569,718</u>		<u>\$ 1,397,232</u>

(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

(2) Long-term debt and accrued interest are not due and payable in the current period and, therefore, are not reported as liabilities in the fund.

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

**Pentwater Fire Department (Component Unit of the Township of Pentwater)**  
**Statement of Governmental Fund Revenues, Expenditures,**  
**and Changes in Fund Balance / Statement of Activities**  
**For the Year Ended March 31, 2025**

	<u>Fire Department Fund</u>		<u>Adjustments</u>		<u>Statement of Activities</u>
<b>Expenditures / Expenses</b>					
Public Safety	\$ 445,235	(1)/(2)	(78,655)		\$ 366,580
Interest on Long-term Debt	2,835	(2)	(483)		2,352
<b>Total Expenses</b>	<u>448,070</u>				<u>368,932</u>
<b>Program Revenues</b>					
Charges for Services	43,079				43,079
Operating Grants and Contributions	4,328				4,328
<b>Total Program Revenues</b>	<u>47,407</u>				<u>47,407</u>
<b>Net Program Revenues (Expenses)</b>	<u>(400,663)</u>				<u>(321,525)</u>
<b>General Revenue</b>					
Property Taxes	424,858				424,858
Interest Revenue	15,923				15,923
<b>Total General Revenues</b>	<u>440,781</u>				<u>440,781</u>
<b>Change in Fund Balance / Net Position</b>	<u>40,118</u>				<u>119,256</u>
<i>Fund Balance / Net Position at Beginning of Period</i>	509,600				1,257,976
<i>Prior Period Restatement - Note 9</i>	20,000				20,000
<b>Fund Balance / Net Position at End of Period</b>	<u>\$ 569,718</u>				<u>\$ 1,397,232</u>

(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital asset additions of \$76,992 being exceeded by depreciation expense of \$113,374 and loss on disposal of capital asset of \$3,613.

(2) Current year long-term debt principal payments are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements. This amount represents the principal payment on the debt of \$119,333 and a decrease in accrued interest of \$483

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

## **NOTES TO THE FINANCIAL STATEMENTS**

## Township of Pentwater

### Notes to the Financial Statements

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

The financial statements of the Township of Pentwater (the “Township” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township’s accounting policies are described below.

#### Reporting Entity

The Township is located in Oceana County. The Township operates under an elected Township Board and provides services to its more than 1,652 residents in many areas including general government, public safety, public works, community and economic development, and recreation and culture.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, “*The Financial Reporting Entity*,” these financial statements present the Township and one component unit. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

The following organization is a component unit of the Township and is included as a ***discretely presented component unit*** in the basic financial statements:

The Township entered into an agreement with the Village of Pentwater forming the ***Pentwater Fire Department*** (the “Fire Department”). Effective June 1, 2008, the Township assumed responsibility of the accounting for the Fire Department previously maintained by the Village. Under the terms of the agreement, the Fire Department is jointly operated and owned by the Township and the Village of Pentwater. Accordingly, the Pentwater Fire Department is reported as a discretely presented component unit of the Township.

The following organizations are a component unit of the Township and are included as ***blended component units*** in the basic financial statements:

The library fund accounts for the financing and operating of the ***Pentwater Township Library***. The library fund is reported as a special revenue fund as township libraries are not considered primary local units in Michigan and township library board directors are considered township officers.

The cemetery fund accounts for the financing and operating of the ***Pentwater Township Cemetery***. All financial decisions concerning the cemetery fund are approved by the Township. The cemetery fund is reported as a special revenue fund.

## Township of Pentwater

### Notes to the Financial Statements

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#### 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. 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. The Township currently reports no business-type activities.

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 fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 fiduciary fund financial statements, except for agency funds which 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 government 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal



## Township of Pentwater

### Notes to the Financial Statements

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period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The ***general fund*** is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The ***library fund*** accounts for the financing and operating of the Pentwater Township Library. Funding is provided by a library tax millage, charges for services, and state aid.

The ***cemetery fund*** accounts for the financing and operating of the Pentwater Township Cemetery. All financial decisions concerning the Cemetery Fund are approved by the Township. Funding is primarily provided by a cemetery millage.

The ***road fund*** accounts for the repair and maintenance on Township roads. Funding is primarily through property taxes.

The ***ARPA fund*** accounts for the funding received through the American Rescue Plan Act and related expenditures.

The Township reports the following major proprietary fund:

The ***sewer system fund*** accounts for the activities of the Township's sewage collection system.

In addition, the Township reports the following fiduciary fund:

The ***custodial fund*** accounts for the collection and disbursements of taxes and other monies due to other units of government and individuals.

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 Township's 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

## **Township of Pentwater**

### **Notes to the Financial Statements**

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services. All revenues and expenses are not meeting this definition are reported as non-operating revenues and expenses.

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

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

The Township'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 Township policy authorize the Township 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.
- 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 are stated at fair value.

##### ***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).

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

## Township of Pentwater

### Notes to the Financial Statements

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accounts in the period that determination is made. No amounts have been deemed uncollectable during the current year.

#### ***Capital Assets***

Capital assets, which include buildings and improvements, equipment, vehicles, and similar items, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year and an initial individual cost of more than \$2,500. Such assets are recorded at historical cost or 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.

Capital assets are depreciated using the straight-line method over the following useful lives:

	<b>Years</b>
Land Improvements	20
Buildings and Improvements	20
Equipment and Fixtures	5- 15
Vehicles	15
Library Collection	5

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

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

#### ***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 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 Assumption***

Sometimes the government 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

## Township of Pentwater

### Notes to the Financial Statements

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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 government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Township Board 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 Township Board is authorized to assign fund balance. The Township Board 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 Township'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 Township's Board.

## **Township of Pentwater**

### **Notes to the Financial Statements**

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#### **Revenues and Expenditures / Expenses**

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

The Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Oceana County Treasurer on March 1 of the year following the levy. The Oceana County Treasurer remits payments to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township levied 1.1995 per \$1,000 of assessed valuation for general government service, 0.1.0000 for fire services, 0.8027 for library services, and 0.3356 for cemetery services, and 0.4888 for fire apparatus and 0.5000 for roads for the year ended March 31, 2025. The total taxable value for the 2024 levy for property within the Township was \$286,310,677.

##### ***Use of Estimates***

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

#### **Note 2 - Budgetary Compliance**

##### ***Budgetary Information***

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

1. Prior to March 31, the Township Board reviews a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1 the budget is legally adopted.

## Township of Pentwater

### Notes to the Financial Statements

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4. Budgets for the general fund and special revenue funds are adopted on a basis consistent with U.S. generally accepted accounting principles.
  5. Any revision to the budget must be approved by the Township Board.
  6. Budgeted amounts are as originally adopted or amended by the Township Board during the year. Individual amendments were not material in relation to the original appropriations which were amended.
  7. All annual appropriations lapse at year-end.

#### ***Excess of Expenditures over Appropriations in Budgeted Funds***

The Township had the following expenditures in excess of the amount appropriated during the year ended March 31, 2025:

<b>Fund</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>General</b>			
Township Board	\$ 3,739	\$ 5,358	\$ (1,619)
Treasurer	67,840	68,952	(1,112)
Election	29,715	42,219	(12,504)
Drain	20,000	108,557	(88,557)
Transfer Station	75,431	159,828	(84,397)
Planning Commission	6,995	10,203	(3,208)
Zoning Administration	50,488	57,834	(7,346)
Transfers Out	-	25,000	(25,000)
<b>ARPA</b>			
Transfers Out	-	7,714	(7,714)

## Township of Pentwater

### Notes to the Financial Statements

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#### Note 3 - Cash

The Township maintains pooled and individual fund demand deposits and certificates of deposit accounts for the primary government and the component unit.

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

	<u>Total Government</u>
<b>Statement of Net Position</b>	
Cash and Investments	\$ 1,710,359
<b>Statement of Fiduciary Net Position</b>	
Cash and Investments	2,304,168
<b>Component Unit - Fire Department</b>	
Cash and Investments	406,467
<b><i>Total Deposits</i></b>	<u>\$ 4,420,994</u>
 <b>Deposits and Investments</b>	
Checking and Savings Accounts	\$ 3,261,386
Michigan Class - Pooled Investments	1,101,753
Certificates of Deposit	57,554
Petty Cash	301
<b><i>Total</i></b>	<u>\$ 3,261,687</u>

#### ***Custodial Credit Risk - Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$2,762,303 of the Township's bank balance of \$3,345,452 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### ***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 Township'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. All certificates of deposit of \$57,554 mature within one year.

## **Township of Pentwater**

### **Notes to the Financial Statements**

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#### ***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township'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 Township's investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a % of the total investment portfolio. All investments held at year-end are reported above.

#### ***Credit Risk***

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

Credit risk rating of the Township's pooled investments of \$1,101,753 were rated AAAm by S&P.

#### ***Fair Value Measurement***

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

The Township 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 Township's investment in the Michigan CLASS government investment pool was \$1,101,753. 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, school districts, authorities and other public agencies.



# Township of Pentwater

## Notes to the Financial Statements

### Note 4 - Capital Assets

Capital asset activity for the year ended March 31, 2025 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 61,929	\$ -	\$ -	\$ 61,929
Construction in Progress	-	1,350	-	1,350
<b>Total Capital Assets not Being Depreciated</b>	<b>61,929</b>	<b>1,350</b>	<b>-</b>	<b>63,279</b>
Capital Assets Being Depreciated				
Land Improvements	326,847	78,431	-	405,278
Buildings and Improvements	1,161,303	6,941	-	1,168,244
Equipment and Fixtures	150,135	-	15,582	134,553
Computers & Software	-	6,150	-	6,150
Library Collection	80,230	19,827	21,114	78,943
Furniture & Fixtures	-	7,493	-	7,493
<b>Total Capital Assets Being Depreciated</b>	<b>1,718,515</b>	<b>118,842</b>	<b>36,696</b>	<b>1,800,661</b>
Less Accumulated Depreciation				
Land Improvements	101,702	16,272	-	117,974
Buildings and Improvements	239,574	40,080	-	279,654
Equipment and Fixtures	90,801	29,987	15,582	105,206
Computers & Software	-	205	-	205
Library Collection	31,953	11,823	21,114	22,662
Furniture & Fixtures	-	999	-	999
<b>Total Accumulated Depreciation</b>	<b>464,030</b>	<b>99,366</b>	<b>36,696</b>	<b>526,700</b>
<b>Net Capital Assets Being Depreciated</b>	<b>1,254,485</b>	<b>19,476</b>	<b>-</b>	<b>1,273,961</b>
<b>Net Capital Assets</b>	<b>\$ 1,316,414</b>	<b>\$ 20,826</b>	<b>\$ -</b>	<b>\$ 1,337,240</b>
	Beginning Balance	Additions	Disposals	Ending Balance
<b>Component Unit - Fire Department</b>				
Capital Assets Being Depreciated				
Land Improvements	\$ 153,664	\$ 31,480	\$ -	\$ 185,144
Vehicles	1,529,481	-	7,909	1,521,572
Equipment	382,997	45,512	-	428,509
<b>Total Capital Assets Being Depreciated</b>	<b>2,066,142</b>	<b>76,992</b>	<b>7,909</b>	<b>2,135,225</b>
Less Accumulated Depreciation				
Land Improvements	127,201	3,849	-	131,050
Vehicles	558,565	75,889	-	634,454
Equipment	272,800	33,636	3,613	302,823
<b>Total Accumulated Depreciation</b>	<b>958,566</b>	<b>113,374</b>	<b>3,613</b>	<b>1,068,327</b>
<b>Net Capital Assets</b>	<b>\$ 1,107,576</b>	<b>\$ (36,382)</b>	<b>\$ 4,296</b>	<b>\$ 1,066,898</b>

## Township of Pentwater

### Notes to the Financial Statements

Depreciation expense was charged to governmental functions of the Township as follows:

<b>Governmental Activities</b>	
General Government	\$ 51,452
Public Works	19,710
Recreation and Culture	28,204
<b>Total Governmental Activities</b>	<b>\$ 99,366</b>

Depreciation of \$113,374 in the fire department (discretely presented component unit) was charged to public safety.

#### **Note 5 - Long-term Debt**

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

	Beginning Balance	Reductions	Ending Balance	Due Within One Year
<b>Fire Department - Component Unit</b>				
Direct Placement - 2021 Installment				
Purchase Agreement with annual				
principal payments of \$119,333 due				
May 1 plus interest at .95% with				
maturity of May 1, 2026 - Fire Truck	\$ 358,001	\$ 119,333	\$ 238,668	\$ 119,333

Following is a schedule of future payments of long-term debt:

Year Ending March 31,	Fire Department		
	Principal	Interest	Total
2026	\$ 119,333	\$ 1,719	\$ 121,052
2027	119,335	645	119,980
<b>Totals</b>	<b>\$ 238,668</b>	<b>\$ 2,364</b>	<b>\$ 241,032</b>

## Township of Pentwater

### Notes to the Financial Statements

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#### Note 6 - Interfund Transactions

The composition of interfund transfers and balances as of March 31, 2025 were as follows:

Transfer In	Transfer Out	Amount
Sewer	ARPA	\$ 7,714
Sewer	General	25,000
Advance From	Advance To	Amount
General	Sewer	\$ 100,000

#### Note 7 - Endowment Fund

Under a Designated Fund Agreement between the George W. Hansen and Edna Mae Hansen Living Trust (donors) and the Community Foundation for Oceana County (Foundation), dated February 2, 2005, the George Wilbur and Edna Hansen Endowment Fund (Endowment Fund) was created. The Donors contributed \$100,000 to the Endowment Fund. The Designated Fund Agreement states that the Endowment Fund is to be held by the Foundation as its property and not as a trustee. The Designated Fund Agreement also stipulates that each year the income from the Endowment Fund, as determined in accordance with the Foundation's policies, shall be distributed 50% to the Pentwater Township Library and 50% to another charitable organization. The Designated Fund Agreement also stipulates that the Pentwater Township Library is to use any future income of the Endowment Fund and distributed by the Foundation, 50% for the purchase of books and 50% to purchase other educational materials in memory of George Wilbur and Edna Hansen. As the Endowment Fund is held by the Foundation as its property, no amount is included in the financial statements of the Township of Pentwater, Michigan. The Library Fund received \$4,542 from the Foundation's Endowment Fund during the year ended March 31, 2025.

#### Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance. Insurance proceeds have not exceeded premiums during any of the preceding three years.

## Township of Pentwater

### Notes to the Financial Statements

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#### Note 9 - Prior Period Adjustment

The Township had the following prior period adjustments to correct revenue recorded in the incorrect year:

	<u>Government-wide</u> <u>Component Unit</u> <u>(Fire Department)</u>	<u>Fund Level</u> <u>Component Unit</u> <u>(Fire Department)</u>
Fund balance/net position - March 31, 2024 - As previously reported	\$ 1,257,976	\$ 509,600
Revenue that pertains to prior year	20,000	20,000
<b><i>Fund balance/net position - March 31, 2024 - As restated</i></b>	<b><i>\$ 1,277,976</i></b>	<b><i>\$ 529,600</i></b>

#### Note 10 - Subsequent Events

Subsequent events were evaluated through August 4, 2025, the date the financial statements were available to be issued. Nothing of significance was noted.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property Taxes	\$ 600,654	\$ 632,001	\$ 453,079	\$ (178,922)
Licenses and Permits	9,600	9,600	12,436	2,836
Intergovernmental	93,342	93,342	203,460	110,118
Charges for Services	16,300	16,300	18,545	2,245
Interest Revenue	15,000	15,000	16,900	1,900
Other Revenue	4,500	4,500	18,921	14,421
<b>Total Revenues</b>	<b>739,396</b>	<b>770,743</b>	<b>723,341</b>	<b>(47,402)</b>
<b>Other Financing Sources</b>				
Transfers In	27,025	27,025	--	(27,025)
<b>Total Revenues and Other Financing Sources</b>	<b>766,421</b>	<b>797,768</b>	<b>723,341</b>	<b>(74,427)</b>
<b>Expenditures</b>				
<b>General Government</b>				
Township Board	3,739	3,739	5,358	(1,619)
Supervisor	54,688	54,688	43,351	11,337
Clerk	76,999	76,999	65,777	11,222
Board of Review	2,007	2,007	1,421	586
Treasurer	67,840	67,840	68,952	(1,112)
Assessor	70,607	70,607	70,454	153
Election	29,715	29,715	42,219	(12,504)
Township	259,329	259,329	111,635	147,694
<b>Total General Government</b>	<b>564,924</b>	<b>564,924</b>	<b>409,167</b>	<b>155,757</b>
<b>Public Works</b>				
Drain	20,000	20,000	108,557	(88,557)
Marina - Recreation - Library	48,585	48,585	33,278	15,307
Transfer Station	75,431	75,431	159,828	(84,397)
<b>Total Public Works</b>	<b>144,016</b>	<b>144,016</b>	<b>301,663</b>	<b>(157,647)</b>
<b>Community and Economic Development</b>				
Planning Commission	6,995	6,995	10,203	(3,208)
Zoning Administration	50,488	50,488	57,834	(7,346)
<b>Total Community and Economic Development</b>	<b>57,483</b>	<b>57,483</b>	<b>68,037</b>	<b>(10,554)</b>
<b>Total Expenditures</b>	<b>766,422</b>	<b>766,422</b>	<b>778,867</b>	<b>(12,445)</b>
<b>Other Financing Uses</b>				
Transfers Out	--	--	25,000	(25,000)
<b>Total Expenditures and Other Financing Uses</b>	<b>766,422</b>	<b>766,422</b>	<b>803,867</b>	<b>(37,445)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(1)</b>	<b>31,346</b>	<b>(80,526)</b>	<b>(111,872)</b>
<b>Net Change in Fund Balance</b>	<b>(1)</b>	<b>31,346</b>	<b>(80,526)</b>	<b>(111,872)</b>
<b>Fund Balance at Beginning of Period</b>	<b>755,565</b>	<b>755,565</b>	<b>755,565</b>	<b>--</b>
<b>Fund Balance at End of Period</b>	<b>\$ 755,564</b>	<b>\$ 786,911</b>	<b>\$ 675,039</b>	<b>\$ (111,872)</b>

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

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property Taxes	\$ 118,260	\$ 118,260	\$ 95,759	\$ (22,501)
Charges for Services	20,100	20,100	16,127	(3,973)
Interest Revenue	--	--	14,995	14,995
Other Revenue	2,400	2,400	2,295	(105)
<b>Total Revenues</b>	<b>140,760</b>	<b>140,760</b>	<b>129,176</b>	<b>(11,584)</b>
<b>Expenditures</b>				
Public Works	140,760	140,760	66,219	74,541
<b>Total Expenditures</b>	<b>140,760</b>	<b>140,760</b>	<b>66,219</b>	<b>74,541</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>--</b>	<b>--</b>	<b>62,957</b>	<b>62,957</b>
<b>Net Change in Fund Balance</b>	<b>--</b>	<b>--</b>	<b>62,957</b>	<b>62,957</b>
<i>Fund Balance at Beginning of Period</i>	368,830	368,830	368,830	--
<b>Fund Balance at End of Period</b>	<b>\$ 368,830</b>	<b>\$ 368,830</b>	<b>\$ 431,787</b>	<b>\$ 62,957</b>

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

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property Taxes	\$ 214,481	\$ 214,481	\$ 229,104	\$ 14,623
Intergovernmental	15,000	15,000	12,544	(2,456)
Fines and Forfeitures	3,000	3,000	4,167	1,167
Fees	--	--	275	275
Contributions	2,500	7,072	7,707	635
Interest Revenue	--	--	18,535	18,535
Other Revenue	5,000	8,231	3,427	(4,804)
<b>Total Revenues</b>	<b>239,981</b>	<b>247,784</b>	<b>275,759</b>	<b>27,975</b>
<b>Expenditures</b>				
Recreation and Culture	326,302	334,805	290,184	44,621
<b>Total Expenditures</b>	<b>326,302</b>	<b>334,805</b>	<b>290,184</b>	<b>44,621</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(86,321)</b>	<b>(87,021)</b>	<b>(14,425)</b>	<b>72,596</b>
<b>Net Change in Fund Balance</b>	<b>(86,321)</b>	<b>(87,021)</b>	<b>(14,425)</b>	<b>72,596</b>
<i>Fund Balance at Beginning of Period</i>	484,202	484,202	484,202	--
<b>Fund Balance at End of Period</b>	<b>\$ 397,881</b>	<b>\$ 397,181</b>	<b>\$ 469,777</b>	<b>\$ 72,596</b>



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

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property Taxes	\$ 130,618	\$ 130,618	\$ 142,681	\$ 12,063
Interest Revenue	1,795	1,795	8,739	6,944
<b>Total Revenues</b>	<b>132,413</b>	<b>132,413</b>	<b>151,420</b>	<b>19,007</b>
<b>Other Financing Sources</b>				
Transfers In	90,000	90,000	--	(90,000)
<b>Total Revenues and Other Financing Sources</b>	<b>222,413</b>	<b>222,413</b>	<b>151,420</b>	<b>(70,993)</b>
<b>Expenditures</b>				
Public Works	222,413	222,413	14,097	208,316
<b>Total Expenditures</b>	<b>222,413</b>	<b>222,413</b>	<b>14,097</b>	<b>208,316</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures</b>	<b>--</b>	<b>--</b>	<b>137,323</b>	<b>137,323</b>
<b>Net Change in Fund Balance</b>	<b>--</b>	<b>--</b>	<b>137,323</b>	<b>137,323</b>
<i>Fund Balance at Beginning of Period</i>	121,280	121,280	121,280	--
<b>Fund Balance at End of Period</b>	<b>\$ 121,280</b>	<b>\$ 121,280</b>	<b>\$ 258,603</b>	<b>\$ 137,323</b>

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

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Interest Revenue	\$ 5,500	\$ 5,500	\$ 2,072	\$ (3,428)
<b>Total Revenues</b>	<u>5,500</u>	<u>5,500</u>	<u>2,072</u>	<u>(3,428)</u>
<b>Expenditures</b>				
General Government	5,500	5,500	--	5,500
<b>Total Expenditures</b>	<u>5,500</u>	<u>5,500</u>	<u>--</u>	<u>5,500</u>
<b>Other Financing Uses</b>				
Transfers Out	--	--	7,714	(7,714)
<b>Total Expenditures and Other Financing Uses</b>	5,500	5,500	7,714	(2,214)
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Uses</b>	--	--	(5,642)	(5,642)
<b>Net Change in Fund Balance</b>	--	--	<b>(5,642)</b>	<b>(5,642)</b>
<b>Fund Balance at Beginning of Period</b>	5,642	5,642	5,642	--
<b>Fund Balance at End of Period</b>	<u>\$ 5,642</u>	<u>\$ 5,642</u>	<u>\$ --</u>	<u>\$ (5,642)</u>

August 4, 2025

To the Members of the Township Board  
Township of Pentwater  
Oceana County, 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 Township of Pentwater (the "Township") for the year ended March 31, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 May 23, 2025. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. There were no new accounting policies adopted and the application of existing policies was not changed during the fiscal year ended March 31, 2025. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Township of Pentwater's financial statements was:

- 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.

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

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. Some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *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 August 4, 2025.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### **Other Matters**

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the

methods of preparing the information and comparing the information for consistency with management's response 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.

### **Communication Regarding Internal Control**

In planning and performing our audit of 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 Township as of and for the year ended March 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) to determine the 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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we have identified deficiencies in internal control that we consider to be material weaknesses.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis.

We consider the following deficiencies to be material weaknesses:

#### ***2025-001 Material audit adjustments and financial statement preparation:***

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

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

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

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

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

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

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

#### *Restrictions on Use*

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



Gabridge & Company, PLC  
Grand Rapids, MI