



**VILLAGE OF ONTONAGON, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED MARCH 31, 2025**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Village President
and Members of the Village Council
Village of Ontonagon, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Ontonagon (the "Village"), as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

We did not audit the financial statements of the Ontonagon Village Housing Commission, which represents 95.1% of the assets, 94.9% of the net position, and 94.3% of the revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Ontonagon Village Housing Commission is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension plan schedules, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the

responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2025, on our consideration of Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Village's internal control over financial reporting and compliance.



Gabridge & Company, PLC
Grand Rapids, Michigan
September 22, 2025

Management's Discussion and Analysis

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

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

Financial Highlights

- The assets and deferred outflows of the Village exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$10,440,853 (net position). Of this amount, a deficit of \$(2,514,501) represents unrestricted net position.
- The Village's total revenues were \$5,816,469 and total expenses were \$3,390,670 leading to an overall increase in net position of \$2,425,799 during the year.
- At the close of the current fiscal year, the Village's governmental funds reported combined fund balances of \$2,304,453, an increase of \$839,728 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,307,291.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., accrued but unpaid pension benefits and earned but unused vacation leave).

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

The government-wide financial statements include not only the Village itself (known as the primary government), but also a legally separate Downtown Development Authority for which the Village is financially accountable as well as a legally separate Ontonagon Village Housing Commission.

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

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

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

The Village maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the major street fund, the local street fund, which are considered major funds. Data from the marina fund and the fire fund is presented as a separate column as they are considered nonmajor funds.

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

Proprietary Funds. The Village maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide

financial statements. The Village uses enterprises funds to account for its water and sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions.

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

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

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

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Village's budgetary comparison schedules and the Villages pension benefit plan 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 Village, assets and deferred outflows exceeded liabilities and deferred inflows by \$10,440,853 at the close of the most recent fiscal year.

Village of Ontonagon's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
ASSETS						
<i>Current Assets</i>						
Cash and investments	\$ 3,019,503	\$ 2,602,747	\$ 966,856	\$ 1,337,139	\$ 3,986,359	\$ 3,939,886
Receivables, net	248,680	248,527	240,619	180,157	489,299	428,684
Total Current Assets	3,268,183	2,851,274	1,207,475	1,517,296	4,475,658	4,368,570
<i>Noncurrent Assets</i>						
Capital assets not being depreciated	277,332	397,686	1,655,729	229,778	1,933,061	627,464
Capital assets being depreciated, net	2,384,577	1,985,350	10,753,653	11,293,582	13,138,230	13,278,932
Restricted cash	-	-	464,673	465,308	464,673	465,308
Long-term portion of lease receivable	102,901	106,349	-	-	102,901	106,349
Total Assets	6,032,993	5,340,659	14,081,530	13,505,964	20,114,523	18,846,623
DEFERRED OUTFLOWS OF RESOURCES						
Pension related deferred outflows	297,065	371,230	44,193	58,261	341,258	429,491
Total Deferred Outflows of Resources	297,065	371,230	44,193	58,261	341,258	429,491
LIABILITIES						
<i>Current Liabilities</i>						
Accounts payable	6,110	1,645	36,646	106,424	42,756	108,069
Accrued and other liabilities	649,022	1,158,770	20,252	18,454	669,274	1,177,224
Current portion of long-term debt	-	-	350,000	342,000	350,000	342,000
Internal balances	(4,734)	(53,463)	4,734	53,463	-	-
Total Current Liabilities	650,398	1,106,952	411,632	520,341	1,062,030	1,627,293
<i>Noncurrent Liabilities</i>						
Compensated absences	13,459	11,421	10,992	9,117	24,451	20,538
Long-term debt	-	-	3,454,862	3,804,862	3,454,862	3,804,862
Net pension liability	4,678,188	4,929,862	695,943	773,700	5,374,131	5,703,562
Total Liabilities	5,342,045	6,048,235	4,573,429	5,108,020	9,915,474	11,156,255
DEFERRED INFLOWS OF RESOURCES						
Deferred lease revenues	99,454	104,805	-	-	99,454	104,805
Total Deferred Inflows of Resources	99,454	104,805	-	-	99,454	104,805
NET POSITION						
Net investment in capital assets	2,661,909	2,383,036	8,604,520	7,536,817	11,266,429	9,919,853
Restricted	1,224,252	1,048,461	464,673	465,308	1,688,925	1,513,769
Unrestricted	(2,997,602)	(3,872,648)	483,101	454,080	(2,514,501)	(3,418,568)
Total Net Position	\$ 888,559	\$ (441,151)	\$ 9,552,294	\$ 8,456,205	\$ 10,440,853	\$ 8,015,054

The largest portion of the Village's net position, \$11,266,429, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Village uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position, \$1,688,925, represents resources that are subject to external restrictions on how they may be used. The remaining is a deficit unrestricted net position of \$(2,514,501).

Capital assets overall increased by \$1,164,895; from depreciation expense of \$842,655 being exceeded by capital asset additions of \$2,007,548.

Pension related deferred outflows decreased by \$88,233 and net pension liability decreased \$329,431. Please see the notes for more information on the changes.

Total long-term debt decreased by \$342,000 in accordance with the related debts' loan maturity schedules.

Accrued and other liabilities were \$507,950 less than during 2024 due to spending a portion of the \$1,550,000 grant from the MEDC.

Village of Ontonagon's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues						
Charges for services	\$ 204,145	\$ 166,798	\$ 1,417,166	\$ 1,261,209	\$ 1,621,311	\$ 1,428,007
Operating grants and contributions	1,527,126	1,303,720	2,562	175,195	1,529,688	1,478,915
Capital grants and contributions	-	2,115	1,682,634	134,164	1,682,634	136,279
General Revenues						
Taxes	739,538	639,032	-	-	739,538	639,032
Unrestricted state revenue sharing	202,609	180,235	-	-	202,609	180,235
Unrestricted investment earnings	17,757	11,040	22,932	14,840	40,689	25,880
Total Revenues	<u>2,691,175</u>	<u>2,302,940</u>	<u>3,125,294</u>	<u>1,585,408</u>	<u>5,816,469</u>	<u>3,888,348</u>
Expenses						
General government	115,765	(196,106)	-	-	115,765	(196,106)
Public safety	121,092	118,538	-	-	121,092	118,538
Public works	645,035	(100,296)	-	-	645,035	(100,296)
Recreation and culture	479,573	1,298	-	-	479,573	1,298
Other	-	-	-	-	-	-
Sewer fund	-	-	535,072	517,249	535,072	517,249
Water fund	-	-	1,494,133	1,269,525	1,494,133	1,269,525
Total Expenses	<u>1,361,465</u>	<u>(176,566)</u>	<u>2,029,205</u>	<u>1,786,774</u>	<u>3,390,670</u>	<u>1,610,208</u>
Changes in Net Position	<u>1,329,710</u>	<u>2,479,506</u>	<u>1,096,089</u>	<u>(201,366)</u>	<u>2,425,799</u>	<u>2,278,140</u>
<i>Net Position at the Beginning of Period</i>	<u>(441,151)</u>	<u>(2,920,657)</u>	<u>8,456,205</u>	<u>8,657,571</u>	<u>8,015,054</u>	<u>5,736,914</u>
Net Position at the End of Period	<u>\$ 888,559</u>	<u>\$ (441,151)</u>	<u>\$ 9,552,294</u>	<u>\$ 8,456,205</u>	<u>\$ 10,440,853</u>	<u>\$ 8,015,054</u>

Governmental Activities. Governmental activities increased the Village's net position by \$1,329,710. Operating grants and contributions increased by \$223,406 largely due to the Village receiving more grants from the State of Michigan.

All expenses increased in 2025 compared to 2024 from the change in net pension liability and pension related deferred inflows. Public works expenses also increased from the Michigan Street Project.

Business-type Activities. Charges for services for business-type activities increased by \$155,957 as a result of more sewer and water usage. Operating grants decreased by \$172,633 from the previous year due to receiving a FDCVT grant. Capital grants increase by \$1,548,470 from the CWSRF loan forgiveness. Water fund expenses increased by \$224,608 during the year largely as the result of the purchases of water meters (using grant proceeds).

Financial Analysis of Governmental Funds

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

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

At March 31, 2025, the Village's governmental funds reported combined fund balances of \$2,304,453, an increase of \$839,728 in comparison with the prior year. The majority of the combined fund balance constituted as restricted for particular purposes, \$1,224,252, with the rest being unassigned fund balance of \$1,080,201.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,307,291. The fund balance of the Village's general fund increased by \$643,599 during the current fiscal year. The Village Council monitors the expenditures of the general fund closely to ensure that spending does not exceed the Village's available resources.

The major street fund, a major fund, had a \$72,973 increase in fund balance during the current fiscal year which put the overall fund balance at \$387,174.

The local street fund, a major fund, had a \$41,713 increase in fund balance during the current fiscal year which put the overall fund balance at \$212,052.

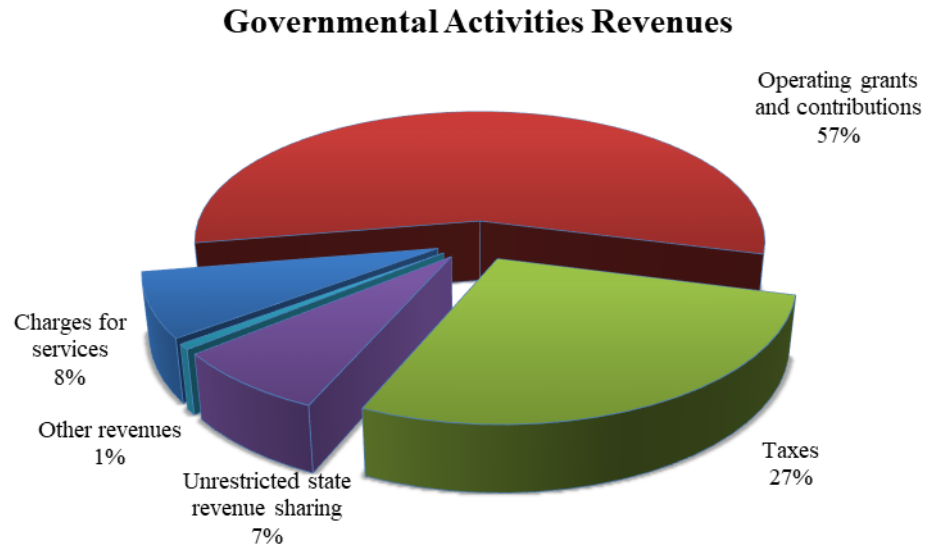
Proprietary Funds. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year was \$50,436 for the sewer fund and \$432,665 for the water fund. The change in net position was an increase of \$1,215,926 for the sewer fund and a decrease of \$119,837 for the water fund. A summary of the changes in the water and sewer funds net position can be found in the business-type activities paragraph found earlier in this report.

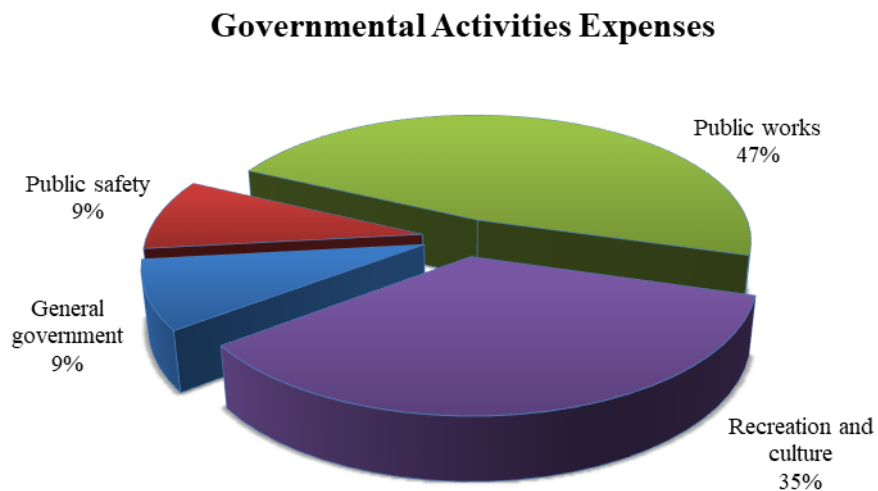
The equipment fund, the Village's sole internal service fund, increased by \$445,140 for an overall net position of \$1,009,345.

Governmental Activities

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



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



General Fund Budgetary Highlights

Original budget compared to final budget. There were no significant budget amendments the original estimated revenues and appropriated expenditures during the year.

Final budget compared to actual results. The Village had the following expenditures in excess of the amount appropriated as of March 31, 2025:

Expenditure	Final	Actual	Variance
General Fund			
Buildings, grounds, and street lights	5,250	8,542	(3,292)
Recreation building	33,750	44,451	(10,701)
Local Streets Fund			
Buildings, grounds, and street lights	218,683	314,486	(95,803)

Capital Assets and Debt Administration

Capital assets.

The Village's investment in capital assets for its governmental and business-type activities as of March 31, 2025 amounts to \$15,071,291 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, sidewalks, and water and sewer infrastructure. More detailed information about the Villages' capital assets can be found in Note 4.

Long-term Debt

As described in Note 5 to the financial statements, the Village had \$3,804,862 in long-term debt at the end of the fiscal year, which is a reduction of \$342,000 from the prior year. The Village is well under its legal debt limit as of year-end.

Economic Condition and Outlook

Management estimates that approximately \$1,400,000 of revenues will be available for appropriation in the general fund in the upcoming year. The Village continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2026, the Village plans again to use current revenues to provide essential services and to maintain the Village's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values.

Contacting the Village

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

Village of Ontonagon
315 Quartz Street
Ontonagon, Michigan 49953

Basic Financial Statements

Village of Ontonagon
Statement of Net Position
March 31, 2025

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Component Units
ASSETS			
<i>Current Assets</i>			
Cash and investments	\$ 3,019,503	\$ 966,856	\$ 3,986,359
Accounts receivable	5,252	221,121	226,373
Taxes receivable	27,618	--	27,618
Other receivables	14,395	--	14,395
Due from other governmental units	197,966	19,498	217,464
Prepaid expenses	--	--	--
Lease receivable	3,449	--	3,449
Total Current Assets	3,268,183	1,207,475	4,475,658
<i>Noncurrent Assets</i>			
Restricted cash	--	464,673	464,673
Capital assets not being depreciated	277,332	1,655,729	1,933,061
Capital assets being depreciated, net	2,384,577	10,753,653	13,138,230
Long-term portion of lease receivable	102,901	--	102,901
Total Assets	6,032,993	14,081,530	20,114,523
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	297,065	44,193	341,258
Total Deferred Outflows of Resources	297,065	44,193	341,258
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable	6,110	36,646	42,756
Accrued liabilities	18,538	5,360	23,898
Due to other governmental units	100,345	--	100,345
Customer deposits	--	3,900	3,900
Unearned revenue	516,680	--	516,680
Current portion of long-term debt	--	350,000	350,000
Current portion of compensated absences	13,459	10,992	24,451
<i>Internal Balances*</i>	<i>(4,734)</i>	<i>4,734</i>	<i>--</i>
Total Current Liabilities	650,398	411,632	1,062,030
<i>Noncurrent Liabilities</i>			
Compensated absences	13,459	10,992	24,451
Long-term debt	--	3,454,862	3,454,862
Net pension liability	4,678,188	695,943	5,374,131
Total Liabilities	5,342,045	4,573,429	9,915,474
DEFERRED INFLOWS OF RESOURCES			
Deferred lease revenue	99,454	--	99,454
Total Deferred Inflows of Resources	99,454	--	99,454
NET POSITION			
Net investment in capital assets	2,661,909	8,604,520	11,266,429
<i>Restricted for:</i>			
Streets	599,226	--	599,226
Public safety	625,026	--	625,026
Debt service	--	464,673	464,673
<i>Unrestricted</i>	<i>(2,997,602)</i>	<i>483,101</i>	<i>(2,514,501)</i>
Total Net Position	\$ 888,559	\$ 9,552,294	\$ 10,440,853
			\$ 1,699,320

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
Public works	\$ 645,035	\$ 13,537	\$ 871,204	\$ --	\$ 239,706	\$ --	\$ 239,706	\$ --
Public safety	121,092	6,281	139,117	--	24,306	--	24,306	--
General government	115,765	90,339	516,660	--	491,234	--	491,234	--
Recreation and culture	479,573	93,988	145	--	(385,440)	--	(385,440)	--
Total Governmental Activities	1,361,465	204,145	1,527,126	--	369,806	--	369,806	--
Business-type Activities:								
Sewer Fund	535,072	358,579	--	1,387,464	--	1,210,971	1,210,971	--
Water Fund	1,494,133	1,058,587	2,562	295,170	--	(137,814)	(137,814)	--
Total Business-type Activities	2,029,205	1,417,166	2,562	1,682,634	--	1,073,157	1,073,157	--
Total Primary Government	\$ 3,390,670	\$ 1,621,311	\$ 1,529,688	\$ 1,682,634	369,806	1,073,157	1,442,963	--
Component Units								
Downtown Development Authority	\$ 2,358	\$ 1,920	\$ --	\$ --	--	--	--	(438)
Ontonagon Village Housing Commission (06/30/2024)	413,050	297,026	128,212	12,430	--	--	--	24,618
Total Component Units	\$ 415,408	\$ 298,946	\$ 128,212	\$ 12,430	--	--	--	24,180
General Purpose Revenues:								
Property taxes					739,538	--	739,538	--
Intergovernmental					202,609	--	202,609	--
Investment earnings					17,757	22,932	40,689	24,802
Total General Revenues					959,904	22,932	982,836	24,802
Change in Net Position					1,329,710	1,096,089	2,425,799	48,982
Net Position at Beginning of Period					(441,151)	8,456,205	8,015,054	1,650,338
Net Position at End of Period					\$ 888,559	\$ 9,552,294	\$ 10,440,853	\$ 1,699,320

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

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

		<u>Special Revenue</u>			
	<u>General</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 1,852,897	\$ 353,018	\$ 148,337	\$ 600,860	\$ 2,955,112
Accounts receivable	--	--	--	4,902	4,902
Taxes receivable	27,618	--	--	--	27,618
Other receivables	14,395	--	--	--	14,395
Due from other governmental units	30,548	39,313	76,896	51,209	197,966
Lease receivable	106,350	--	--	--	106,350
Total Assets	\$ 2,031,808	\$ 392,331	\$ 225,233	\$ 656,971	\$ 3,306,343
LIABILITIES					
Accounts payable	\$ 6,110	\$ --	\$ --	\$ --	\$ 6,110
Accrued liabilities	1,928	865	1,339	12,291	16,423
Due to other governmental units	100,345	--	--	--	100,345
Unearned revenue	516,680	--	--	--	516,680
Due to other funds	--	4,292	11,842	246,744	262,878
Total Liabilities	625,063	5,157	13,181	259,035	902,436
DEFERRED INFLOWS OF RESOURCES					
Deferred lease revenues	99,454	--	--	--	99,454
Total Liabilities and Deferred Inflows of Resources	724,517	5,157	13,181	259,035	1,001,890
FUND BALANCE					
Restricted	--	387,174	212,052	625,026	1,224,252
Unassigned	1,307,291	--	--	(227,090)	1,080,201
Total Fund Balance	1,307,291	387,174	212,052	397,936	2,304,453
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,031,808	\$ 392,331	\$ 225,233	\$ 656,971	\$ 3,306,343

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

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

Total Fund Balance - Governmental Funds	\$ 2,304,453
Net Position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements	1,009,345
General government capital assets of \$7,482,146, net of accumulated depreciation of \$5,553,727, are not financial resources and, accordingly, are not reported in the funds.	1,928,419
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(26,918)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	(4,326,740)
Total Net Position - Governmental Activities	\$ <u>888,559</u>

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

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

		<u>Special Revenue</u>			
	<u>General</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 578,036	\$ --	\$ 161,502	\$ --	\$ 739,538
Intergovernmental	697,302	277,679	191,366	139,117	1,305,464
Charges for services	19,193	--	--	78,729	97,922
Fines and forfeitures	5,560	--	--	--	5,560
Rental income	24,456	--	--	1,950	26,406
Other revenue	2,137	559	559	6,735	9,990
Investment earnings	53,574	6,490	2,772	6,764	69,600
Total Revenues	<u>1,380,258</u>	<u>284,728</u>	<u>356,199</u>	<u>233,295</u>	<u>2,254,480</u>
Expenditures					
General government	66,248	--	--	--	66,248
Public safety	--	--	--	90,986	90,986
Public works	204,873	211,755	314,486	--	731,114
Recreation and culture	465,538	--	--	60,866	526,404
Total Expenditures	<u>736,659</u>	<u>211,755</u>	<u>314,486</u>	<u>151,852</u>	<u>1,414,752</u>
Excess of Revenues Over					
(Under) Expenditures	<u>643,599</u>	<u>72,973</u>	<u>41,713</u>	<u>81,443</u>	<u>839,728</u>
Net Change in Fund Balance	<u>643,599</u>	<u>72,973</u>	<u>41,713</u>	<u>81,443</u>	<u>839,728</u>
<i>Fund Balance at Beginning of Period</i>	663,692	314,201	170,339	316,493	1,464,725
Fund Balance at End of Period	<u>\$ 1,307,291</u>	<u>\$ 387,174</u>	<u>\$ 212,052</u>	<u>\$ 397,936</u>	<u>\$ 2,304,453</u>

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

Village of Ontonagon
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	\$ 839,728
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements	445,140
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 \$77,553 is exceeded by depreciation expense of \$174,834.	(97,281)
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year decrease is to increase net position.	(4,076)
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.	146,199
Changes in Net Position - Governmental Activities	\$ <u>1,329,710</u>

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

Village of Ontonagon
Statement of Net Position
Proprietary Funds
March 31, 2025

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Fund
	Sewer Fund	Water Fund	Total Enterprise Funds	
ASSETS				
<i>Current Assets</i>				
Cash and investments	\$ 151,169	\$ 815,687	\$ 966,856	\$ 64,391
Accounts receivable	60,380	160,741	221,121	350
Due from other governmental units	--	19,498	19,498	--
Due from other funds	--	--	--	267,612
Total Current Assets	211,549	995,926	1,207,475	332,353
<i>Noncurrent Assets</i>				
Restricted cash	163,000	301,673	464,673	--
Capital assets not being depreciated	1,635,729	20,000	1,655,729	--
Capital assets being depreciated, net	1,054,751	9,698,902	10,753,653	733,490
Total Assets	3,065,029	11,016,501	14,081,530	1,065,843
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	10,702	33,491	44,193	3,688
Total Deferred Outflows of Resources	10,702	33,491	44,193	3,688
LIABILITIES				
<i>Current Liabilities</i>				
Accounts payable	--	36,646	36,646	--
Accrued liabilities	1,581	3,779	5,360	2,115
Customer deposits	--	3,900	3,900	--
Current portion of long-term debt	95,000	255,000	350,000	--
Current portion of compensated absences	--	10,992	10,992	--
Due to other funds	1,699	3,035	4,734	--
Total Current Liabilities	98,280	313,352	411,632	2,115
<i>Noncurrent Liabilities</i>				
Compensated absences	--	10,992	10,992	--
Long-term debt	1,386,000	2,068,862	3,454,862	--
Net pension liability	168,535	527,408	695,943	58,071
Total Liabilities	1,652,815	2,920,614	4,573,429	60,186
NET POSITION				
Net investment in capital assets	1,209,480	7,395,040	8,604,520	733,488
<i>Restricted for:</i>				
Debt service	163,000	301,673	464,673	--
<i>Unrestricted</i>	50,436	432,665	483,101	275,857
Total Net Position	\$ 1,422,916	\$ 8,129,378	\$ 9,552,294	\$ 1,009,345

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

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

	Business-type Activities - Enterprise Funds			Governmental Activities Internal Service Funds
	Sewer Fund	Water Fund	Total Enterprise Funds	
Operating Revenues				
Charges for services	\$ 358,579	\$ 1,058,587	\$ 1,417,166	\$ 228,901
Total Operating Revenues	358,579	1,058,587	1,417,166	228,901
Operating Expenses				
Wages and fringes	149,490	359,533	509,023	28,393
Supplies	10,484	132,953	143,437	65,581
Contractual services	5,834	15,034	20,868	550
Communication and utilities	48,776	68,511	117,287	10,323
Other services and charges	14,349	427,191	441,540	52,239
Equipment rental	24,333	47,096	71,429	--
Depreciation expense	213,091	391,777	604,868	62,951
Total Operating Expenses	466,357	1,442,095	1,908,452	220,037
Operating Income (Loss)	(107,778)	(383,508)	(491,286)	8,864
Non-Operating Revenues (Expenses)				
Investment earnings	4,955	17,977	22,932	150
Grants	1,387,464	297,732	1,685,196	424,126
Sale of capital assets	--	--	--	12,000
Interest expense	(68,715)	(52,038)	(120,753)	--
Net Non-Operating Revenues (Expenses)	1,323,704	263,671	1,587,375	436,276
Change In Net Position	1,215,926	(119,837)	1,096,089	445,140
<i>Net Position at Beginning of Period</i>	<i>206,990</i>	<i>8,249,215</i>	<i>8,456,205</i>	<i>564,205</i>
Net Position at End of Period	\$ 1,422,916	\$ 8,129,378	\$ 9,552,294	\$ 1,009,345

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

Village of Ontonagon
Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31 2025

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Fund	Water Fund	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities				
Cash received from charges for service	\$ 349,795	\$ 1,006,818	\$ 1,356,613	\$ -
Cash received from interfund services provided	-	-	-	228,576
Cash payments to employees for services and fringe benefits	(161,662)	(407,286)	(568,948)	(57,904)
Cash Payments to Suppliers for Good and Services	(178,644)	(685,695)	(864,339)	(128,693)
Net Cash Provided by (Used in) Operating Activities	9,489	(86,163)	(76,674)	41,979
Cash Flows from Non-capital Financing Activities				
Grants	1,387,464	297,732	1,685,196	424,126
Other non-operating revenue	-	-	-	12,000
Change in interfund balances	(16,042)	(32,687)	(48,729)	22,262
Net Cash Provided by (Used in) Non-capital Financing Activities	1,371,422	265,045	1,636,467	458,388
Cash Flows from Capital and Related Financing Activities				
Capital asset purchases	(1,490,890)	-	(1,490,890)	(439,105)
Principal payments on long-term debt	(92,000)	(250,000)	(342,000)	-
Interest paid on long-term debt	(68,715)	(52,038)	(120,753)	-
Net Cash Used in Capital and Related Financing Activities	(1,651,605)	(302,038)	(1,953,643)	(439,105)
Cash Flows from Investing Activities				
Investment earnings	4,955	17,977	22,932	150
Net Cash Provided by Investing Activities	4,955	17,977	22,932	150
Net Increase (Decrease) in Cash and Investments	(265,739)	(105,179)	(370,918)	61,412
<i>Cash and Investments - Beginning of Year</i>	<i>579,908</i>	<i>1,222,539</i>	<i>1,802,447</i>	<i>2,979</i>
Cash and Investments - End of Year	\$ 314,169	\$ 1,117,360	\$ 1,431,529	\$ 64,391

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

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

	Business-type Activities - Enterprise Funds			Governmental
	Sewer Fund	Water Fund	Total Enterprise Funds	Activities Internal Service Fund
Statement of Net Position Classification of				
Cash and Investments				
Cash and investments	\$ 151,169	\$ 815,687	\$ 966,856	\$ 64,391
Restricted cash	163,000	301,673	464,673	-
Cash and investments	<u>\$ 314,169</u>	<u>\$ 1,117,360</u>	<u>\$ 1,431,529</u>	<u>\$ 64,391</u>
Reconciliation of Operating Loss to				
Net Cash Provided by (Used in) Operating Activities				
Operating Loss	\$ (107,778)	\$ (383,508)	\$ (491,286)	\$ 8,864
Adjustments to Reconcile Operating Loss to				
Net Cash Provided by (Used in) Operating Activities				
Depreciation expense	213,091	391,777	604,868	62,951
Changes in Assets, Liabilities, and Related Deferrals				
Receivables, net	(8,784)	(51,678)	(60,462)	(325)
Customer deposits	-	(91)	(91)	-
Accounts payable	(74,868)	5,090	(69,778)	-
Accrued payroll and other liabilities	84	3,680	3,764	1,799
Net pension liability and related deferrals	(12,256)	(51,433)	(63,689)	(31,310)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 9,489</u>	<u>\$ (86,163)</u>	<u>\$ (76,674)</u>	<u>\$ 41,979</u>

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

Village of Ontonagon
Statement of Fiduciary Net Position
Fiduciary Funds
March 31, 2025

	<u>Custodial</u>
ASSETS	
Cash and investments	\$ 73,785
<i>Total Assets</i>	<u>73,785</u>
LIABILITIES	
Due to other governmental units	10,670
Bonds and other payables	63,115
<i>Total Liabilities</i>	<u>73,785</u>
NET POSITION	
Restricted for individuals, organizations, and other governments	\$ --

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

Village of Ontonagon
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended March 31, 2025

	<u>Custodial</u>
Additions	
County clerk/treasurer collections	\$ --
<i>Total Additions</i>	<u>--</u>
DEDUCTIONS	
County clerk/treasurer distributions	--
<i>Total Deductions</i>	<u>--</u>
<i>Change in Net Position</i>	<u>--</u>
<i>Net Position at Beginning of Period</i>	--
<i>Net Position at End of Period</i>	<u>\$ --</u>

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

Village of Ontonagon
Combining Statement of Net Position
Component Units
March 31, 2025

	Downtown Development Authority	Ontonagon Village Housing Commission (06/30/2024)	Total Component Units
ASSETS			
<i>Current Assets</i>			
Cash and investments	\$ 7,340	\$ 837,063	\$ 844,403
Accounts receivable	--	736	736
Prepaid expenses	--	12,020	12,020
<i>Total Current Assets</i>	7,340	849,819	857,159
<i>Noncurrent Assets</i>			
Capital assets not being depreciated	77,500	--	77,500
Capital assets being depreciated, net	1,633	833,347	834,980
<i>Total Assets</i>	86,473	1,683,166	1,769,639
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable	--	2,941	2,941
Accrued liabilities	--	54,711	54,711
Current portion of compensated absences	--	3,422	3,422
<i>Total Current Liabilities</i>	--	61,074	61,074
<i>Noncurrent Liabilities</i>			
Compensated absences	--	9,245	9,245
<i>Total Liabilities</i>	--	70,319	70,319
NET POSITION			
Net investment in capital assets	79,133	833,347	912,480
<i>Unrestricted</i>	7,340	779,500	786,840
<i>Total Net Position</i>	\$ 86,473	\$ 1,612,847	\$ 1,699,320

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

Village of Ontonagon
Combining Statement of Activities
Component Units
For the Year Ended March 31, 2025

	Downtown Development Authority	Ontonagon Village Housing Commission (06/30/2024)	Total Component Units
Expenses			
Community and economic development	\$ 2,358	\$ 413,050	\$ 415,408
Total Expenses	<u>2,358</u>	<u>413,050</u>	<u>415,408</u>
Program Revenues			
Charges for services	1,920	297,026	298,946
Operating grants and contributions	--	128,212	128,212
Capital grants and contributions	--	12,430	12,430
Total Program Revenues	<u>1,920</u>	<u>437,668</u>	<u>439,588</u>
Net Program Revenues (Expenses)	<u>(438)</u>	<u>24,618</u>	<u>24,180</u>
General Revenue			
Investment earnings	22	24,780	24,802
Total General Revenues	<u>22</u>	<u>24,780</u>	<u>24,802</u>
Change in Net Position	<u>(416)</u>	<u>49,398</u>	<u>48,982</u>
<i>Net Position at Beginning of Period</i>	86,889	1,563,449	1,650,338
Net Position at End of Period	<u>\$ 86,473</u>	<u>\$ 1,612,847</u>	<u>\$ 1,699,320</u>

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

Notes to the Financial Statements

Village of Ontonagon

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The Village of Ontonagon (the “Village” or “government”) is a municipal corporation governed by an elected Council (seven members) and provides services to its more than 1,285 residents in many areas including public safety, street development and maintenance, marina, and sewer and water services. The accounting policies of the Village conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. The component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Village.

Discretely Presented Component Units

Downtown Development Authority

The members of the governing board of the Downtown Development Authority are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. Complete financial statements for the component unit are not separately prepared.

Ontonagon Village Housing Commission

The Ontonagon Village Housing Commission was formed by the Village of Ontonagon under Public Act 18 of 1933 of the State of Michigan. The Ontonagon Village Housing Commission manages 60 units of low rent public housing units. The members of the governing board of the Ontonagon Village Housing Commission are appointed by the Village Council. The Ontonagon Village Housing Commission is audited individually, and complete financial statements may be obtained from the Ontonagon Village Housing Commission’s administrative office at:

Karen Jackson, Executive Director
Ontonagon Village Housing Commission
100 Cane Court
Ontonagon, Michigan 49953

or call 906-884-2258.

Accordingly, the Village has elected to omit substantially all note disclosures related to the Ontonagon Village Housing Commission in these financial statements.

Village of Ontonagon

Notes to the Financial Statements

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. The fiduciary fund financial statements use the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and accrued employee benefit expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as

Village of Ontonagon

Notes to the Financial Statements

revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

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

The **major street fund** accounts for the revenue received from the State of Michigan under Act 51 which is specifically earmarked for construction and maintenance of roads designated as major streets in Village.

The **local street fund** accounts for the revenue received from the State of Michigan under Act 51 which is specifically earmarked for construction and maintenance of roads designated as local streets in Village.

The Village reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

The **internal service fund** is used to account for the financing of goods or services provided by the Village to other departments or funds on a cost reimbursement basis.

Custodial funds are used to account for assets held on behalf of outside parties, including other governments.

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

Village of Ontonagon

Notes to the Financial Statements

charges between the Village's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

Cash and Investments

The Village's cash and cash equivalents include amounts in demand deposit accounts, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition. Certificates of deposit are carried at cost plus accrued interest, since the original maturity dates are less than one year. Investments are stated at fair market value.

Restricted Assets

Assets which are restricted for specified uses by bond debt requirements are classified as restricted assets. Liabilities payable for such restricted assets are separately classified.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. As of March 31, 2025, the water fund and sewer fund had \$368,885 and \$87,610, respectively, with \$208,144 and \$27,230, respectively, identified as being uncollectible.

Leases Receivable

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

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

Village of Ontonagon

Notes to the Financial Statements

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an individual cost of more than \$5,000 for equipment, furniture, fixtures, and infrastructure appurtenances, or \$10,000 for building and building improvements, vehicles, contractor equipment, leased assets, and infrastructures. Land and land improvements are capitalized regardless of the cost. Assets should have an estimated useful life in excess of five years or longer, although exceptions may apply. Such assets are valued at cost where historical records are available and at an estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays of capital assets and improvement are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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

	Years
Land improvements	10 - 20
Buildings and improvements	10 - 50
Equipment and furniture	4 - 20
Vehicles	5 - 10
Infrastructure	8 - 50
Wastewater and water systems	10 - 50

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

Village of Ontonagon

Notes to the Financial Statements

Compensated Absences

Under terms of Village policies, eligible employees are granted vacation, sick, and compensatory time in varying amounts based on length of service. Sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have maturity, for example, as a result of employee resignations and retirements.

Unearned Revenues

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

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period that the bond was issued.

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

Net Position Flow Assumption

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

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

Village of Ontonagon

Notes to the Financial Statements

Fund Balance Flow Assumptions

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 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 Village Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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

Unassigned fund balance is the residual classification for the Village's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Village Council. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, the unassigned classification is used only to report a deficit.

Village of Ontonagon

Notes to the Financial Statements

Property Tax Revenue Recognition

Property taxes are levied on each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Collections are made July 1 through September 14. Taxable values are established annually by the County and are equalized by the State at an estimated 50% of current market value. The 2024 taxable valuation of the Village totaled \$32,857,137 on which ad valorem taxes levied consisted of 15.0000 mills for Village operating purposes.

Pension

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The government-wide financial statements and proprietary funds report deferred outflows from Village contributions made after the measurement date of the net pension liability.

In addition to liabilities, the statement of financial position/balance sheet will, when applicable, report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has one type of deferred inflows. The Village reports *deferred lease revenue* as deferred inflows in both the fund and government-wide financial statements.

Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the Village.

Village of Ontonagon

Notes to the Financial Statements

Use of Estimates

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

Budgetary and Budgetary Accounting

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

Excess of Expenditures over Budget

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

Village of Ontonagon

Notes to the Financial Statements

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

Expenditure	Final	Actual	Variance
General Fund			
Buildings, grounds, and street lights	\$ 5,250	\$ 8,542	\$ (3,292)
Recreation building	33,750	44,451	(10,701)
Local Streets Fund			
Buildings, grounds, and street lights	\$ 218,683	\$ 314,486	\$ (95,803)

Net Position/Fund Balance Deficits

Governmental activities had a deficit unrestricted net position of \$(3,731,088) while the marina fund had a deficit unassigned fund balance of \$(227,090).

Note 3 - Cash and Investments

The captions on the government-wide and fund statements relating to cash and investments are as follows:

	Primary Government	Component Units	Total
Statement of Net Position			
Cash and investments	\$ 3,986,359	\$ 844,403	\$ 4,830,762
Restricted cash	464,673	-	464,673
Statement of Fiduciary Net Position			
Cash and investments	73,785	-	73,785
Total Deposits and Investments	<u>\$ 4,524,817</u>	<u>\$ 844,403</u>	<u>\$ 5,369,220</u>
<i>Less Units Separately Audited</i>			
Ontonagon Village Housing Commission (06/30/2024)	-	(844,403)	(757,793)
Deposits and Investments Managed by the Village	<u>\$ 4,524,817</u>	<u>\$ -</u>	<u>\$ 4,611,427</u>
	Cash on hand		\$ 399
	Checking and savings accounts		3,839,892
	Certificates of deposits		771,136
	Total Deposits and Investments		<u>\$ 4,611,427</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits might not be returned. State law does not require, and the Village does not have, a policy for deposit custodial credit risk. As of year-end, \$2,984,380 of the Village's bank balance of \$3,796,390 was exposed to custodial credit risk because it was uninsured and

Village of Ontonagon

Notes to the Financial Statements

uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Village believes it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Credit Risk. State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2025, the Village had the following investments that would be subject to rating by a NRSRO:

Investment	Maturity	Fair Value	Rating	Source
CIBC BK USA CHICAGO	4/14/2025	\$ 244,000	No Rating	N/A
CHOICEONE BK SPARTA	7/14/2025	29,000	No Rating	N/A
MINER STATE BANK	8/7/2025	12,128	No Rating	N/A
BANK AMER NA	5/18/2026	243,000	No Rating	N/A
FLAGSTAR BK NATL	5/18/2026	243,000	No Rating	N/A
<i>Total Pooled Investments</i>		<u>\$ 771,128</u>		

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates for certificates of deposit held at year-end are all less than one year.

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

Village of Ontonagon

Notes to the Financial Statements

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

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

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

All certificate of deposits investments totaling \$771,128 are valued using level 1 measurements.

Restricted Cash

Sewer Fund - The ordinance authorizing issuance of the 1997 Sanitary Sewage Disposal System Revenue Bonds required that specific accounts be established, and monies deposited as follows:

Bond Reserve Account – Excess funds up to \$4,850 per quarter are to be transferred to this account until \$163,000 is accumulated.

Water Fund – The ordinance authorizing issuance of the 2004 General Obligation Limited Tax Bonds required that specific accounts be established, and monies deposited as follows:

Bond Redemption Account – Quarterly transfers are to be made equal to $\frac{1}{2}$ of the next interest payment due plus $\frac{1}{4}$ of the next principal payment due.

Village of Ontonagon

Notes to the Financial Statements

At March 31, 2025, the Village has the following accounts established and restricted, as required:

	Quarterly Requirement				Required Amount in Reserve	Actual Amount in Reserve
	1st Quarter (10/01/25)	2nd Quarter (10/01/25)	3rd Quarter (04/01/26)	4th Quarter (04/01/26)		
Sewer Fund						
Bond Reserve Account	-	-	-	-	\$ 163,000	\$ 163,000
Water Fund						
Bond Redemption	\$ 76,096	\$ 76,096	\$ 74,741	\$ 74,741	\$ 301,673	\$ 301,673

Note 4 - Capital Assets

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

Governmental Activities	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital Assets not Being Depreciated					
Land	\$ 277,332	\$ -	\$ -	\$ -	\$ 277,332
Construction in progress	120,354	-	-	(120,354)	-
Subtotal	397,686	-	-	(120,354)	277,332
Capital Assets Being Depreciated					
Land improvements	1,040,331	-	-	-	1,040,331
Buildings and improvements	1,969,405	77,553	-	120,354	2,167,312
Equipment and furniture	1,572,914	439,105	-	-	2,012,019
Vehicles	1,014,156	-	-	-	1,014,156
Infrastructure	3,019,885	-	-	-	3,019,885
Subtotal	8,616,691	516,658	-	120,354	9,253,703
Less Accumulated Depreciation:					
Land improvements	647,592	44,855	-	-	692,447
Buildings and improvements	1,424,227	41,526	-	-	1,465,753
Equipment and furniture	1,270,084	61,259	-	-	1,331,343
Vehicles	761,101	18,521	-	-	779,622
Infrastructure	2,528,337	71,626	-	-	2,599,963
Subtotal	6,631,341	237,787	-	-	6,869,128
Capital Assets Being Depreciated, Net	1,985,350	278,871	-	120,354	2,384,575
Governmental Activities Capital Assets, net	\$ 2,383,036	\$ 278,871	\$ -	\$ -	\$ 2,661,907

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

Governmental Activities	
General Government	\$ 48,341
Public Safety	30,186
Public Works	87,701
Recreation and Culture	8,606
Charged to Equipment Internal Service Fund	62,953
Total Governmental Activities Depreciation	\$ 237,787

Village of Ontonagon

Notes to the Financial Statements

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

Business-type Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 33,500	\$ -	\$ -	\$ 33,500
Construction in progress	196,278	1,425,951	-	1,622,229
Subtotal	229,778	1,425,951	-	1,655,729
Capital Assets Being Depreciated				
Land improvements	3,033	-	-	3,033
Buildings and improvements	245,980	-	-	245,980
Equipment and furniture	104,794	-	-	104,794
Vehicles	38,605	-	-	38,605
Infrastructure	26,682,653	64,939	-	26,747,592
Subtotal	27,075,065	64,939	-	27,140,004
Less Accumulated Depreciation:				
Land improvements	3,033	-	-	3,033
Buildings and improvements	245,146	185	-	245,331
Equipment and furniture	94,508	2,328	-	96,836
Vehicles	31,135	2,359	-	33,494
Infrastructure	15,407,661	599,996	-	16,007,657
Subtotal	15,781,483	604,868	-	16,386,351
Capital Assets Being Depreciated, Net	11,293,582	(539,929)	-	10,753,653
Business-type Activities Capital Assets, net	\$ 12,502,736	\$ 886,022	\$ -	\$ 12,409,382

Depreciation expense was charged to the business-type funds of the Village as follows:

Business-type Activities	
Sewer	\$ 213,091
Water	391,777
Total Business-type Activities Depreciation	\$ 604,868

Village of Ontonagon

Notes to the Financial Statements

Capital asset activities for the Downtown Development Authority (discretely presented component unit) activities for the year ended March 31, 2025 were as follows:

Downtown Development Authority	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not Being Depreciated				
Land	\$ 77,500	\$ -	\$ -	\$ 77,500
Capital Assets Being Depreciated				
Land improvements	3,000	-	-	3,000
Subtotal	3,000	-	-	3,000
Less Accumulated Depreciation:				
Land improvements	1,167	200	-	1,367
Subtotal	1,167	200	-	1,367
Capital Assets Being Depreciated, Net	1,833	(200)	-	1,633
DDA Capital Assets, net	\$ 78,667	\$ (200)	\$ -	\$ 79,133

Depreciation expense of \$200 was charged to community and economic development within the Downtown Development Authority (discretely presented component unit).

Note 5 - Long-term Obligations

Long-term obligations, all direct placement, activity for the year ended March 31, 2025 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 22,842	\$ 4,076	\$ -	\$ 26,918	\$ 13,459
Total Governmental Activities	22,842	4,076	-	26,918	13,459
Business-type Activities:					
Clean water revolving fund		1,387,464	1,387,464	-	-
Sanitary sewage disposal system revenue bonds, series 1996	1,573,000	-	92,000	1,481,000	95,000
Water supply system revenue refunding bond, series 2004	2,573,862	-	250,000	2,323,862	255,000
Compensated absences	18,235	3,748	-	21,983	10,992
Total Business-type Activities	4,165,097	1,391,212	1,729,464	3,826,845	360,992
Total Long-term Obligations	\$ 4,187,939	\$ 1,395,288	\$ 1,729,464	\$ 3,853,763	\$ 374,451

Village of Ontonagon

Notes to the Financial Statements

The annual requirements, excluding accrued employee benefits, to maturity on the total long-term debt obligations outstanding at March 31, 2025 are as follows:

Year Ending March 31,	Business-type Activities		
	Principal	Interest	Total
2026	350,000	111,181	461,181
2027	355,000	101,374	456,374
2028	359,000	91,365	450,365
2029	365,000	81,131	446,131
2030	375,000	70,598	445,598
2031-2033	1,155,000	146,018	1,301,018
2034-2037	845,862	56,625	902,487
Totals	\$ 3,804,862	\$ 658,291	\$ 4,463,153

Note 6 - Net Investment in Capital Assets

Net investment in capital assets was calculated as follows for the year ended March 31, 2024:

	Governmental Activities	Business-type Activities	Component Unit (DDA)
Add:			
Capital assets not being depreciated	\$ 277,332	\$ 1,655,729	\$ 77,500
Capital assets being depreciated, net	2,384,575	10,753,653	1,633
	<u>2,661,907</u>	<u>12,409,382</u>	<u>79,133</u>
Less:			
Total long-term debt/advances	-	(3,804,862)	-
	<u>-</u>	<u>(3,804,862)</u>	<u>-</u>
Net investment in capital assets	\$ 2,661,907	\$ 8,604,520	\$ 79,133

Village of Ontonagon

Notes to the Financial Statements

Note 7 - Interfund Activity

Due to and Due From

The composition of interfund balances as of March 31, 2024 was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Equipment (ISF)	Major Street	\$ 4,292
Equipment (ISF)	Local Street	11,842
Equipment (ISF)	Nonmajor Governmental	246,744
Equipment (ISF)	Sewer	1,699
Equipment (ISF)	Water	3,035

These balances resulted from lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Note 8 - Employee Retirement Systems and Plans

Deferred Compensation Plans

The Village offers all its regular employees and elected officials, various deferred compensation plans created in accordance with the Internal Revenue Code (IRC), Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (Village) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Village's financial statements.

Defined Benefit Pension Plan

General Information about the Plan

Plan Description. The primary government participates in the Municipal Employees' Retirement System (MERS) of Michigan, a defined benefit pension plan providing certain retirement, disability, and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. Public Act 427 of 1984, as amended, establishes, and amends the benefit provisions of the participants in MERS.

Village of Ontonagon

Notes to the Financial Statements

MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided. Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 3-year period) and multipliers ranging from 2.00% to 2.25%. Participants are considered to be fully vested in the plan after 6 or 10 years, depending on bargaining unit. Normal retirement age is 60 with early retirement options available for certain bargaining units.

Employees Covered by Benefit Terms. At December 31, 2024 (the valuation date), plan membership for governmental activities consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	120
Inactive employees entitled to but not yet receiving benefits	32
Active employees	5
<i>Total membership</i>	<u>157</u>

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

The plan is closed to new employees. Employer contributions are expressed as calculated dollar amount below:

Division	Status	Employer Contribution
		Rate
General	Closed	\$ 10,818
Admin	Closed	\$ 39,433

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

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

Village of Ontonagon

Notes to the Financial Statements

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

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability is 7.18%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Village of Ontonagon

Notes to the Financial Statements

Changes in Net Pension Liability

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2023	\$ 14,448,352	\$ 8,744,790	\$ 5,703,562
Service cost	23,083	-	23,083
Interest on total pension liability	989,638	-	989,638
Differences between expected and actual experience	(67,066)	-	(67,066)
Changes in assumptions	(44,354)	-	(44,354)
Employer contributions	-	607,170	(607,170)
Net investment income	-	642,386	(642,386)
Benefit payments, including refunds	(1,353,266)	(1,353,266)	-
Administrative expense	-	(18,824)	18,824
Other changes	-	-	-
<i>Net changes</i>	<i>(451,965)</i>	<i>(122,534)</i>	<i>(329,431)</i>
Balances at December 31, 2024	\$ 13,996,387	\$ 8,622,256	\$ 5,374,131
Allocated as follows:			
			\$ 4,678,188
			695,943
		Total	\$ 5,374,131

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Village, calculated using the future discount rate of 7.18%, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.18%) or 1% higher (8.18%) than the current rate:

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Village's net pension liability	\$ 6,597,586	\$ 5,374,131	\$ 4,318,649

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended March 31, 2025 the Village recognized pension expense of \$361,814.

The Village reported pension-related deferred outflows/inflows of resources from the following sources:

Village of Ontonagon

Notes to the Financial Statements

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 190,505
Employer contributions to the plan subsequent to the measurement date *	150,753
Totals	\$ 341,258
Allocated as follows:	
Governmental Activities	\$ 297,065
Business-type Activities	44,193
Totals	\$ 341,258

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

Amounts reported as pension-related deferred outflows/inflows of resources for governmental activities will be recognized in pension expense as follows:

Year Ended March 31,	Amount
2026	\$ 93,237
2027	173,456
2028	(67,794)
2029	(8,394)

Note 9 – Lease Receivable

The Village is reporting total lease receivables of \$106,349 and deferred lease revenues of \$99,454 as of March 31, 2024. For fiscal year 2025, the Village reported lease revenue of \$5,352.

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

American Tower - Wireless Tower Lease: on March 24, 2008 the Village entered into an agreement with American Tower for the right to use space on the Village's tower for cellular communications. The agreement is scheduled to end October 31, 2043 with 6 additional 5-year extension options. The Village is confident that each of the lease extension options will be exercised.

Note 10 - Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees (workers' compensation); and natural disasters. During the year ended March 31, 2025, the Village carried commercial insurance to

Village of Ontonagon

Notes to the Financial Statements

cover all risks of loss. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. There was no significant change in coverage during the year.

Note 11 - Subsequent Events

Management has evaluated events subsequent to the financial statement date through September 22, 2025, the date these financial statements were available to be issued. Management is not aware of any events that would have an impact on these financial statements.

Required Supplementary Information

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

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property taxes	\$ 497,700	\$ 497,700	\$ 578,036	\$ 80,336
Intergovernmental	700,795	700,795	697,302	(3,493)
Charges for services	20,800	20,800	19,193	(1,607)
Fines and forfeitures	1,500	1,500	5,560	4,060
Rental income	9,100	9,100	24,456	15,356
Other revenue	1,350	1,350	2,137	787
Investment earnings	22,728	22,728	53,574	30,846
Total Revenues	1,253,973	1,253,973	1,380,258	126,285
Expenditures				
General Government				
Administration	71,468	71,468	66,248	5,220
Public Works				
Building, grounds, and street lights	201,581	201,581	204,873	(3,292)
Recreation and Culture				
Parks and recreation	446,034	446,034	421,087	24,947
Recreation building	33,750	33,750	44,451	(10,701)
<i>Total Recreation and Culture</i>	<i>479,784</i>	<i>479,784</i>	<i>465,538</i>	<i>14,246</i>
Total Expenditures	752,833	752,833	736,659	16,174
Excess (Deficiency) of Revenues				
Over Expenditures	501,140	501,140	643,599	142,459
Net Change in Fund Balance	501,140	501,140	643,599	142,459
<i>Fund Balance at Beginning of Period</i>	<i>663,692</i>	<i>663,692</i>	<i>663,692</i>	<i>--</i>
Fund Balance at End of Period	\$ 1,164,832	\$ 1,164,832	\$ 1,307,291	\$ 142,459

Village of Ontonagon
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Major Street Fund
For the Year Ended March 31, 2025

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 297,245	\$ 297,245	\$ 277,679	\$ (19,566)
Other revenue	--	--	559	559
Investment earnings	2,300	2,300	6,490	4,190
Total Revenues	299,545	299,545	284,728	(14,817)
Expenditures				
Public works	299,542	299,542	211,755	87,787
Total Expenditures	299,542	299,542	211,755	87,787
Excess (Deficiency) of Revenues				
Over Expenditures	3	3	72,973	72,970
Net Change in Fund Balance	3	3	72,973	72,970
<i>Fund Balance at Beginning of Period</i>	314,201	314,201	314,201	--
Fund Balance at End of Period	\$ 314,204	\$ 314,204	\$ 387,174	\$ 72,970

Village of Ontonagon
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Local Street Fund
For the Year Ended March 31, 2025

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property taxes	\$ 110,000	\$ 110,000	\$ 161,502	\$ 51,502
Intergovernmental	111,000	111,000	191,366	80,366
Other revenue	--	--	559	559
Investment earnings	405	405	2,772	2,367
Total Revenues	221,405	221,405	356,199	134,794
Expenditures				
Building, grounds, and street lights	218,683	218,683	314,486	(95,803)
Total Expenditures	218,683	218,683	314,486	(95,803)
Excess (Deficiency) of Revenues				
Over Expenditures	2,722	2,722	41,713	38,991
Net Change in Fund Balance	2,722	2,722	41,713	38,991
<i>Fund Balance at Beginning of Period</i>	170,339	170,339	170,339	--
Fund Balance at End of Period	\$ 173,061	\$ 173,061	\$ 212,052	\$ 38,991

Village of Ontonagon
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Plan Years (Schedule is built prospectively upon implementation of GASB 68)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 23,083	\$ 25,889	\$ 23,679	\$ 37,083	\$ 34,975	\$ 37,138	\$ 38,798	\$ 37,518	\$ 35,303	\$ 33,583
Interest on total pension liability	989,638	1,003,125	1,034,051	1,059,518	1,028,617	1,058,556	1,071,552	1,087,358	1,104,788	1,091,706
Differences between expected and actual experience	(67,066)	179,311	(156,215)	144,217	52,488	87,773	3,753	(70,332)	(116,126)	(16,558)
Changes in assumptions	(44,354)	83,362	-	427,670	618,931	416,800	-	-	-	687,092
Benefit payments, including refunds	(1,353,266)	(1,333,210)	(1,325,142)	(1,354,950)	(1,304,006)	(1,289,390)	(1,262,056)	(1,243,459)	(1,242,420)	(1,196,864)
Other changes	-	1	-	-	-	-	-	-	-	-
Net Change in Pension Liability	(451,965)	(41,522)	(423,627)	313,538	431,005	310,877	(147,953)	(188,915)	(218,455)	598,959
<i>Total Pension Liability - Beginning</i>	<i>14,448,352</i>	<i>14,489,874</i>	<i>14,913,501</i>	<i>14,599,963</i>	<i>14,168,958</i>	<i>13,858,081</i>	<i>14,006,034</i>	<i>14,194,949</i>	<i>14,413,404</i>	<i>13,814,445</i>
Total Pension Liability - Ending (a)	\$ 13,996,387	\$ 14,448,352	\$ 14,489,874	\$ 14,913,501	\$ 14,599,963	\$ 14,168,958	\$ 13,858,081	\$ 14,006,034	\$ 14,194,949	\$ 14,413,404
Plan Fiduciary Net Position										
Contributions - employer	\$ 607,170	\$ 2,575,077	\$ 1,650,848	\$ 733,415	\$ 433,599	\$ 263,290	\$ 554,091	\$ 362,365	\$ 287,317	\$ 259,730
Net investment income (loss)	642,386	826,651	(682,455)	894,421	749,651	890,587	(290,634)	1,005,462	872,210	(126,369)
Benefit payments, including refunds	(1,353,266)	(1,333,210)	(1,325,142)	(1,354,950)	(1,304,006)	(1,289,390)	(1,262,056)	(1,243,459)	(1,242,420)	(1,196,864)
Administrative expenses	(18,824)	(16,625)	(11,786)	(10,243)	(12,996)	(15,297)	(15,051)	(16,013)	(17,271)	(19,228)
Other changes	-	-	(6,400)	(1,825)	(650)	(100)	-	-	-	-
Net Change in Plan Fiduciary Net Position	(122,534)	2,051,893	(374,935)	260,818	(134,402)	(150,910)	(1,013,650)	108,355	(100,164)	(1,082,731)
<i>Plan Fiduciary Net Position - Beginning</i>	<i>8,744,790</i>	<i>6,692,897</i>	<i>7,067,832</i>	<i>6,807,014</i>	<i>6,941,416</i>	<i>7,092,326</i>	<i>8,105,976</i>	<i>7,997,621</i>	<i>8,097,785</i>	<i>9,180,516</i>
Plan Fiduciary Net Position - Ending (b)	\$ 8,622,256	\$ 8,744,790	\$ 6,692,897	\$ 7,067,832	\$ 6,807,014	\$ 6,941,416	\$ 7,092,326	\$ 8,105,976	\$ 7,997,621	\$ 8,097,785
Net Pension Liability - Ending (a) - (b)	\$ 5,374,131	\$ 5,703,562	\$ 7,796,977	\$ 7,845,669	\$ 7,792,949	\$ 7,227,542	\$ 6,765,755	\$ 5,900,058	\$ 6,197,328	\$ 6,315,619
Plan fiduciary net position as a percentage of total pension liability	61.60%	60.52%	46.19%	47.39%	46.62%	48.99%	51.18%	57.87%	56.34%	56.18%
Covered payroll	\$ 277,105	\$ 315,333	\$ 298,213	\$ 414,591	\$ 386,745	\$ 409,082	\$ 417,022	\$ 401,481	\$ 371,370	\$ 366,897
Net pension liability as a percentage of covered payroll	1939.38%	1808.74%	2614.57%	1892.39%	2015.01%	1766.77%	1622.40%	1469.57%	1668.77%	1721.36%

Notes to Schedule:

* Built prospectively upon implementation on GASB Statement No.68. An additional year will be added each year until ten years are presented.

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

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

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

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

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

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

Village of Ontonagon
Required Supplementary Information
Schedule of Contributions
Last Ten Village Fiscal Years (Schedule is built prospectively upon implementation of GASB 68)

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 603,012	\$ 619,644	\$ 693,472	\$ 749,554	\$ 462,651	\$ 416,930	\$ 554,091	\$ 362,365	\$ 287,317	\$ 259,730
Contributions in relation to the actuarially determined contribution	<u>603,012</u>	<u>619,644</u>	<u>1,667,727</u>	<u>749,554</u>	<u>462,651</u>	<u>416,930</u>	<u>554,091</u>	<u>362,365</u>	<u>287,317</u>	<u>259,730</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (974,255)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	283,850	317,090	300,617	409,316	401,054	404,859	402,788	401,481	371,370	366,897
Contributions as a percentage of covered payroll	\$ 1,489,874	\$ 1,556,378	\$ 1,687,561	\$ 1,908,424	115.36%	102.98%	137.56%	90.26%	77.37%	70.79%

Notes

Valuation Date

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

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of pay
Remaining amortization period	14 years
Asset valuation method	5-year smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.93%, net of investment expenses, including inflation
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 and fully generational MP-2019

Other Supplementary Information

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

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Fire Fund</u>	<u>Marina Fund</u>	
ASSETS			
Cash and investments	\$ 586,108	\$ 14,752	\$ 600,860
Accounts receivable	--	4,902	4,902
Due from other governmental units	51,209	--	51,209
<i>Total Assets</i>	\$ 637,317	\$ 19,654	\$ 656,971
LIABILITIES			
Accrued liabilities	\$ 12,291	\$ --	\$ 12,291
Due to other funds	--	246,744	246,744
<i>Total Liabilities</i>	12,291	246,744	259,035
FUND BALANCE			
Restricted	625,026	--	625,026
Unassigned	--	(227,090)	(227,090)
<i>Total Fund Balance</i>	625,026	(227,090)	397,936
<i>Total Liabilities and Fund Balance</i>	\$ 637,317	\$ 19,654	\$ 656,971

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

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Fire Fund</u>	<u>Marina Fund</u>	
Revenues			
Intergovernmental	\$ 139,117	\$ --	\$ 139,117
Charges for services	--	78,729	78,729
Rental income	--	1,950	1,950
Other revenue	6,281	454	6,735
Investment earnings	6,693	71	6,764
Total Revenues	<u>152,091</u>	<u>81,204</u>	<u>233,295</u>
Expenditures			
Public safety	90,986	--	90,986
Recreation and culture	--	60,866	60,866
Total Expenditures	<u>90,986</u>	<u>60,866</u>	<u>151,852</u>
Excess of Revenues Over (Under) Expenditures	<u>61,105</u>	<u>20,338</u>	<u>81,443</u>
Net Change in Fund Balance	<u>61,105</u>	<u>20,338</u>	<u>81,443</u>
<i>Fund Balance at Beginning of Period</i>	563,921	(247,428)	316,493
Fund Balance at End of Period	<u>\$ 625,026</u>	<u>\$ (227,090)</u>	<u>\$ 397,936</u>



**VILLAGE OF ONTONAGON, MICHIGAN
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS
(CSLFRF) ALTERNATIVE COMPLIANCE EXAMINATION
YEAR ENDED MARCH 31, 2025**

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**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE FOR THE U.S.
DEPARTMENT OF TREASURY CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY
FUNDS PROGRAM (CSLFRF) REQUIREMENTS FOR AN ALTERNATIVE CSLFRF
COMPLIANCE EXAMINATION ENGAGEMENT**

To the Honorable Village President
and Members of the Village Council
Village of Ontonagon, Michigan

We have examined the Village of Ontonagon's (the "Village") compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the specified requirements) as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the CSLFRF section of the 2024 OMB Compliance Supplement (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended March 31, 2025. Management of the Village is responsible for the Village's compliance with the specified requirements. Our responsibility is to express an opinion on the Village's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the "Requirements for an Alternative CSLFRF Compliance Examination Engagement." Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether the Village complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Village complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Village's compliance with specified requirements.

In our opinion, the Village complied, in all material respects, with the specified requirements referenced above during the year ended March 31, 2025.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material

effect on the Village's compliance with the specified requirements and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on the Village's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.

Intended Purpose

The purpose of this examination report is solely to express an opinion on whether the Village complied, in all material respects with the specified requirements referenced above during the year ended March 31, 2025. Accordingly, this report is not suitable for any other purpose.



Gabridge & Company, PLC
Grand Rapids, MI
September 22, 2025

**Village of Ontonagon
Schedule of Findings and Responses
For the Year Ended March 31, 2025**

FEDERAL AWARD FINDINGS AND RESPONSES

None reported.

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

To the Honorable Village President
and Members of the Village Council
Village of Ontonagon, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Ontonagon (the "Village"), as of and for the year ended March 31, 2025, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated September 22, 2025. Our report includes a reference to other auditors who audited the financial statements of the Ontonagon Village Housing Commission, as described in our report on the Village's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weaknesses, listed as finding 2025-01.

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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Village's Response to Findings

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

Purpose of this Report

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



Gabridge & Company, PLC
Grand Rapids, MI
September 22, 2025

Village of Ontonagon

Schedule of Findings and Responses

Preparation of Financial Statements in Accordance with GAAP with Significant Journal Entries Proposed by Auditor - Finding 2025-001 – (repeat finding)

Condition: As is the case with many similar-sized entities, the Village has historically relied on its independent external auditors to assist in preparing the financial statements and footnotes as part of its external financial reporting process. Significant journal entries for the proper recognition of various financial statement amounts were proposed by the auditor including; receivables, accrued wages, capital assets, long-term debt, net pension liability, property taxes, and state revenue sharing.

Findings: In our review of the Village of Ontonagon's (the "Village") accounting records we noted many accounts that needed material adjusting journal entries during the audit process.

Criteria: The government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls. Additionally, management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations and cash flows (where applicable), including the proper recording of journal entries to assure the trial balances from which the financial statements are prepared are in conformity with generally accepted accounting principles.

Cause: This condition is a result of the Village's limited resources and the small size of its accounting staff which, as part of the Village's internal controls, were not able to detect the need for material financial statement adjustments. Additionally, the Village has determined that it is more cost effective to outsource the preparation of its annual financial statements to its auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the Village is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely manner. The Village lacks internal controls over the preparation of its financial statements in accordance with GAAP, and instead relies, in part, on its external auditor for assistance with this task.

Recommendation: We recommend that the Village take steps to ensure that all significant journal entries are recorded throughout the year, that the Village maintain supporting documentation for all account balances, and continues to evaluate the cost effectiveness of outsourcing the preparation of its financial statements.

Management's Response-Corrective Action Plan: The Village has limited administrative staff but will work on implementing procedures to post and review the accounts indicated above.

September 22, 2025

To the Honorable Village President
and Members of the Village Council
Village of Ontonagon, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Ontonagon (the "Village") as of and for the year ended March 31, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 8, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's assumptions used to calculate the actuarial report and the net present value of pension benefits.

- Management's estimate of the allowance for uncollectible receivable balance is based on past experience and future expectation for collection of various account balances.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's

auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules, the pension plan schedules, and management's discussion and analysis, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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



Gabridge & Company, PLC
Grand Rapids, MI