



**VILLAGE OF ONTONAGON, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED MARCH 31, 2026**

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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, 2026, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

We did not audit the financial statements of the Ontonagon Village Housing Commission, which represents 95.5% of the assets, 95.3% of the net position, and 99.7% 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 4, 2026, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Gabridge & Company, PLC  
Grand Rapids, Michigan  
September 4, 2026

## **Management's Discussion and Analysis**

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

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, 2026. 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 \$12,705,567 (net position). Of this amount, a deficit of \$(1,936,600) represents unrestricted net position.
- The Village's total revenues were \$5,887,452 and total expenses were \$3,622,738 leading to an overall increase in net position of \$2,264,714 during the year.
- At the close of the current fiscal year, the Village's governmental funds reported combined fund balances of \$3,189,932, an increase of \$885,479 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,985,060.

**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 enterprise 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 Village's 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 \$12,705,567 at the close of the most recent fiscal year.

### Village of Ontonagon's Net Position

|                                             | Governmental<br>Activities |                   | Business-type<br>Activities |                     | Total Primary<br>Government |                      |
|---------------------------------------------|----------------------------|-------------------|-----------------------------|---------------------|-----------------------------|----------------------|
|                                             | 2026                       | 2025              | 2026                        | 2025                | 2026                        | 2025                 |
| <b>ASSETS</b>                               |                            |                   |                             |                     |                             |                      |
| <i>Current Assets</i>                       |                            |                   |                             |                     |                             |                      |
| Cash and investments                        | \$ 3,352,461               | \$ 3,019,503      | \$ 749,966                  | \$ 966,856          | \$ 4,102,427                | \$ 3,986,359         |
| Receivables, net                            | 215,917                    | 248,680           | 340,447                     | 240,619             | 556,364                     | 489,299              |
| <b>Total Current Assets</b>                 | <b>3,568,378</b>           | <b>3,268,183</b>  | <b>1,090,413</b>            | <b>1,207,475</b>    | <b>4,658,791</b>            | <b>4,475,658</b>     |
| <i>Noncurrent Assets</i>                    |                            |                   |                             |                     |                             |                      |
| Capital assets not being depreciated        | 277,332                    | 277,332           | 5,626,723                   | 1,655,729           | 5,904,055                   | 1,933,061            |
| Capital assets being depreciated, net       | 2,256,507                  | 2,384,577         | 10,198,381                  | 10,753,653          | 12,454,888                  | 13,138,230           |
| Restricted cash                             | -                          | -                 | 459,254                     | 464,673             | 459,254                     | 464,673              |
| Long-term portion of lease receivable       | 99,242                     | 102,901           | -                           | -                   | 99,242                      | 102,901              |
| <b>Total Assets</b>                         | <b>6,201,459</b>           | <b>6,032,993</b>  | <b>17,374,771</b>           | <b>14,081,530</b>   | <b>23,576,230</b>           | <b>20,114,523</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                            |                   |                             |                     |                             |                      |
| Pension related deferred outflows           | 146,771                    | 297,065           | 21,187                      | 44,193              | 167,958                     | 341,258              |
| <b>Total Deferred Outflows of Resources</b> | <b>146,771</b>             | <b>297,065</b>    | <b>21,187</b>               | <b>44,193</b>       | <b>167,958</b>              | <b>341,258</b>       |
| <b>LIABILITIES</b>                          |                            |                   |                             |                     |                             |                      |
| <i>Current Liabilities</i>                  |                            |                   |                             |                     |                             |                      |
| Accounts payable                            | 29,711                     | 6,110             | 351,731                     | 36,646              | 381,442                     | 42,756               |
| Accrued and other liabilities               | 95,618                     | 649,022           | 12,821                      | 20,252              | 108,439                     | 669,274              |
| Current portion of compensated absences     | 17,494                     | -                 | 14,227                      | -                   | 31,721                      | -                    |
| Current portion of long-term debt           | -                          | -                 | 355,000                     | 350,000             | 355,000                     | 350,000              |
| Internal balances                           | (19,979)                   | (4,734)           | 19,979                      | 4,734               | -                           | -                    |
| <b>Total Current Liabilities</b>            | <b>122,844</b>             | <b>650,398</b>    | <b>753,758</b>              | <b>411,632</b>      | <b>876,602</b>              | <b>1,062,030</b>     |
| <i>Noncurrent Liabilities</i>               |                            |                   |                             |                     |                             |                      |
| Compensated absences                        | 17,494                     | 13,459            | 14,226                      | 10,992              | 31,720                      | 24,451               |
| Long-term debt                              | -                          | -                 | 4,917,294                   | 3,454,862           | 4,917,294                   | 3,454,862            |
| Net pension liability                       | 4,073,368                  | 4,678,188         | 588,012                     | 695,943             | 4,661,380                   | 5,374,131            |
| <b>Total Liabilities</b>                    | <b>4,213,706</b>           | <b>5,342,045</b>  | <b>6,273,290</b>            | <b>4,573,429</b>    | <b>10,486,996</b>           | <b>9,915,474</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |                            |                   |                             |                     |                             |                      |
| Deferred lease revenues                     | 94,102                     | 99,454            | -                           | -                   | 94,102                      | 99,454               |
| Pension related deferred inflows            | 399,808                    | -                 | 57,715                      | -                   | 457,523                     | -                    |
| <b>Total Deferred Inflows of Resources</b>  | <b>493,910</b>             | <b>99,454</b>     | <b>57,715</b>               | <b>-</b>            | <b>551,625</b>              | <b>99,454</b>        |
| <b>NET POSITION</b>                         |                            |                   |                             |                     |                             |                      |
| Net investment in capital assets            | 2,533,839                  | 2,661,909         | 10,231,631                  | 8,604,520           | 12,765,470                  | 11,266,429           |
| Restricted                                  | 1,417,443                  | 1,224,252         | 459,254                     | 464,673             | 1,876,697                   | 1,688,925            |
| Unrestricted                                | (2,310,668)                | (2,997,602)       | 374,068                     | 483,101             | (1,936,600)                 | (2,514,501)          |
| <b>Total Net Position</b>                   | <b>\$ 1,640,614</b>        | <b>\$ 888,559</b> | <b>\$ 11,064,953</b>        | <b>\$ 9,552,294</b> | <b>\$ 12,705,567</b>        | <b>\$ 10,440,853</b> |

The largest portion of the Village's net position, \$12,765,470, 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, \$1,876,697, represents resources that are subject to external restrictions on how they may be used. The remaining is an unrestricted net position deficit of \$(1,936,600).

Capital assets overall increased by \$3,287,652; from depreciation expense of \$840,046 being exceeded by capital asset additions of \$4,127,698.

Pension related deferred outflows decreased by \$173,300, pension related deferred inflows increased by \$457,523 and net pension liability decreased \$712,751. Please see the notes for more information on the changes.

Total long-term debt increased by \$1,467,432 due to issuing more bonds.

#### Village of Ontonagon's Changes in Net Position

|                                                | Governmental Activities |                   | Business-type Activities |                     | Total Primary Government |                      |
|------------------------------------------------|-------------------------|-------------------|--------------------------|---------------------|--------------------------|----------------------|
|                                                | 2026                    | 2025              | 2026                     | 2025                | 2026                     | 2025                 |
| <b>Revenues</b>                                |                         |                   |                          |                     |                          |                      |
| <b>Program Revenues</b>                        |                         |                   |                          |                     |                          |                      |
| Charges for services                           | \$ 223,940              | \$ 204,145        | \$ 1,504,384             | \$ 1,417,166        | \$ 1,728,324             | \$ 1,621,311         |
| Operating grants and contributions             | 1,187,510               | 1,527,126         | -                        | 2,562               | 1,187,510                | 1,529,688            |
| Capital grants and contributions               | -                       | -                 | 1,969,105                | 1,682,634           | 1,969,105                | 1,682,634            |
| <b>General Revenues</b>                        |                         |                   |                          |                     |                          |                      |
| Taxes                                          | 781,679                 | 739,538           | -                        | -                   | 781,679                  | 739,538              |
| Unrestricted state revenue sharing             | 181,880                 | 202,609           | -                        | -                   | 181,880                  | 202,609              |
| Unrestricted investment earnings               | 17,182                  | 17,757            | 21,772                   | 22,932              | 38,954                   | 40,689               |
| <b>Total Revenues</b>                          | <b>2,392,191</b>        | <b>2,691,175</b>  | <b>3,495,261</b>         | <b>3,125,294</b>    | <b>5,887,452</b>         | <b>5,816,469</b>     |
| <b>Expenses</b>                                |                         |                   |                          |                     |                          |                      |
| General government                             | 128,370                 | 115,765           | -                        | -                   | 128,370                  | 115,765              |
| Public safety                                  | 91,807                  | 121,092           | -                        | -                   | 91,807                   | 121,092              |
| Public works                                   | 995,798                 | 645,035           | -                        | -                   | 995,798                  | 645,035              |
| Recreation and culture                         | 424,161                 | 479,573           | -                        | -                   | 424,161                  | 479,573              |
| Other                                          | -                       | -                 | -                        | -                   | -                        | -                    |
| Sewer fund                                     | -                       | -                 | 690,110                  | 535,072             | 690,110                  | 535,072              |
| Water fund                                     | -                       | -                 | 1,292,492                | 1,494,133           | 1,292,492                | 1,494,133            |
| <b>Total Expenses</b>                          | <b>1,640,136</b>        | <b>1,361,465</b>  | <b>1,982,602</b>         | <b>2,029,205</b>    | <b>3,622,738</b>         | <b>3,390,670</b>     |
| <b>Changes in Net Position</b>                 | <b>752,055</b>          | <b>1,329,710</b>  | <b>1,512,659</b>         | <b>1,096,089</b>    | <b>2,264,714</b>         | <b>2,425,799</b>     |
| <i>Net Position at the Beginning of Period</i> | <i>888,559</i>          | <i>(441,151)</i>  | <i>9,552,294</i>         | <i>8,456,205</i>    | <i>10,440,853</i>        | <i>8,015,054</i>     |
| <b>Net Position at the End of Period</b>       | <b>\$ 1,640,614</b>     | <b>\$ 888,559</b> | <b>\$ 11,064,953</b>     | <b>\$ 9,552,294</b> | <b>\$ 12,705,567</b>     | <b>\$ 10,440,853</b> |

**Governmental Activities.** Governmental activities increased the Village's net position by \$752,055. Operating grants and contributions decreased by \$339,616 due to prior year grants ending in the previous year with less new grants this year.

Public works expenses increased by \$350,763 due to the Michigan Street Project as well as an increase in contributions to the pension fund.

**Business-type Activities.** Charges for services for business-type activities increased by \$87,218 as a result of more sewer and water usage. Capital grants increased by \$286,471 from the CWSRF loan forgiveness. Water fund expenses decreased by \$201,641 during the year largely as the result of the purchases of water meters in the previous year that were not purchased this year.

#### 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, 2026, the Village's governmental funds reported combined fund balances of \$3,189,932, an increase of \$885,479 in comparison with the prior year. Of the combined fund balance, \$1,417,443 was restricted for particular purposes and \$1,772,489 was unassigned.

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 \$1,985,060. The fund balance of the Village's general fund increased by \$677,769 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 \$106,465 increase in fund balance during the current fiscal year which put the overall fund balance at \$493,639.

The local street fund, a major fund, had a \$43,278 increase in fund balance during the current fiscal year which put the overall fund balance at \$255,330.

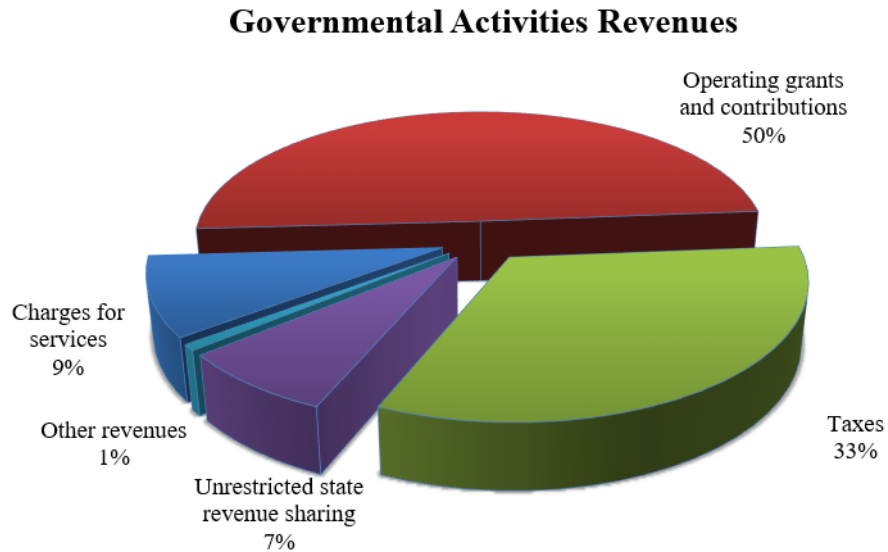
***Proprietary Funds.*** The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year was \$34,979 for the sewer fund and \$339,089 for the water fund. The change in net position was an increase of \$1,697,933 for the sewer fund and a decrease of \$185,274 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.

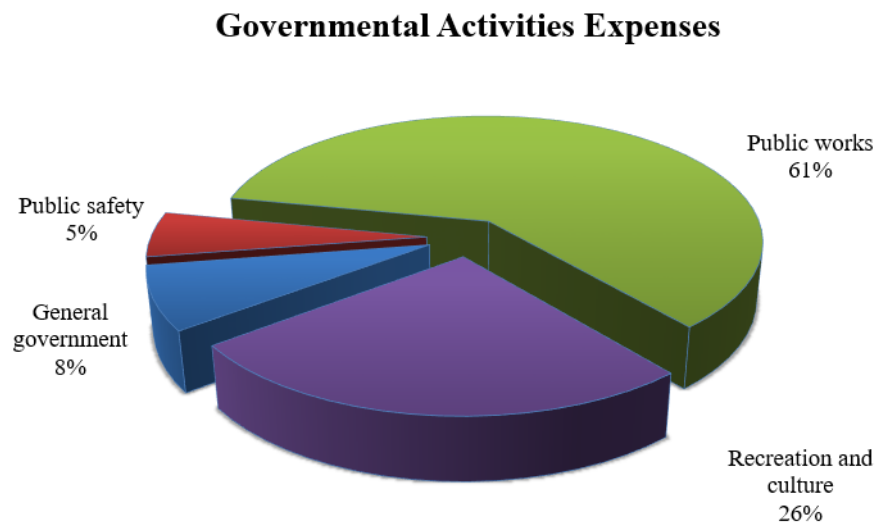
The equipment fund, the Village's sole internal service fund, decreased by \$31,163 for an overall net position of \$978,182.

## 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, 2026:

| <b>Expenditure</b>       | <b>Final</b> | <b>Actual</b> | <b>Variance</b> |
|--------------------------|--------------|---------------|-----------------|
| <b>Major Street Fund</b> |              |               |                 |
| Public works             | \$ 222,008   | \$ 268,362    | \$ (46,354)     |
| <b>Local Street Fund</b> |              |               |                 |
| Public works             | \$ 235,908   | \$ 257,544    | \$ (21,636)     |

## Capital Assets and Debt Administration

### *Capital assets.*

The Village's investment in capital assets for its governmental and business-type activities as of March 31, 2026 amount to \$18,358,943 (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 Village's capital assets can be found in Note 4.

### *Long-term Debt*

As described in Note 5 to the financial statements, the Village had \$5,272,294 in long-term debt at the end of the fiscal year, which is an increase of \$1,467,432 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 2027, the Village plans again to use current revenues to provide essential services and to maintain the Village's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values.

## **Contacting the Village**

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

Village of Ontonagon  
315 Quartz Street  
Ontonagon, Michigan 49953

## **Basic Financial Statements**

**Village of Ontonagon**  
**Statement of Net Position**  
**March 31, 2026**

|                                             | Primary Government  |                      |                      |                     |
|---------------------------------------------|---------------------|----------------------|----------------------|---------------------|
|                                             | Governmental        | Business-type        | Total                | Component Units     |
|                                             | Activities          | Activities           |                      |                     |
| <b>ASSETS</b>                               |                     |                      |                      |                     |
| <i>Current Assets</i>                       |                     |                      |                      |                     |
| Cash and investments                        | \$ 3,352,461        | \$ 749,966           | \$ 4,102,427         | \$ 922,779          |
| Accounts receivable                         | 25                  | 340,447              | 340,472              | 498                 |
| Taxes receivable                            | 35,476              | --                   | 35,476               | --                  |
| Other receivables                           | 9,021               | --                   | 9,021                | --                  |
| Due from other governmental units           | 167,736             | --                   | 167,736              | --                  |
| Prepaid expenses                            | --                  | --                   | --                   | 12,784              |
| Lease receivable                            | 3,659               | --                   | 3,659                | --                  |
| <b>Total Current Assets</b>                 | <b>3,568,378</b>    | <b>1,090,413</b>     | <b>4,658,791</b>     | <b>936,061</b>      |
| <i>Noncurrent Assets</i>                    |                     |                      |                      |                     |
| Restricted cash                             | --                  | 459,254              | 459,254              | --                  |
| Capital assets not being depreciated        | 277,332             | 5,626,723            | 5,904,055            | 77,500              |
| Capital assets being depreciated, net       | 2,256,507           | 10,198,381           | 12,454,888           | 872,385             |
| Long-term portion of lease receivable       | 99,242              | --                   | 99,242               | --                  |
| <b>Total Assets</b>                         | <b>6,201,459</b>    | <b>17,374,771</b>    | <b>23,576,230</b>    | <b>1,885,946</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                     |                      |                      |                     |
| Pension Related                             | 146,771             | 21,187               | 167,958              | --                  |
| <b>Total Deferred Outflows of Resources</b> | <b>146,771</b>      | <b>21,187</b>        | <b>167,958</b>       | <b>--</b>           |
| <b>LIABILITIES</b>                          |                     |                      |                      |                     |
| <i>Current Liabilities</i>                  |                     |                      |                      |                     |
| Accounts payable                            | 29,711              | 351,731              | 381,442              | 2,648               |
| Accrued liabilities                         | 19,862              | 8,571                | 28,433               | 50,747              |
| Due to other governmental units             | 65,924              | --                   | 65,924               | --                  |
| Customer deposits                           | --                  | 4,250                | 4,250                | --                  |
| Unearned revenue                            | 9,832               | --                   | 9,832                | --                  |
| Current portion of long-term debt           | --                  | 355,000              | 355,000              | --                  |
| Current portion of compensated absences     | 17,494              | 14,227               | 31,721               | 4,697               |
| <i>Internal Balances*</i>                   | (19,979)            | 19,979               | --                   | --                  |
| <b>Total Current Liabilities</b>            | <b>122,844</b>      | <b>753,758</b>       | <b>876,602</b>       | <b>58,092</b>       |
| <i>Noncurrent Liabilities</i>               |                     |                      |                      |                     |
| Compensated absences                        | 17,494              | 14,226               | 31,720               | 10,264              |
| Long-term debt                              | --                  | 4,917,294            | 4,917,294            | --                  |
| Net pension liability                       | 4,073,368           | 588,012              | 4,661,380            | --                  |
| <b>Total Liabilities</b>                    | <b>4,213,706</b>    | <b>6,273,290</b>     | <b>10,486,996</b>    | <b>68,356</b>       |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |                     |                      |                      |                     |
| Pension related                             | 399,808             | 57,715               | 457,523              | --                  |
| Deferred lease revenues                     | 94,102              | --                   | 94,102               | --                  |
| <b>Total Deferred Inflows of Resources</b>  | <b>493,910</b>      | <b>57,715</b>        | <b>551,625</b>       | <b>--</b>           |
| <b>NET POSITION</b>                         |                     |                      |                      |                     |
| Net investment in capital assets            | 2,533,839           | 10,231,631           | 12,765,470           | 949,885             |
| <i>Restricted for:</i>                      |                     |                      |                      |                     |
| Streets                                     | 748,969             | --                   | 748,969              | --                  |
| Public safety                               | 668,474             | --                   | 668,474              | --                  |
| Debt service                                | --                  | 459,254              | 459,254              | --                  |
| <i>Unrestricted</i>                         | (2,310,668)         | 374,068              | (1,936,600)          | 867,705             |
| <b>Total Net Position</b>                   | <b>\$ 1,640,614</b> | <b>\$ 11,064,953</b> | <b>\$ 12,705,567</b> | <b>\$ 1,817,590</b> |

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, 2026**

| Functions/Programs                                | Expenses            | Program Revenues     |                                    |                                  | Net (Expense) Revenue   |                                             |                      | Component Units     |
|---------------------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|-------------------------|---------------------------------------------|----------------------|---------------------|
|                                                   |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Primary Government Business-type Activities | Total                |                     |
| <b>Primary Government</b>                         |                     |                      |                                    |                                  |                         |                                             |                      |                     |
| <b>Governmental Activities:</b>                   |                     |                      |                                    |                                  |                         |                                             |                      |                     |
| General government                                | \$ 128,370          | \$ 132,636           | \$ 516,680                         | \$ --                            | \$ 520,946              | \$ --                                       | \$ 520,946           | \$ --               |
| Public safety                                     | 91,807              | 7,419                | 136,816                            | --                               | 52,428                  | --                                          | 52,428               | --                  |
| Public works                                      | 995,798             | 17,025               | 493,747                            | --                               | (485,026)               | --                                          | (485,026)            | --                  |
| Recreation and culture                            | 424,161             | 66,860               | 40,267                             | --                               | (317,034)               | --                                          | (317,034)            | --                  |
| <b>Total Governmental Activities</b>              | <b>1,640,136</b>    | <b>223,940</b>       | <b>1,187,510</b>                   | <b>--</b>                        | <b>(228,686)</b>        | <b>--</b>                                   | <b>(228,686)</b>     | <b>--</b>           |
| <b>Business-type Activities:</b>                  |                     |                      |                                    |                                  |                         |                                             |                      |                     |
| Sewer Fund                                        | 690,110             | 545,011              | --                                 | 1,835,036                        | --                      | 1,689,937                                   | 1,689,937            | --                  |
| Water Fund                                        | 1,292,492           | 959,373              | --                                 | 134,069                          | --                      | (199,050)                                   | (199,050)            | --                  |
| <b>Total Business-type Activities</b>             | <b>1,982,602</b>    | <b>1,504,384</b>     | <b>--</b>                          | <b>1,969,105</b>                 | <b>--</b>               | <b>1,490,887</b>                            | <b>1,490,887</b>     | <b>--</b>           |
| <b>Total Primary Government</b>                   | <b>\$ 3,622,738</b> | <b>\$ 1,728,324</b>  | <b>\$ 1,187,510</b>                | <b>\$ 1,969,105</b>              | <b>(228,686)</b>        | <b>1,490,887</b>                            | <b>1,262,201</b>     | <b>--</b>           |
| <b>Component Units</b>                            |                     |                      |                                    |                                  |                         |                                             |                      |                     |
| Downtown Development Authority                    | \$ 3,284            | \$ 1,600             | \$ --                              | \$ --                            | --                      | --                                          | --                   | (1,684)             |
| Ontonagon Village Housing Commission (06/30/2025) | 432,939             | 320,565              | 126,952                            | 75,802                           | --                      | --                                          | --                   | 90,380              |
| <b>Total Component Units</b>                      | <b>\$ 436,223</b>   | <b>\$ 322,165</b>    | <b>\$ 126,952</b>                  | <b>\$ 75,802</b>                 | <b>--</b>               | <b>--</b>                                   | <b>--</b>            | <b>88,696</b>       |
| <b>General Revenues:</b>                          |                     |                      |                                    |                                  |                         |                                             |                      |                     |
| <b>Revenues</b>                                   |                     |                      |                                    |                                  |                         |                                             |                      |                     |
| Property taxes                                    |                     |                      |                                    |                                  | 781,679                 | --                                          | 781,679              | --                  |
| Unrestricted state aid                            |                     |                      |                                    |                                  | 181,880                 | --                                          | 181,880              | --                  |
| Investment earnings                               |                     |                      |                                    |                                  | 17,182                  | 21,772                                      | 38,954               | 29,574              |
| <b>Total General Revenues and Transfers</b>       |                     |                      |                                    |                                  | <b>980,741</b>          | <b>21,772</b>                               | <b>1,002,513</b>     | <b>29,574</b>       |
| <b>Change in Net Position</b>                     |                     |                      |                                    |                                  | <b>752,055</b>          | <b>1,512,659</b>                            | <b>2,264,714</b>     | <b>118,270</b>      |
| <i>Net Position at Beginning of Period</i>        |                     |                      |                                    |                                  | <i>888,559</i>          | <i>9,552,294</i>                            | <i>10,440,853</i>    | <i>1,699,320</i>    |
| <b>Net Position at End of Period</b>              |                     |                      |                                    |                                  | <b>\$ 1,640,614</b>     | <b>\$ 11,064,953</b>                        | <b>\$ 12,705,567</b> | <b>\$ 1,817,590</b> |

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

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

|                                                                          |                     | Special Revenue   |                   |                          |                          |
|--------------------------------------------------------------------------|---------------------|-------------------|-------------------|--------------------------|--------------------------|
|                                                                          | General             | Major Street Fund | Local Street Fund | Other Governmental Funds | Total Governmental Funds |
| <b>ASSETS</b>                                                            |                     |                   |                   |                          |                          |
| Cash and investments                                                     | \$ 1,862,486        | \$ 529,212        | \$ 223,294        | \$ 716,967               | \$ 3,331,959             |
| Taxes receivable                                                         | 35,476              | --                | --                | --                       | 35,476                   |
| Other receivables                                                        | 9,021               | --                | --                | --                       | 9,021                    |
| Due from other governmental units                                        | 27,064              | 42,371            | 98,301            | --                       | 167,736                  |
| Lease receivable                                                         | 102,901             | --                | --                | --                       | 102,901                  |
| Due from other funds                                                     | 119,840             | --                | --                | --                       | 119,840                  |
| <i>Total Assets</i>                                                      | <b>\$ 2,156,788</b> | <b>\$ 571,583</b> | <b>\$ 321,595</b> | <b>\$ 716,967</b>        | <b>\$ 3,766,933</b>      |
| <b>LIABILITIES</b>                                                       |                     |                   |                   |                          |                          |
| Accounts payable                                                         | \$ 8,852            | \$ 2,972          | \$ 668            | \$ 4,079                 | \$ 16,571                |
| Accrued liabilities                                                      | 2,850               | 1,368             | 1,601             | 12,141                   | 17,960                   |
| Due to other governmental units                                          | 65,924              | --                | --                | --                       | 65,924                   |
| Unearned revenue                                                         | --                  | --                | --                | 9,832                    | 9,832                    |
| Due to other funds                                                       | --                  | 73,604            | 63,996            | 235,012                  | 372,612                  |
| <i>Total Liabilities</i>                                                 | 77,626              | 77,944            | 66,265            | 261,064                  | 482,899                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                     |                     |                   |                   |                          |                          |
| Deferred lease revenues                                                  | 94,102              | --                | --                | --                       | 94,102                   |
| <i>Total Liabilities and Deferred Inflows of Resources</i>               | 171,728             | 77,944            | 66,265            | 261,064                  | 577,001                  |
| <b>FUND BALANCE</b>                                                      |                     |                   |                   |                          |                          |
| Restricted                                                               | --                  | 493,639           | 255,330           | 668,474                  | 1,417,443                |
| Unassigned                                                               | 1,985,060           | --                | --                | (212,571)                | 1,772,489                |
| <i>Total Fund Balance</i>                                                | 1,985,060           | 493,639           | 255,330           | 455,903                  | 3,189,932                |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i> | <b>\$ 2,156,788</b> | <b>\$ 571,583</b> | <b>\$ 321,595</b> | <b>\$ 716,967</b>        | <b>\$ 3,766,933</b>      |

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, 2026**

|                                                                                                                                                                          |                            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Total Fund Balance - Governmental Funds                                                                                                                                  | \$ 3,189,932               |
| 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.           | 978,182                    |
| Governmental capital assets of \$7,482,146, net of accumulated depreciation of \$5,715,072, are not financial resources and, accordingly, are not reported in the funds. | 1,767,074                  |
| 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.    | (4,259,586)                |
| Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.                                                        | (34,988)                   |
| <b>Total Net Position - Governmental Activities</b>                                                                                                                      | <b>\$ <u>1,640,614</u></b> |

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, 2026**

|                                                     |                     | Special Revenue   |                   |                          |                          |
|-----------------------------------------------------|---------------------|-------------------|-------------------|--------------------------|--------------------------|
|                                                     | General             | Major Street Fund | Local Street Fund | Other Governmental Funds | Total Governmental Funds |
| <b>Revenues</b>                                     |                     |                   |                   |                          |                          |
| Property taxes                                      | \$ 608,646          | \$ --             | \$ 173,033        | \$ --                    | \$ 781,679               |
| Intergovernmental                                   | 698,560             | 367,881           | 125,866           | 176,984                  | 1,369,291                |
| Charges for services                                | 17,081              | --                | --                | 64,985                   | 82,066                   |
| Fines and forfeitures                               | 5,810               | --                | --                | --                       | 5,810                    |
| Rental income                                       | 28,443              | --                | --                | 1,875                    | 30,318                   |
| Other revenue                                       | 44,455              | --                | --                | 7,518                    | 51,973                   |
| Investment earnings                                 | 37,447              | 6,946             | 1,923             | 7,614                    | 53,930                   |
| <b>Total Revenues</b>                               | <b>1,440,442</b>    | <b>374,827</b>    | <b>300,822</b>    | <b>258,976</b>           | <b>2,375,067</b>         |
| <b>Expenditures</b>                                 |                     |                   |                   |                          |                          |
| General government                                  | 78,535              | --                | --                | --                       | 78,535                   |
| Public safety                                       | --                  | --                | --                | 108,282                  | 108,282                  |
| Public works                                        | 333,931             | 268,362           | 257,544           | --                       | 859,837                  |
| Recreation and culture                              | 350,207             | --                | --                | 92,727                   | 442,934                  |
| <b>Total Expenditures</b>                           | <b>762,673</b>      | <b>268,362</b>    | <b>257,544</b>    | <b>201,009</b>           | <b>1,489,588</b>         |
| <b>Excess of Revenues Over (Under) Expenditures</b> | <b>677,769</b>      | <b>106,465</b>    | <b>43,278</b>     | <b>57,967</b>            | <b>885,479</b>           |
| <b>Net Change in Fund Balance</b>                   | <b>677,769</b>      | <b>106,465</b>    | <b>43,278</b>     | <b>57,967</b>            | <b>885,479</b>           |
| <i>Fund Balance at Beginning of Period</i>          | <i>1,307,291</i>    | <i>387,174</i>    | <i>212,052</i>    | <i>397,936</i>           | <i>2,304,453</i>         |
| <b>Fund Balance at End of Period</b>                | <b>\$ 1,985,060</b> | <b>\$ 493,639</b> | <b>\$ 255,330</b> | <b>\$ 455,903</b>        | <b>\$ 3,189,932</b>      |

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, 2026**

|                                                                                                                                                                                                                                                                                                                     |                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Total Net Change in Fund Balances - Governmental Funds                                                                                                                                                                                                                                                              | \$ 885,479               |
| 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.                                                                                  | (31,163)                 |
| Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay expenditures of \$0 are exceeded by depreciation expense of \$161,345. | (161,345)                |
| Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.                                                                                                                                                             | (8,070)                  |
| 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.                                                                                            | 67,154                   |
| <b>Changes in Net Position - Governmental Activities</b>                                                                                                                                                                                                                                                            | <b>\$ <u>752,055</u></b> |

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, 2026**

|                                             | <b>Business-type Activities - Enterprise Funds</b> |                     |                                   | <b>Governmental<br/>Activities Internal<br/>Service Funds</b> |
|---------------------------------------------|----------------------------------------------------|---------------------|-----------------------------------|---------------------------------------------------------------|
|                                             | <b>Sewer Fund</b>                                  | <b>Water Fund</b>   | <b>Total Enterprise<br/>Funds</b> |                                                               |
| <b>ASSETS</b>                               |                                                    |                     |                                   |                                                               |
| <i>Current Assets</i>                       |                                                    |                     |                                   |                                                               |
| Cash and investments                        | \$ 125,309                                         | \$ 624,657          | \$ 749,966                        | \$ 20,502                                                     |
| Accounts receivable                         | 124,230                                            | 216,217             | 340,447                           | 25                                                            |
| Due from other funds                        | 590                                                | 443                 | 1,033                             | 390,381                                                       |
| <b>Total Current Assets</b>                 | <b>250,129</b>                                     | <b>841,317</b>      | <b>1,091,446</b>                  | <b>410,908</b>                                                |
| <i>Noncurrent Assets</i>                    |                                                    |                     |                                   |                                                               |
| Restricted cash                             | 163,000                                            | 296,254             | 459,254                           | --                                                            |
| Capital assets not being depreciated        | 5,606,723                                          | 20,000              | 5,626,723                         | --                                                            |
| Capital assets being depreciated, net       | 840,758                                            | 9,357,623           | 10,198,381                        | 766,765                                                       |
| <b>Total Assets</b>                         | <b>6,860,610</b>                                   | <b>10,515,194</b>   | <b>17,375,804</b>                 | <b>1,177,673</b>                                              |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                                                    |                     |                                   |                                                               |
| Pension related                             | 6,719                                              | 14,468              | 21,187                            | 2,267                                                         |
| <b>Total Deferred Outflows of Resources</b> | <b>6,719</b>                                       | <b>14,468</b>       | <b>21,187</b>                     | <b>2,267</b>                                                  |
| <b>LIABILITIES</b>                          |                                                    |                     |                                   |                                                               |
| <i>Current Liabilities</i>                  |                                                    |                     |                                   |                                                               |
| Accounts payable                            | 330,496                                            | 21,235              | 351,731                           | 13,140                                                        |
| Accrued liabilities                         | 2,793                                              | 5,778               | 8,571                             | 1,902                                                         |
| Customer deposits                           | --                                                 | 4,250               | 4,250                             | --                                                            |
| Current portion of long-term debt           | 100,000                                            | 255,000             | 355,000                           | --                                                            |
| Current portion of compensated absences     | --                                                 | 14,227              | 14,227                            | --                                                            |
| Due to other funds                          | 4,982                                              | 16,030              | 21,012                            | 117,630                                                       |
| <b>Total Current Liabilities</b>            | <b>438,271</b>                                     | <b>316,520</b>      | <b>754,791</b>                    | <b>132,672</b>                                                |
| <i>Noncurrent Liabilities</i>               |                                                    |                     |                                   |                                                               |
| Compensated absences                        | --                                                 | 14,226              | 14,226                            | --                                                            |
| Long-term debt                              | 3,103,432                                          | 1,813,862           | 4,917,294                         | --                                                            |
| Net pension liability                       | 186,474                                            | 401,538             | 588,012                           | 62,911                                                        |
| <b>Total Liabilities</b>                    | <b>3,728,177</b>                                   | <b>2,546,146</b>    | <b>6,274,323</b>                  | <b>195,583</b>                                                |
| <b>DEFERRED INFLOWS OF RESOURCES</b>        |                                                    |                     |                                   |                                                               |
| Pension related                             | 18,303                                             | 39,412              | 57,715                            | 6,175                                                         |
| <b>Total Deferred Inflows of Resources</b>  | <b>18,303</b>                                      | <b>39,412</b>       | <b>57,715</b>                     | <b>6,175</b>                                                  |
| <b>NET POSITION</b>                         |                                                    |                     |                                   |                                                               |
| Net investment in capital assets            | 2,922,870                                          | 7,308,761           | 10,231,631                        | 766,765                                                       |
| <i>Restricted for:</i>                      |                                                    |                     |                                   |                                                               |
| Debt service                                | 163,000                                            | 296,254             | 459,254                           | --                                                            |
| <i>Unrestricted</i>                         | 34,979                                             | 339,089             | 374,068                           | 211,417                                                       |
| <b>Total Net Position</b>                   | <b>\$ 3,120,849</b>                                | <b>\$ 7,944,104</b> | <b>\$ 11,064,953</b>              | <b>\$ 978,182</b>                                             |

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, 2026**

|                                                  | <b>Business-type Activities - Enterprise Funds</b> |                     |                                   | <b>Governmental<br/>Activities Internal<br/>Service Funds</b> |
|--------------------------------------------------|----------------------------------------------------|---------------------|-----------------------------------|---------------------------------------------------------------|
|                                                  | <b>Sewer Fund</b>                                  | <b>Water Fund</b>   | <b>Total Enterprise<br/>Funds</b> |                                                               |
| <b>Operating Revenues</b>                        |                                                    |                     |                                   |                                                               |
| Charges for services                             | \$ 545,011                                         | \$ 959,373          | \$ 1,504,384                      | \$ 249,594                                                    |
| <b>Total Operating Revenues</b>                  | <u>545,011</u>                                     | <u>959,373</u>      | <u>1,504,384</u>                  | <u>249,594</u>                                                |
| <b>Operating Expenses</b>                        |                                                    |                     |                                   |                                                               |
| Wages and fringes                                | 250,475                                            | 396,637             | 647,112                           | 86,852                                                        |
| Supplies                                         | 11,066                                             | 88,430              | 99,496                            | 71,780                                                        |
| Contractual services                             | 11,255                                             | 19,260              | 30,515                            | 800                                                           |
| Communication and utilities                      | 71,655                                             | 124,477             | 196,132                           | 14,957                                                        |
| Other services and charges                       | 18,976                                             | 176,245             | 195,221                           | 50,563                                                        |
| Equipment rental                                 | 28,998                                             | 48,993              | 77,991                            | --                                                            |
| Depreciation expense                             | 213,993                                            | 391,777             | 605,770                           | 72,929                                                        |
| <b>Total Operating Expenses</b>                  | <u>606,418</u>                                     | <u>1,245,819</u>    | <u>1,852,237</u>                  | <u>297,881</u>                                                |
| <b>Operating Income (Loss)</b>                   | <u>(61,407)</u>                                    | <u>(286,446)</u>    | <u>(347,853)</u>                  | <u>(48,287)</u>                                               |
| <b>Non-Operating Revenues (Expenses)</b>         |                                                    |                     |                                   |                                                               |
| Investment earnings                              | 7,996                                              | 13,776              | 21,772                            | 99                                                            |
| Grants                                           | 1,835,036                                          | 134,069             | 1,969,105                         | --                                                            |
| Sale of capital assets                           | --                                                 | --                  | --                                | 17,000                                                        |
| Other non-operating revenue                      | --                                                 | --                  | --                                | 25                                                            |
| Interest expense                                 | (83,692)                                           | (46,673)            | (130,365)                         | --                                                            |
| <b>Net Non-Operating Revenues (Expenses)</b>     | <u>1,759,340</u>                                   | <u>101,172</u>      | <u>1,860,512</u>                  | <u>17,124</u>                                                 |
| <b>Income Before Contributions and Transfers</b> | <u>1,697,933</u>                                   | <u>(185,274)</u>    | <u>1,512,659</u>                  | <u>(31,163)</u>                                               |
| Transfers in                                     | --                                                 | --                  | --                                | --                                                            |
| Transfers out                                    | --                                                 | --                  | --                                | --                                                            |
| <b>Change In Net Position</b>                    | <u>1,697,933</u>                                   | <u>(185,274)</u>    | <u>1,512,659</u>                  | <u>(31,163)</u>                                               |
| <i>Net Position at Beginning of Period</i>       | <u>1,422,916</u>                                   | <u>8,129,378</u>    | <u>9,552,294</u>                  | <u>1,009,345</u>                                              |
| <b>Net Position at End of Period</b>             | <u>\$ 3,120,849</u>                                | <u>\$ 7,944,104</u> | <u>\$ 11,064,953</u>              | <u>\$ 978,182</u>                                             |

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, 2026**

|                                                                        | <b>Business-type Activities - Enterprise Funds</b> |                   |                               | <b>Governmental Activities</b> |
|------------------------------------------------------------------------|----------------------------------------------------|-------------------|-------------------------------|--------------------------------|
|                                                                        | <b>Sewer Fund</b>                                  | <b>Water Fund</b> | <b>Total Enterprise Funds</b> | <b>Internal Service Fund</b>   |
| <b>Cash Flows from Operating Activities</b>                            |                                                    |                   |                               |                                |
| Cash received from charges for service                                 | \$ 481,161                                         | \$ 904,247        | \$ 1,385,408                  | \$ -                           |
| Cash received from interfund services provided                         | -                                                  | -                 | -                             | 249,919                        |
| Cash payments to employees for services and fringe benefits            | (209,038)                                          | (455,603)         | (664,641)                     | (74,629)                       |
| Cash Payments to suppliers for goods and services                      | (132,633)                                          | (472,816)         | (605,449)                     | (124,960)                      |
| <b>Net Cash Provided by (Used in) Operating Activities</b>             | <b>139,490</b>                                     | <b>(24,172)</b>   | <b>115,318</b>                | <b>50,330</b>                  |
| <b>Cash Flows from Non-capital Financing Activities</b>                |                                                    |                   |                               |                                |
| Grants                                                                 | 1,835,036                                          | 153,567           | 1,988,603                     | -                              |
| Other non-operating revenue                                            | -                                                  | -                 | -                             | 25                             |
| Change in interfund balances                                           | 2,693                                              | 12,552            | 15,245                        | (5,139)                        |
| <b>Net Cash Provided by (Used in) Non-capital Financing Activities</b> | <b>1,837,729</b>                                   | <b>166,119</b>    | <b>2,003,848</b>              | <b>(5,114)</b>                 |
| <b>Cash Flows from Capital and Related Financing Activities</b>        |                                                    |                   |                               |                                |
| Capital asset purchases                                                | (3,649,815)                                        | (50,499)          | (3,700,314)                   | (89,204)                       |
| Issuance of long-term debt                                             | 1,817,432                                          | -                 | 1,817,432                     | -                              |
| Principal payments on long-term debt                                   | (95,000)                                           | (255,000)         | (350,000)                     | -                              |
| Interest paid on long-term debt                                        | (83,692)                                           | (46,673)          | (130,365)                     | -                              |
| <b>Net Cash Used in Capital and Related Financing Activities</b>       | <b>(2,011,075)</b>                                 | <b>(352,172)</b>  | <b>(2,363,247)</b>            | <b>(89,204)</b>                |
| <b>Cash Flows from Investing Activities</b>                            |                                                    |                   |                               |                                |
| Investment earnings                                                    | 7,996                                              | 13,776            | 21,772                        | 99                             |
| <b>Net Cash Provided by Investing Activities</b>                       | <b>7,996</b>                                       | <b>13,776</b>     | <b>21,772</b>                 | <b>99</b>                      |
| Net Increase (Decrease) in Cash and Investments                        | (25,860)                                           | (196,449)         | (222,309)                     | (43,889)                       |
| <i>Cash and Investments - Beginning of Year</i>                        | <i>314,169</i>                                     | <i>1,117,360</i>  | <i>1,431,529</i>              | <i>64,391</i>                  |
| <b>Cash and Investments - End of Year</b>                              | <b>\$ 288,309</b>                                  | <b>\$ 920,911</b> | <b>\$ 1,209,220</b>           | <b>\$ 20,502</b>               |

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, 2026**

|                                                              | <b>Business-type Activities - Enterprise Funds</b> |                    |                                   | <b>Governmental<br/>Activities</b> |
|--------------------------------------------------------------|----------------------------------------------------|--------------------|-----------------------------------|------------------------------------|
|                                                              | <b>Sewer Fund</b>                                  | <b>Water Fund</b>  | <b>Total Enterprise<br/>Funds</b> | <b>Internal Service<br/>Fund</b>   |
| <b>Statement of Net Position Classification of</b>           |                                                    |                    |                                   |                                    |
| <b>Cash and Investments</b>                                  |                                                    |                    |                                   |                                    |
| Cash and investments                                         | \$ 125,309                                         | \$ 624,657         | \$ 749,966                        | \$ 20,502                          |
| Restricted cash                                              | 163,000                                            | 296,254            | 459,254                           | -                                  |
| <b>Cash and investments</b>                                  | <u>\$ 288,309</u>                                  | <u>\$ 920,911</u>  | <u>\$ 1,209,220</u>               | <u>\$ 20,502</u>                   |
| <b>Reconciliation of Operating Loss to</b>                   |                                                    |                    |                                   |                                    |
| <b>Net Cash Provided by (Used in) Operating Activities</b>   |                                                    |                    |                                   |                                    |
| Operating Loss                                               | \$ (61,407)                                        | \$ (286,446)       | \$ (347,853)                      | \$ (48,287)                        |
| <b>Adjustments to Reconcile Operating Loss to</b>            |                                                    |                    |                                   |                                    |
| <b>Net Cash Provided by (Used in) Operating Activities</b>   |                                                    |                    |                                   |                                    |
| Depreciation expense                                         | 213,993                                            | 391,777            | 605,770                           | 72,929                             |
| <b>Changes in Assets, Liabilities, and Related Deferrals</b> |                                                    |                    |                                   |                                    |
| Receivables, net                                             | (63,850)                                           | (55,476)           | (119,326)                         | 325                                |
| Customer deposits                                            | -                                                  | 350                | 350                               | -                                  |
| Accounts payable                                             | 9,317                                              | (15,411)           | (6,094)                           | 13,140                             |
| Accrued payroll and other liabilities                        | 1,212                                              | 8,469              | 9,681                             | (213)                              |
| Net pension liability and related deferrals                  | 40,225                                             | (67,435)           | (27,210)                          | 12,436                             |
| <b>Net Cash Provided by (Used in) Operating Activities</b>   | <u>\$ 139,490</u>                                  | <u>\$ (24,172)</u> | <u>\$ 115,318</u>                 | <u>\$ 50,330</u>                   |

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

**Village of Ontonagon**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**March 31, 2026**

|                                                                  | <u><b>Custodial</b></u> |
|------------------------------------------------------------------|-------------------------|
| <b>ASSETS</b>                                                    |                         |
| Cash and investments                                             | \$ 56,290               |
| <i><b>Total Assets</b></i>                                       | <u>56,290</u>           |
| <b>LIABILITIES</b>                                               |                         |
| Due to other governmental units                                  | 56,290                  |
| <i><b>Total Liabilities</b></i>                                  | <u>56,290</u>           |
| <b>NET POSITION</b>                                              |                         |
| Restricted for individuals, organizations, and other governments | \$ --                   |

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

**Village of Ontonagon**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the Year Ended March 31, 2026**

|                                             | <u>Custodial</u>                                |
|---------------------------------------------|-------------------------------------------------|
| <b>Additions</b>                            |                                                 |
| Clerk/treasurer collections                 | \$           --                                 |
| <i><b>Total Additions</b></i>               | <u>                  --</u>                     |
| <b>DEDUCTIONS</b>                           |                                                 |
| Clerk/treasurer distributions               | <u>                  --</u>                     |
| <i><b>Total Deductions</b></i>              | <u>                  --</u>                     |
| <i><b>Change in Net Position</b></i>        | --                                              |
| <i>Net Position at Beginning of Period</i>  | <u>                  --</u>                     |
| <i><b>Net Position at End of Period</b></i> | <u><u>                  \$           --</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, 2026**

|                                         | <b>Downtown<br/>Development<br/>Authority</b> | <b>Ontonagon<br/>Village Housing<br/>Commission</b> | <b>Total Component<br/>Units</b> |
|-----------------------------------------|-----------------------------------------------|-----------------------------------------------------|----------------------------------|
| <b>ASSETS</b>                           |                                               |                                                     |                                  |
| <i>Current Assets</i>                   |                                               |                                                     |                                  |
| Cash and investments                    | \$ 5,901                                      | \$ 916,878                                          | \$ 922,779                       |
| Accounts receivable                     | --                                            | 498                                                 | 498                              |
| Prepaid expenses                        | --                                            | 12,784                                              | 12,784                           |
| <b>Total Current Assets</b>             | <b>5,901</b>                                  | <b>930,160</b>                                      | <b>936,061</b>                   |
| <i>Noncurrent Assets</i>                |                                               |                                                     |                                  |
| Capital assets not being depreciated    | 77,500                                        | --                                                  | 77,500                           |
| Capital assets being depreciated, net   | 1,433                                         | 870,952                                             | 872,385                          |
| <b>Total Assets</b>                     | <b>84,834</b>                                 | <b>1,801,112</b>                                    | <b>1,885,946</b>                 |
| <b>LIABILITIES</b>                      |                                               |                                                     |                                  |
| <i>Current Liabilities</i>              |                                               |                                                     |                                  |
| Accounts payable                        | 22                                            | 2,626                                               | 2,648                            |
| Accrued liabilities                     | --                                            | 50,747                                              | 50,747                           |
| Current portion of compensated absences | --                                            | 4,697                                               | 4,697                            |
| <b>Total Current Liabilities</b>        | <b>22</b>                                     | <b>58,070</b>                                       | <b>58,092</b>                    |
| <i>Noncurrent Liabilities</i>           |                                               |                                                     |                                  |
| Compensated absences                    | --                                            | 10,264                                              | 10,264                           |
| <b>Total Liabilities</b>                | <b>22</b>                                     | <b>68,334</b>                                       | <b>68,356</b>                    |
| <b>NET POSITION</b>                     |                                               |                                                     |                                  |
| Net investment in capital assets        | 78,933                                        | 870,952                                             | 949,885                          |
| <i>Unrestricted</i>                     | 5,879                                         | 861,826                                             | 867,705                          |
| <b>Total Net Position</b>               | <b>\$ 84,812</b>                              | <b>\$ 1,732,778</b>                                 | <b>\$ 1,817,590</b>              |

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, 2026**

|                                            | <b>Downtown<br/>Development<br/>Authority</b> | <b>Ontonagon<br/>Village Housing<br/>Commission</b> | <b>Total Component<br/>Units</b> |
|--------------------------------------------|-----------------------------------------------|-----------------------------------------------------|----------------------------------|
| <b>Expenses</b>                            |                                               |                                                     |                                  |
| Community and economic development         | \$ 3,284                                      | \$ 432,939                                          | \$ 436,223                       |
| <b>Total Expenses</b>                      | <u>3,284</u>                                  | <u>432,939</u>                                      | <u>436,223</u>                   |
| <b>Program Revenues</b>                    |                                               |                                                     |                                  |
| Charges for services                       | 1,600                                         | 320,565                                             | 322,165                          |
| Operating grants and contributions         | --                                            | 126,952                                             | 126,952                          |
| Capital grants and contributions           | --                                            | 75,802                                              | 75,802                           |
| <b>Total Program Revenues</b>              | <u>1,600</u>                                  | <u>523,319</u>                                      | <u>524,919</u>                   |
| <b>Net Program Revenues (Expenses)</b>     | <u>(1,684)</u>                                | <u>90,380</u>                                       | <u>88,696</u>                    |
| <b>General Revenues</b>                    |                                               |                                                     |                                  |
| Investment earnings                        | 23                                            | 29,551                                              | 29,574                           |
| <b>Total General Revenues</b>              | <u>23</u>                                     | <u>29,551</u>                                       | <u>29,574</u>                    |
| <b>Change in Net Position</b>              | <u>(1,661)</u>                                | <u>119,931</u>                                      | <u>118,270</u>                   |
| <i>Net Position at Beginning of Period</i> | 86,473                                        | 1,612,847                                           | 1,699,320                        |
| <b>Net Position at End of Period</b>       | <u>\$ 84,812</u>                              | <u>\$ 1,732,778</u>                                 | <u>\$ 1,817,590</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**

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#### **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 (06/30/2025)***

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for expenditure driven grants. 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

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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 the 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 the 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

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

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

### **Assets, Liabilities, 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, 2026, the water fund and sewer fund had \$250,588 and \$349,947, respectively, with \$34,371 and \$225,717, respectively, identified as being uncollectible.

#### ***Lease Receivable***

The Village acts as a lessor for a lease 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

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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 improvements 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:

|                              | <b>Years</b> |
|------------------------------|--------------|
| 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**

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#### ***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.

The Village policy for accruing compensated absences for employees is based on leave earned that is attributable to services already rendered and is more likely than not to result in a cash payment or other settlement. Accruals would include vacation, sick leave, and paid time off in accordance with the provisions of GASB Statement No. 101.

#### ***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. 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 sources. 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.

## Village of Ontonagon

### Notes to the Financial Statements

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

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

Sometimes the 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

## **Village of Ontonagon**

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

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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.

#### ***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 \$35,570,225 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 represent an acquisition of net position or 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 two types of deferred inflows. The Village reports *deferred lease revenue* as deferred inflows in both the fund and government-wide financial statements and reports *pension related* deferred inflows on the 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

## **Village of Ontonagon**

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

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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.

#### ***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. Expenditures may not exceed appropriations.

## Village of Ontonagon

### Notes to the Financial Statements

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#### 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.

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

| <u>Expenditure</u>       | <u>Final</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------|--------------|---------------|-----------------|
| <b>Major Street Fund</b> |              |               |                 |
| Public works             | \$ 222,008   | \$ 268,362    | \$ (46,354)     |
| <b>Local Street Fund</b> |              |               |                 |
| Public works             | \$ 235,908   | \$ 257,544    | \$ (21,636)     |

##### *Net Position/Fund Balance Deficits*

Governmental activities had a deficit unrestricted net position of \$(2,310,668) while the marina fund had a deficit unassigned fund balance of \$(212,571).

# Village of Ontonagon

## Notes to the Financial Statements

### Note 3 - Cash and Investments

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

|                                                        | <b>Primary<br/>Government</b>         | <b>Component<br/>Units</b> | <b>Total</b>        |
|--------------------------------------------------------|---------------------------------------|----------------------------|---------------------|
| <b>Statement of Net Position</b>                       |                                       |                            |                     |
| Cash and investments                                   | \$ 4,102,427                          | \$ 922,779                 | \$ 5,025,206        |
| Restricted cash                                        | 459,254                               | -                          | 459,254             |
| <b>Statement of Fiduciary Net Position</b>             |                                       |                            |                     |
| Cash and investments                                   | 56,290                                | -                          | 56,290              |
| <b>Total Deposits and Investments</b>                  | <u>\$ 4,617,971</u>                   | <u>\$ 922,779</u>          | <u>\$ 5,540,750</u> |
| <i>Less Units Separately Audited</i>                   |                                       |                            |                     |
| Ontonagon Village Housing Commission (06/30/2025)      | -                                     | 916,878                    | 916,878             |
| <b>Deposits and Investments Managed by the Village</b> | <u>\$ 4,617,971</u>                   | <u>\$ 5,901</u>            | <u>\$ 4,623,872</u> |
|                                                        |                                       |                            |                     |
|                                                        | Checking and savings accounts         | \$ 4,124,718               |                     |
|                                                        | Certificates of deposits              | 498,256                    |                     |
|                                                        | Cash on hand                          | 898                        |                     |
|                                                        | <b>Total Deposits and Investments</b> | <u>\$ 4,623,872</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, \$3,362,398 of the Village's bank balance of \$4,143,846 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Village believes it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk – Investments.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to minimize this risk, Village policy limits the types of investments and pre-qualifies financial institutions. As of March 31, 2026, none of the Village's investments were exposed to risk since the securities are held in the Village's name by the counterparty.

## Village of Ontonagon

### Notes to the Financial Statements

**Credit Risk.** State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of March 31, 2026, the Village had the following investments that would be subject to rating by a NRSRO:

| <b>Investment Name</b> | <b>Type</b> | <b>Maturity</b>  | <b>Fair Value</b> | <b>Rating</b> |
|------------------------|-------------|------------------|-------------------|---------------|
| Bank Amer NA           | CD          | less than 1 year | \$ 243,000        | No Rating     |
| Flagstar Bk Natl       | CD          | less than 1 year | 243,000           | No Rating     |
| Miners State Bank      | CD          | less than 1 year | 6,128             | No Rating     |
| Miners State Bank      | CD          | less than 1 year | 6,128             | No Rating     |
| <b>Total</b>           |             |                  | <u>\$ 498,256</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 or a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a % of the total investment portfolio. All investments held at year end are reported above.

#### **Fair Value Measurements**

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

## Village of Ontonagon

### Notes to the Financial Statements

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 certificates of deposit investments totaling \$498,256 are valued using level 1 measurements.

#### ***Restricted Cash***

**Sewer Fund** - The ordinance authorizing issuance of the 1996 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 Water Supply System Revenue Refunding 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.

At March 31, 2026, the Village has the following accounts established and restricted, as required:

|                      | Quarterly Requirement     |                           |                           |                           | Required<br>Amount in<br>Reserve | Actual<br>Amount in<br>Reserve |
|----------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------------|--------------------------------|
|                      | 1st Quarter<br>(10/01/26) | 2nd Quarter<br>(10/01/26) | 3rd Quarter<br>(04/01/27) | 4th Quarter<br>(04/01/27) |                                  |                                |
| <b>Sewer Fund</b>    |                           |                           |                           |                           |                                  |                                |
| Bond Reserve Account | -                         | -                         | -                         | -                         | \$ 163,000                       | \$ 163,000                     |
| <b>Water Fund</b>    |                           |                           |                           |                           |                                  |                                |
| Bond Redemption      | \$ 74,741                 | \$ 74,741                 | \$ 73,386                 | \$ 73,386                 | \$ 296,254                       | \$ 296,254                     |

# Village of Ontonagon

## Notes to the Financial Statements

### Note 4 - Capital Assets

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

| <b>Governmental Activities</b>                     | <b>Beginning<br/>Balance</b> | <b>Additions</b>    | <b>Disposals</b> | <b>Ending<br/>Balance</b> |
|----------------------------------------------------|------------------------------|---------------------|------------------|---------------------------|
| <b>Capital Assets not Being Depreciated</b>        |                              |                     |                  |                           |
| Land                                               | \$ 277,332                   | \$ -                | \$ -             | \$ 277,332                |
| <b>Subtotal</b>                                    | <b>277,332</b>               | <b>-</b>            | <b>-</b>         | <b>277,332</b>            |
| <b>Capital Assets Being Depreciated</b>            |                              |                     |                  |                           |
| Land improvements                                  | 1,040,331                    | -                   | -                | 1,040,331                 |
| Buildings and improvements                         | 2,167,312                    | 67,939              | -                | 2,235,251                 |
| Equipment and furniture                            | 2,012,019                    | -                   | -                | 2,012,019                 |
| Vehicles                                           | 1,014,156                    | 38,267              | -                | 1,052,423                 |
| Infrastructure                                     | 3,019,885                    | -                   | -                | 3,019,885                 |
| <b>Subtotal</b>                                    | <b>9,253,703</b>             | <b>106,206</b>      | <b>-</b>         | <b>9,359,909</b>          |
| <b>Less Accumulated Depreciation:</b>              |                              |                     |                  |                           |
| Land improvements                                  | 692,447                      | 42,435              | -                | 734,882                   |
| Buildings and improvements                         | 1,465,753                    | 41,086              | -                | 1,506,839                 |
| Equipment and furniture                            | 1,331,343                    | 65,153              | -                | 1,396,496                 |
| Vehicles                                           | 779,620                      | 18,411              | -                | 798,031                   |
| Infrastructure                                     | 2,599,963                    | 67,191              | -                | 2,667,154                 |
| <b>Subtotal</b>                                    | <b>6,869,126</b>             | <b>234,276</b>      | <b>-</b>         | <b>7,103,402</b>          |
| <b>Capital Assets Being Depreciated, Net</b>       | <b>2,384,577</b>             | <b>(128,070)</b>    | <b>-</b>         | <b>2,256,507</b>          |
| <b>Governmental Activities Capital Assets, net</b> | <b>\$ 2,661,909</b>          | <b>\$ (128,070)</b> | <b>\$ -</b>      | <b>\$ 2,533,839</b>       |

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

| <b>Governmental Activities</b>                    |                   |
|---------------------------------------------------|-------------------|
| General Government                                | \$ 46,637         |
| Public Safety                                     | 25,256            |
| Public Works                                      | 83,266            |
| Recreation and Culture                            | 6,186             |
| Charged to Equipment Internal Service Fund        | 72,931            |
| <b>Total Governmental Activities Depreciation</b> | <b>\$ 234,276</b> |

# Village of Ontonagon

## Notes to the Financial Statements

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

| <b>Business-type Activities</b>                     | <b>Beginning<br/>Balance</b> | <b>Additions</b>    | <b>Disposals</b> | <b>Ending<br/>Balance</b> |
|-----------------------------------------------------|------------------------------|---------------------|------------------|---------------------------|
| <b>Capital Assets not Being Depreciated</b>         |                              |                     |                  |                           |
| Land                                                | \$ 33,500                    | \$ -                | \$ -             | \$ 33,500                 |
| Construction in progress                            | 1,622,229                    | 3,970,994           | -                | 5,593,223                 |
| <b>Subtotal</b>                                     | <u>1,655,729</u>             | <u>3,970,994</u>    | <u>-</u>         | <u>5,626,723</u>          |
| <b>Capital Assets Being Depreciated</b>             |                              |                     |                  |                           |
| 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                                      | 26,747,592                   | 50,498              | -                | 26,798,090                |
| <b>Subtotal</b>                                     | <u>27,140,004</u>            | <u>50,498</u>       | <u>-</u>         | <u>27,190,502</u>         |
| <b>Less Accumulated Depreciation:</b>               |                              |                     |                  |                           |
| Land improvements                                   | 3,033                        | -                   | -                | 3,033                     |
| Buildings and improvements                          | 245,331                      | 185                 | -                | 245,516                   |
| Equipment and furniture                             | 96,836                       | 2,328               | -                | 99,164                    |
| Vehicles                                            | 33,494                       | 2,359               | -                | 35,853                    |
| Infrastructure                                      | 16,007,657                   | 600,898             | -                | 16,608,555                |
| <b>Subtotal</b>                                     | <u>16,386,351</u>            | <u>605,770</u>      | <u>-</u>         | <u>16,992,121</u>         |
| <b>Capital Assets Being Depreciated, Net</b>        | <u>10,753,653</u>            | <u>(555,272)</u>    | <u>-</u>         | <u>10,198,381</u>         |
| <b>Business-type Activities Capital Assets, net</b> | <u>\$ 12,409,382</u>         | <u>\$ 3,415,722</u> | <u>\$ -</u>      | <u>\$ 15,825,104</u>      |

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

| <b>Business-type Activities</b>                    |                   |
|----------------------------------------------------|-------------------|
| Sewer                                              | \$ 213,993        |
| Water                                              | 391,777           |
| <b>Total Business-type Activities Depreciation</b> | <u>\$ 605,770</u> |

## Village of Ontonagon

### Notes to the Financial Statements

Capital asset activity for the Downtown Development Authority (discretely presented component unit) for the year ended March 31, 2026 were as follows:

| <b>Downtown Development Authority</b>        | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Disposals</b> | <b>Ending<br/>Balance</b> |
|----------------------------------------------|------------------------------|------------------|------------------|---------------------------|
| <b>Capital Assets not Being Depreciated</b>  |                              |                  |                  |                           |
| Land                                         | \$ 77,500                    | \$ -             | \$ -             | \$ 77,500                 |
| <b>Capital Assets Being Depreciated</b>      |                              |                  |                  |                           |
| Land improvements                            | 3,000                        | -                | -                | 3,000                     |
| <b>Subtotal</b>                              | 3,000                        | -                | -                | 3,000                     |
| <b>Less Accumulated Depreciation:</b>        |                              |                  |                  |                           |
| Land improvements                            | 1,367                        | 200              | -                | 1,567                     |
| <b>Subtotal</b>                              | 1,367                        | 200              | -                | 1,567                     |
| <b>Capital Assets Being Depreciated, Net</b> | 1,633                        | (200)            | -                | 1,433                     |
| <b>DDA Capital Assets, net</b>               | \$ 79,133                    | \$ (200)         | \$ -             | \$ 78,933                 |

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 obligation activity for the year ended March 31, 2026 was as follows:

|                                                            | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending<br/>Balance</b> | <b>Due Within<br/>One Year</b> |
|------------------------------------------------------------|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| <b>Governmental Activities:</b>                            |                              |                  |                   |                           |                                |
| Compensated absences                                       | \$ 26,918                    | \$ 8,070         | \$ -              | \$ 34,988                 | \$ 17,494                      |
| <b>Total Governmental Activities</b>                       | 26,918                       | 8,070            | -                 | 34,988                    | 17,494                         |
| <b>Business-type Activities:</b>                           |                              |                  |                   |                           |                                |
| Sanitary sewage disposal system revenue bonds, series 1996 | 1,481,000                    | -                | 95,000            | 1,386,000                 | 100,000                        |
| Water supply system revenue refunding bond, series 2004    | 2,323,862                    | -                | 255,000           | 2,068,862                 | 255,000                        |
| Sewer MFA Loan 5903-01                                     | -                            | 1,817,432        | -                 | 1,817,432                 | -                              |
| Compensated absences                                       | 21,983                       | 6,470            | -                 | 28,453                    | 14,227                         |
| <b>Total Business-type Activities</b>                      | 3,826,845                    | 1,823,902        | 350,000           | 5,300,747                 | 369,227                        |
| <b>Total Long-term Obligations</b>                         | \$ 3,853,763                 | \$ 1,831,972     | \$ 350,000        | \$ 5,335,735              | \$ 386,721                     |

Compensated absences are shown net.

# 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, 2026 are as follows:

| <b>Year Ending<br/>March 31,</b> | <b>Business-type Activities</b> |                   |                     |
|----------------------------------|---------------------------------|-------------------|---------------------|
|                                  | <b>Principal</b>                | <b>Interest</b>   | <b>Total</b>        |
| 2027                             | 355,000                         | 141,442           | 496,442             |
| 2028                             | 516,500                         | 128,848           | 645,348             |
| 2029                             | 525,000                         | 115,439           | 640,439             |
| 2030                             | 540,000                         | 101,709           | 641,709             |
| 2031                             | 550,000                         | 87,547            | 637,547             |
| 2032-2036                        | 2,355,862                       | 220,390           | 2,576,252           |
| 2037-2038                        | 429,932                         | 7,087             | 437,019             |
| <b>Totals</b>                    | <b>\$ 5,272,294</b>             | <b>\$ 802,462</b> | <b>\$ 6,074,756</b> |

### Note 6 - Net Investment in Capital Assets

Net investment in capital assets was calculated as follows for the year ended March 31, 2026:

|                                         | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Component<br/>Unit (DDA)</b> | <b>Sewer</b>        | <b>Water</b>        | <b>Equipment</b>  |
|-----------------------------------------|------------------------------------|-------------------------------------|---------------------------------|---------------------|---------------------|-------------------|
| Add:                                    |                                    |                                     |                                 |                     |                     |                   |
| Capital assets not being depreciated    | \$ 277,332                         | \$ 5,626,723                        | \$ 77,500                       | \$ 5,606,723        | \$ 20,000           | \$ -              |
| Capital assets being depreciated, net   | 2,256,507                          | 10,198,381                          | 1,433                           | 840,758             | 9,357,623           | 766,765           |
|                                         | <u>2,533,839</u>                   | <u>15,825,104</u>                   | <u>78,933</u>                   | <u>6,447,481</u>    | <u>9,377,623</u>    | <u>766,765</u>    |
| Less:                                   |                                    |                                     |                                 |                     |                     |                   |
| Construction AP                         | -                                  | (321,179)                           | -                               | (321,179)           | -                   | -                 |
| Total long-term debt/advances           | -                                  | (5,272,294)                         | -                               | (3,203,432)         | (2,068,862)         | -                 |
|                                         | <u>-</u>                           | <u>(5,593,473)</u>                  | <u>-</u>                        | <u>(3,524,611)</u>  | <u>(2,068,862)</u>  | <u>-</u>          |
| <b>Net investment in capital assets</b> | <b>\$ 2,533,839</b>                | <b>\$ 10,231,631</b>                | <b>\$ 78,933</b>                | <b>\$ 2,922,870</b> | <b>\$ 7,308,761</b> | <b>\$ 766,765</b> |

## Village of Ontonagon

### Notes to the Financial Statements

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#### Note 7 - Interfund Activity

##### *Due to and Due From*

The composition of interfund balances as of March 31, 2026 was as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u>   | <u>Amount</u> |
|------------------------|-----------------------|---------------|
| Equipment (ISF)        | Major Street          | \$ 73,604     |
| Equipment (ISF)        | Local Street          | 63,996        |
| Equipment (ISF)        | Nonmajor Governmental | 233,027       |
| Equipment (ISF)        | Sewer                 | 4,539         |
| Equipment (ISF)        | Water                 | 15,215        |
| General Fund           | Nonmajor Governmental | 1,985         |
| General Fund           | Water Fund            | 225           |
| General Fund           | Internal Service Fund | 117,630       |
| Water Fund             | Sewer Fund            | 443           |
| Sewer Fund             | Water Fund            | 590           |

These balances resulted from a lag between 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.

## Village of Ontonagon

### Notes to the Financial Statements

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#### ***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. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at [www.mersofmich.com](http://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, 2025 (the valuation date), plan membership for governmental and business-type activities consisted of the following:

|                                                                  |                   |
|------------------------------------------------------------------|-------------------|
| Inactive employees or beneficiaries currently receiving benefits | 118               |
| Inactive employees entitled to but not yet receiving benefits    | 22                |
| Active employees                                                 | 5                 |
| <b><i>Total membership</i></b>                                   | <b><u>145</u></b> |

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

| <b><u>Division</u></b> | <b><u>Status</u></b> | <b><u>Monthly Contribution</u></b> |
|------------------------|----------------------|------------------------------------|
| General                | Closed               | \$ 11,723                          |
| Admin                  | Closed               | \$ 44,263                          |

## Village of Ontonagon

### Notes to the Financial Statements

*Net Pension Liability.* The Village's net pension liability was measured as of December 31, 2025 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2025.

*Actuarial Assumptions.* The total pension liability in the December 31, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |                                                      |
|---------------------------|------------------------------------------------------|
| Inflation                 | 2.50%                                                |
| Salary increases          | 3.00% in the long-term                               |
| Investment rate of return | 6.79%, 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-2021.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2019-2023, first used in the December 31, 2024 actuarial valuation.

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<br>Gross Rate of<br>Return | Long-term<br>Expected<br>Gross Rate of<br>Return | Inflation<br>Assumption | Long-term<br>Expected<br>Real Rate of<br>Return |
|---------------------|-------------------|----------------------------------------------|--------------------------------------------------|-------------------------|-------------------------------------------------|
| Global equity       | 60.00%            | 6.79%                                        | 4.07%                                            | 2.50%                   | 2.57%                                           |
| Global fixed income | 20.00%            | 4.35%                                        | 0.87%                                            | 2.50%                   | 0.37%                                           |
| Private investments | 20.00%            | 9.25%                                        | 1.85%                                            | 2.50%                   | 1.35%                                           |
| <b>Totals</b>       | <b>100.00%</b>    |                                              | <b>6.79%</b>                                     |                         | <b>4.29%</b>                                    |

*Discount Rate.* The discount rate used to measure the total pension liability is 7.04%. 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

# Village of Ontonagon

## Notes to the Financial Statements

made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### *Change in Discount Rate*

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

### *Changes in Net Pension Liability*

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

|                                                    | <b>Total Pension<br/>Liability<br/>(a)</b> | <b>Plan Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net Pension<br/>Liability<br/>(a) - (b)</b> |
|----------------------------------------------------|--------------------------------------------|------------------------------------------------|------------------------------------------------|
| <b>Balances at December 31, 2024</b>               | <u>\$ 13,996,387</u>                       | <u>\$ 8,622,256</u>                            | <u>\$ 5,374,131</u>                            |
| Service cost                                       | 24,675                                     | -                                              | 24,675                                         |
| Interest on total pension liability                | 959,381                                    | -                                              | 959,381                                        |
| Differences between expected and actual experience | 74,175                                     | -                                              | 74,175                                         |
| Changes in assumptions                             | 155,656                                    | -                                              | 155,656                                        |
| Employer contributions                             | -                                          | 654,627                                        | (654,627)                                      |
| Net investment income                              | -                                          | 1,289,012                                      | (1,289,012)                                    |
| Benefit payments, including refunds                | (1,293,737)                                | (1,293,737)                                    | -                                              |
| Administrative expense                             | -                                          | (17,001)                                       | 17,001                                         |
| <i>Net changes</i>                                 | <u>(79,850)</u>                            | <u>632,901</u>                                 | <u>(712,751)</u>                               |
| <b>Balances at December 31, 2025</b>               | <u>\$ 13,916,537</u>                       | <u>\$ 9,255,157</u>                            | <u>\$ 4,661,380</u>                            |
| <b>Allocated as follows:</b>                       |                                            |                                                |                                                |
|                                                    |                                            |                                                | \$ 4,073,368                                   |
|                                                    |                                            |                                                | 588,012                                        |
|                                                    |                                            | <b>Total</b>                                   | <u>\$ 4,661,380</u>                            |

## Village of Ontonagon

### Notes to the Financial Statements

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the Village, calculated using the future discount rate of 7.04%, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.04%) or 1% higher (8.04%) than the current rate:

|                                 | <b>1% Decrease<br/>(6.04%)</b> | <b>Current<br/>Discount Rate<br/>(7.04%)</b> | <b>1% Increase<br/>(8.04%)</b> |
|---------------------------------|--------------------------------|----------------------------------------------|--------------------------------|
| Village's net pension liability | \$ 5,872,885                   | \$ 4,661,380                                 | \$ 3,615,489                   |

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

For the year ended March 31, 2026 the Village recognized pension expense of \$589,904.

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

|                                                                                  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|----------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Net difference between projected and actual earnings on pension plan investments | \$ -                                          | \$ 457,523                                   |
| Employer contributions to the plan subsequent to the measurement date *          | 167,958                                       | -                                            |
| <b>Totals</b>                                                                    | <b>\$ 167,958</b>                             | <b>\$ 457,523</b>                            |
| <b>Allocated as follows:</b>                                                     |                                               |                                              |
| Governmental Activities                                                          | \$ 146,771                                    | \$ 399,808                                   |
| Business-type Activities                                                         | 21,187                                        | 57,715                                       |
| <b>Totals</b>                                                                    | <b>\$ 167,958</b>                             | <b>\$ 457,523</b>                            |

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending March 31, 2027.

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

| <b>Year Ended<br/>March 31,</b> | <b>Amount</b> |
|---------------------------------|---------------|
| 2027                            | \$ 34,759     |
| 2028                            | (206,492)     |
| 2029                            | (147,092)     |
| 2030                            | (138,698)     |

## Village of Ontonagon

### Notes to the Financial Statements

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#### Note 9 – Lease Receivable

The Village is reporting total lease receivables of \$102,901 and deferred lease revenues of \$94,102 as of March 31, 2026. For fiscal year 2026, the Village reported lease revenue of \$5,352.

The following describes the Village's lease receivable as of year-end and shows a maturity schedule:

|           | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|-----------|-------------------|------------------|-------------------|
| 2027      | \$ 3,659          | \$ 2,531         | \$ 6,190          |
| 2028      | 3,876             | 2,437            | 6,313             |
| 2029      | 4,102             | 2,338            | 6,440             |
| 2030      | 4,336             | 2,232            | 6,568             |
| 2031      | 4,579             | 2,121            | 6,700             |
| 2032-2036 | 26,848            | 8,715            | 35,563            |
| 2037-2041 | 34,353            | 4,911            | 39,264            |
| 2042-2044 | 21,148            | 718              | 21,866            |
|           | <u>\$ 102,901</u> | <u>\$ 26,003</u> | <u>\$ 128,904</u> |

***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, 2026, the Village carried commercial insurance to cover all risks of loss. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. There was no significant change in coverage during the year.

#### Note 11 - Subsequent Events

Management has evaluated events subsequent to the financial statement date through September 4, 2026, 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, 2026**

|                                            | <b>Budgeted Amounts</b> |                     |                     | <b>Variance<br/>Favorable<br/>(Unfavorable)<br/>Final to Actual</b> |
|--------------------------------------------|-------------------------|---------------------|---------------------|---------------------------------------------------------------------|
|                                            | <b>Original</b>         | <b>Final</b>        | <b>Actual</b>       |                                                                     |
| <b>Revenues</b>                            |                         |                     |                     |                                                                     |
| Property taxes                             | \$ 600,200              | \$ 600,200          | \$ 608,646          | \$ 8,446                                                            |
| Intergovernmental                          | 701,164                 | 701,164             | 698,560             | (2,604)                                                             |
| Charges for services                       | 20,800                  | 20,800              | 17,081              | (3,719)                                                             |
| Fines and forfeitures                      | 5,500                   | 5,500               | 5,810               | 310                                                                 |
| Rental income                              | 9,300                   | 9,300               | 28,443              | 19,143                                                              |
| Other revenue                              | 50                      | 50                  | 44,455              | 44,405                                                              |
| Investment earnings                        | 35,453                  | 35,453              | 37,447              | 1,994                                                               |
| <b>Total Revenues</b>                      | <b>1,372,467</b>        | <b>1,372,467</b>    | <b>1,440,442</b>    | <b>67,975</b>                                                       |
| <b>Expenditures</b>                        |                         |                     |                     |                                                                     |
| <b>General Government</b>                  |                         |                     |                     |                                                                     |
| Administration                             | 78,535                  | 78,535              | 78,535              | --                                                                  |
| <b>Public Works</b>                        |                         |                     |                     |                                                                     |
| Building, grounds, and street lights       | 333,931                 | 333,931             | 333,931             | --                                                                  |
| <b>Recreation and Culture</b>              |                         |                     |                     |                                                                     |
| Parks and recreation                       | 135,071                 | 135,161             | 108,583             | 26,578                                                              |
| Recreation building                        | 241,624                 | 241,624             | 241,624             | --                                                                  |
| <b>Recreation and Culture</b>              | <b>376,695</b>          | <b>376,785</b>      | <b>350,207</b>      | <b>--</b>                                                           |
| <b>Total Expenditures</b>                  | <b>789,161</b>          | <b>789,251</b>      | <b>762,673</b>      | <b>26,578</b>                                                       |
| <b>Excess (Deficiency) of Revenues</b>     |                         |                     |                     |                                                                     |
| <b>Over Expenditures</b>                   | <b>583,306</b>          | <b>583,216</b>      | <b>677,769</b>      | <b>94,553</b>                                                       |
| <b>Net Change in Fund Balance</b>          | <b>583,306</b>          | <b>583,216</b>      | <b>677,769</b>      | <b>94,553</b>                                                       |
| <i>Fund Balance at Beginning of Period</i> | <i>1,307,291</i>        | <i>1,307,291</i>    | <i>1,307,291</i>    | <i>--</i>                                                           |
| <b>Fund Balance at End of Period</b>       | <b>\$ 1,890,597</b>     | <b>\$ 1,890,507</b> | <b>\$ 1,985,060</b> | <b>\$ 94,553</b>                                                    |

**Village of Ontonagon**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Major Street Fund**  
**For the Year Ended March 31, 2026**

|                                                                     | <b>Budgeted Amounts</b>  |                          |                          | <b>Variance<br/>Favorable<br/>(Unfavorable)<br/>Final to Actual</b> |
|---------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|---------------------------------------------------------------------|
|                                                                     | <b><u>Original</u></b>   | <b><u>Final</u></b>      | <b><u>Actual</u></b>     |                                                                     |
| <b>Revenues</b>                                                     |                          |                          |                          |                                                                     |
| Intergovernmental                                                   | \$ 257,500               | \$ 257,500               | \$ 367,881               | \$ 110,381                                                          |
| Investment earnings                                                 | 5,300                    | 5,300                    | 6,946                    | 1,646                                                               |
| <b><i>Total Revenues</i></b>                                        | <b><u>262,800</u></b>    | <b><u>262,800</u></b>    | <b><u>374,827</u></b>    | <b><u>112,027</u></b>                                               |
| <b>Expenditures</b>                                                 |                          |                          |                          |                                                                     |
| Public works                                                        | 222,008                  | 222,008                  | 268,362                  | (46,354)                                                            |
| <b><i>Total Expenditures</i></b>                                    | <b><u>222,008</u></b>    | <b><u>222,008</u></b>    | <b><u>268,362</u></b>    | <b><u>(46,354)</u></b>                                              |
| <b><i>Excess (Deficiency) of Revenues<br/>Over Expenditures</i></b> | <b><u>40,792</u></b>     | <b><u>40,792</u></b>     | <b><u>106,465</u></b>    | <b><u>65,673</u></b>                                                |
| <b><i>Net Change in Fund Balance</i></b>                            | <b><u>40,792</u></b>     | <b><u>40,792</u></b>     | <b><u>106,465</u></b>    | <b><u>65,673</u></b>                                                |
| <i>Fund Balance at Beginning of Period</i>                          | <u>387,174</u>           | <u>387,174</u>           | <u>387,174</u>           | <u>--</u>                                                           |
| <b><i>Fund Balance at End of Period</i></b>                         | <b><u>\$ 427,966</u></b> | <b><u>\$ 427,966</u></b> | <b><u>\$ 493,639</u></b> | <b><u>\$ 65,673</u></b>                                             |

**Village of Ontonagon**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Local Street Fund**  
**For the Year Ended March 31, 2026**

|                                            | <b>Budgeted Amounts</b> |                   |                   | <b>Variance<br/>Favorable<br/>(Unfavorable)<br/>Final to Actual</b> |
|--------------------------------------------|-------------------------|-------------------|-------------------|---------------------------------------------------------------------|
|                                            | <b>Original</b>         | <b>Final</b>      | <b>Actual</b>     |                                                                     |
| <b>Revenues</b>                            |                         |                   |                   |                                                                     |
| Property taxes                             | \$ 150,000              | \$ 150,000        | \$ 173,033        | \$ 23,033                                                           |
| Intergovernmental                          | 120,000                 | 120,000           | 125,866           | 5,866                                                               |
| Investment earnings                        | 1,750                   | 1,750             | 1,923             | 173                                                                 |
| <b>Total Revenues</b>                      | <b>271,750</b>          | <b>271,750</b>    | <b>300,822</b>    | <b>29,072</b>                                                       |
| <b>Expenditures</b>                        |                         |                   |                   |                                                                     |
| Public works                               | 235,908                 | 235,908           | 257,544           | (21,636)                                                            |
| <b>Total Expenditures</b>                  | <b>235,908</b>          | <b>235,908</b>    | <b>257,544</b>    | <b>(21,636)</b>                                                     |
| <b>Excess (Deficiency) of Revenues</b>     |                         |                   |                   |                                                                     |
| <b>Over Expenditures</b>                   | 35,842                  | 35,842            | 43,278            | 7,436                                                               |
| <b>Net Change in Fund Balance</b>          | <b>35,842</b>           | <b>35,842</b>     | <b>43,278</b>     | <b>7,436</b>                                                        |
| <i>Fund Balance at Beginning of Period</i> | 212,052                 | 212,052           | 212,052           | --                                                                  |
| <b>Fund Balance at End of Period</b>       | <b>\$ 247,894</b>       | <b>\$ 247,894</b> | <b>\$ 255,330</b> | <b>\$ 7,436</b>                                                     |

**Village of Ontonagon**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Ten Plan Years**

|                                                              | 2025                 | 2024                 | 2023                 | 2022                 | 2021                 | 2020                 | 2019                 | 2018                 | 2017                 | 2016                 |
|--------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Total Pension Liability</b>                               |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Service cost                                                 | \$ 24,675            | \$ 23,083            | \$ 25,889            | \$ 23,679            | \$ 37,083            | \$ 34,975            | \$ 37,138            | \$ 38,798            | \$ 37,518            | \$ 35,303            |
| Interest on total pension liability                          | 959,381              | 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            |
| Differences between expected and actual experience           | 74,175               | (67,066)             | 179,311              | (156,215)            | 144,217              | 52,488               | 87,773               | 3,753                | (70,332)             | (116,126)            |
| Changes in assumptions*                                      | 155,656              | (44,354)             | 83,362               | -                    | 427,670              | 618,931              | 416,800              | -                    | -                    | -                    |
| Benefit payments, including refunds                          | (1,293,737)          | (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)          |
| Other changes                                                | -                    | -                    | 1                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| <b>Net Change in Pension Liability</b>                       | <b>(79,850)</b>      | <b>(451,965)</b>     | <b>(41,522)</b>      | <b>(423,627)</b>     | <b>313,538</b>       | <b>431,005</b>       | <b>310,877</b>       | <b>(147,953)</b>     | <b>(188,915)</b>     | <b>(218,455)</b>     |
| <i>Total Pension Liability - Beginning</i>                   | <i>13,996,387</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>    |
| <b>Total Pension Liability - Ending (a)</b>                  | <b>\$ 13,916,537</b> | <b>\$ 13,996,387</b> | <b>\$ 14,448,352</b> | <b>\$ 14,489,874</b> | <b>\$ 14,913,501</b> | <b>\$ 14,599,963</b> | <b>\$ 14,168,958</b> | <b>\$ 13,858,081</b> | <b>\$ 14,006,034</b> | <b>\$ 14,194,949</b> |
| <b>Plan Fiduciary Net Position</b>                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Contributions - employer                                     | \$ 654,627           | \$ 607,170           | \$ 2,575,077         | \$ 1,650,848         | \$ 733,415           | \$ 433,599           | \$ 263,290           | \$ 554,091           | \$ 362,365           | \$ 287,317           |
| Net investment income (loss)                                 | 1,289,012            | 642,386              | 826,651              | (682,455)            | 894,421              | 749,651              | 890,587              | (290,634)            | 1,005,462            | 872,210              |
| Benefit payments, including refunds                          | (1,293,737)          | (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)          |
| Administrative expenses                                      | (17,001)             | (18,824)             | (16,625)             | (11,786)             | (10,243)             | (12,996)             | (15,297)             | (15,051)             | (16,013)             | (17,271)             |
| Other changes                                                | -                    | -                    | -                    | (6,400)              | (1,825)              | (650)                | (100)                | -                    | -                    | -                    |
| <b>Net Change in Plan Fiduciary Net Position</b>             | <b>632,901</b>       | <b>(122,534)</b>     | <b>2,051,893</b>     | <b>(374,935)</b>     | <b>260,818</b>       | <b>(134,402)</b>     | <b>(150,910)</b>     | <b>(1,013,650)</b>   | <b>108,355</b>       | <b>(100,164)</b>     |
| <i>Plan Fiduciary Net Position - Beginning</i>               | <i>8,622,256</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>     |
| <b>Plan Fiduciary Net Position - Ending (b)</b>              | <b>\$ 9,255,157</b>  | <b>\$ 8,622,256</b>  | <b>\$ 8,744,790</b>  | <b>\$ 6,692,897</b>  | <b>\$ 7,067,832</b>  | <b>\$ 6,807,014</b>  | <b>\$ 6,941,416</b>  | <b>\$ 7,092,326</b>  | <b>\$ 8,105,976</b>  | <b>\$ 7,997,621</b>  |
| <b>Net Pension Liability - Ending (a) - (b)</b>              | <b>\$ 4,661,380</b>  | <b>\$ 5,374,131</b>  | <b>\$ 5,703,562</b>  | <b>\$ 7,796,977</b>  | <b>\$ 7,845,669</b>  | <b>\$ 7,792,949</b>  | <b>\$ 7,227,542</b>  | <b>\$ 6,765,755</b>  | <b>\$ 5,900,058</b>  | <b>\$ 6,197,328</b>  |
| Plan fiduciary net position as a percentage of total pension | 66.50%               | 61.60%               | 60.52%               | 46.19%               | 47.39%               | 46.62%               | 48.99%               | 51.18%               | 57.87%               | 56.34%               |
| Covered payroll                                              | \$ 303,874           | \$ 277,105           | \$ 315,333           | \$ 298,213           | \$ 414,591           | \$ 386,745           | \$ 409,082           | \$ 417,022           | \$ 401,481           | \$ 371,370           |
| Net pension liability as a percentage of covered payroll     | 1533.98%             | 1939.38%             | 1808.74%             | 2614.57%             | 1892.39%             | 2015.01%             | 1766.77%             | 1622.40%             | 1469.57%             | 1668.77%             |

**Notes to Schedule:**

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

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

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

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

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

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

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

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

|                                                         | <u>2026</u> | <u>2025</u> | <u>2024</u> | <u>2023</u>         | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---------------------------------------------------------|-------------|-------------|-------------|---------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Actuarially determined contribution                     | \$ 671,832  | \$ 603,012  | \$ 619,644  | \$ 693,472          | \$ 749,554  | \$ 462,651  | \$ 416,930  | \$ 554,091  | \$ 362,365  | \$ 287,317  |
| Contributions in relation to the actuarially determined | 671,832     | 603,012     | 619,644     | 1,667,727           | 749,554     | 462,651     | 416,930     | 554,091     | 362,365     | 287,317     |
| Contribution deficiency (excess)                        | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (974,255)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll                                         | 312,796     | 283,850     | 317,090     | 300,617             | 409,316     | 401,054     | 404,859     | 402,788     | 401,481     | 371,370     |
| Contributions as a percentage of covered payroll        | 214.78%     | 212.44%     | 195.42%     | 554.77%             | 183.12%     | 115.36%     | 102.98%     | 137.56%     | 90.26%      | 77.37%      |

*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 | 13 years                                                                                |
| Asset valuation method        | 5-year smoothed                                                                         |
| Inflation                     | 2.50%                                                                                   |
| Salary increases              | 3.00%                                                                                   |
| Investment rate of return     | 6.79%, net of investment expenses, including inflation                                  |
| Retirement age                | Experience-based tables of rates that are specific to the type of eligibility condition |
| Mortality                     | Pub-2010 and fully generational MP-2021                                                 |

## **Other Supplementary Information**

**Village of Ontonagon  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2026**

|                                                  | <b>Special Revenue</b> |                    | <b>Total Nonmajor<br/>Governmental<br/>Funds</b> |
|--------------------------------------------------|------------------------|--------------------|--------------------------------------------------|
|                                                  | <b>Fire Fund</b>       | <b>Marina Fund</b> |                                                  |
| <b>ASSETS</b>                                    |                        |                    |                                                  |
| Cash and investments                             | \$ 683,499             | \$ 33,468          | \$ 716,967                                       |
| <b><i>Total Assets</i></b>                       | <b>\$ 683,499</b>      | <b>\$ 33,468</b>   | <b>\$ 716,967</b>                                |
| <b>LIABILITIES</b>                               |                        |                    |                                                  |
| Accounts payable                                 | \$ 899                 | \$ 3,180           | \$ 4,079                                         |
| Accrued liabilities                              | 12,141                 | --                 | 12,141                                           |
| Unearned revenue                                 | --                     | 9,832              | 9,832                                            |
| Due to other funds                               | 1,985                  | 233,027            | 235,012                                          |
| <b><i>Total Liabilities</i></b>                  | <b>15,025</b>          | <b>246,039</b>     | <b>261,064</b>                                   |
| <b>FUND BALANCE</b>                              |                        |                    |                                                  |
| Restricted                                       | 668,474                | --                 | 668,474                                          |
| Unassigned                                       | --                     | (212,571)          | (212,571)                                        |
| <b><i>Total Fund Balance</i></b>                 | <b>668,474</b>         | <b>(212,571)</b>   | <b>455,903</b>                                   |
| <b><i>Total Liabilities and Fund Balance</i></b> | <b>\$ 683,499</b>      | <b>\$ 33,468</b>   | <b>\$ 716,967</b>                                |

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

|                                                         | <b>Special Revenue</b> |                     | <b>Total Nonmajor<br/>Governmental<br/>Funds</b> |
|---------------------------------------------------------|------------------------|---------------------|--------------------------------------------------|
|                                                         | <b>Fire Fund</b>       | <b>Marina Fund</b>  |                                                  |
| <b>Revenues</b>                                         |                        |                     |                                                  |
| Intergovernmental                                       | \$ 136,816             | \$ 40,168           | \$ 176,984                                       |
| Charges for services                                    | --                     | 64,985              | 64,985                                           |
| Rental income                                           | --                     | 1,875               | 1,875                                            |
| Other revenue                                           | 7,419                  | 99                  | 7,518                                            |
| Investment earnings                                     | 7,495                  | 119                 | 7,614                                            |
| <b>Total Revenues</b>                                   | <b>151,730</b>         | <b>107,246</b>      | <b>258,976</b>                                   |
| <b>Expenditures</b>                                     |                        |                     |                                                  |
| Public safety                                           | 108,282                | --                  | 108,282                                          |
| Recreation and culture                                  | --                     | 92,727              | 92,727                                           |
| <b>Total Expenditures</b>                               | <b>108,282</b>         | <b>92,727</b>       | <b>201,009</b>                                   |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b> | <b>43,448</b>          | <b>14,519</b>       | <b>57,967</b>                                    |
| <b>Net Change in Fund Balance</b>                       | <b>43,448</b>          | <b>14,519</b>       | <b>57,967</b>                                    |
| <i>Fund Balance at Beginning of Period</i>              | <i>625,026</i>         | <i>(227,090)</i>    | <i>397,936</i>                                   |
| <b>Fund Balance at End of Period</b>                    | <b>\$ 668,474</b>      | <b>\$ (212,571)</b> | <b>\$ 455,903</b>                                |

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, 2026, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated September 4, 2026. 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 weakness, listed as finding 2026-001.

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 Responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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

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

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

*Government Auditing Standards* require 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 4, 2026

## Village of Ontonagon

### Schedule of Findings and Responses

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***Preparation of Financial Statements in Accordance with GAAP with Significant Journal Entries Proposed by Auditor - Finding 2026-001 – (repeat finding)***

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*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 4, 2026

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, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 19, 2026. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Ontonagon are described in Note 1 to the financial statements. There were no new accounting policies adopted and the application of existing policies was not changed during the fiscal year ended March 31, 2026. We noted no transactions entered into by the Village 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 4, 2026.

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

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

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

#### *Other Matters*

We applied certain limited procedures to the budgetary comparison schedules, the pension 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.

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

Gabridge & Company, PLC  
Grand Rapids, MI