

**Village of Cass City
Cass City, Michigan**

**Report on Financial Statements
(with required supplementary and
additional supplementary information)
Year Ended December 31, 2024**

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Independent Auditor's Report

Village Council
Village of Cass City
Cass City, 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, each major fund, and the aggregate remaining fund information of the Village of Cass City, State of Michigan, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Village of Cass City, State of Michigan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Cass City, State of Michigan, as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Cass City, State of Michigan, 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.

Change in Accounting Principles

As discussed in Note 17 to the financial statements, in 2024 the Village adopted new accounting guidance, GASB Statement No. 100, *Accounting Changes and Error Corrections an amendment of GASB Statement No. 62* and GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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 of Cass City, State of Michigan'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 judgement 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 judgement 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 of Cass City, State of Michigan'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Cass City, State of Michigan's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as identified 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 of Cass City, State of Michigan's basic financial statements. The additional supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is 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 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 additional supplementary information is 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 June 10, 2025, on our consideration of the Village of Cass City, State of Michigan'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 of Cass City, State of Michigan'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 of Cass City, State of Michigan's internal control over financial reporting and compliance.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN
June 10, 2025

Village of Cass City

Management's Discussion and Analysis

Year Ended December 31, 2024

Our discussion and analysis of the Village of Cass City's financial performance provides an overview of the Village's financial activities for the fiscal year ended December 31, 2024. This analysis hopes to add background and context to the Village's financial statements.

Financial Highlights

Governmental-wide Activity

- The assets and deferred outflows of resources of the Village exceed its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,124,264 (net position). Of this amount \$2,482,317 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$320,799.

Fund Level Activity

- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,655,144, increasing \$103,879 from the previous year.

In 2024, there was much activity in all departments and a great amount of work accomplished in the Village of Cass City. This analysis will provide more detail on the projects and improvements. The Village reduced the 2024 millage rates from 2023 rates, due to the Headlee Amendment Reduction in the General Operating Millage from 12.4089 mills to 12.3096 mills, a decrease of 0.0993 mills, increased the utility rates, and saved for future projects such as the Water Arsenic Treatment Plant media filter, the Wastewater Treatment Plant Renovation Project and future fleet purchases.

The 2024 Capital Improvement Plan and budget included: 1) \$51,520 for the purchase of a police vehicle; 2) \$24,000 for street lights on Scotty McCollough Drive in the Municipal Park; 3) sidewalk repair for \$50,000; 4) \$10,000 for wellhouse roof repair and \$50,000 to save for the ARTP media replacement; 5) \$15,000 for hydrant replacement; 6) \$38,000 for Wastewater Treatment Plant maintenance and repairs of equipment; 7) \$150,000 for a dump truck for the Department of Public Works; and 8) \$240,000 for Church Street and \$65,000 for Huron Street repair and maintenance.

Major and Local Street Repair was conducted in 2024. The Village levied a 4.9162 millage for these street projects, resulting in local tax revenues of \$293,797 in 2024, in addition to the Act 51 State funding of \$426,507.

Staff inspected and repaired isolated areas of sidewalk in the Village. A contract was awarded in April for 2024 sidewalk repair in the amount of \$40,530 with an additional \$1,512 of sidewalk work approved in July.

A new dump/salt truck was ordered in April at an estimated cost of \$95,556 with a proposed delivery date of summer 2025. There was no down payment required to place the order. The Village did approve the equipment purchase for the truck in the amount of \$81,500. The equipment will be stored with the vendor until time of installation on the truck.

The Village budgeted \$100,000 for sewer cleaning and lining and contracted with a local contractor. However, there were problems at the company, and they were not able to complete the work in 2024. As staff focuses on the new wastewater plant project in 2025, no sewer lining is budgeted or planned.

Governmental Resources

As detailed in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2024.

The total net position related to the Village's governmental activities is \$5,417,870 (see Table 1). The unrestricted portion of net position is \$950,263.

Tax revenues, the Village's largest revenue source, increased by approximately \$100,900 from 2023. This is representative of the increases in real property values and personal property values.

State shared revenues, traditionally our second largest revenue source, in addition to Local Community Stabilization Board Funds, had an increase of \$708 in 2024. With a decrease of \$29,076 in Local Community Stabilization Board funding from 2023 levels, this decrease was unexpected, as funding levels vary over multiple years.

Village of Cass City

Management's Discussion and Analysis

Year Ended December 31, 2024

Strategic Planning Highlights:

The Strategic Planning Goals for 2024 were: 1) Municipal Park Lighting and Expanded Festival Vendor Electrical Outlets; 2) Street Forestry Management; 3) Downtown Street Parking Options; 4) Branding and Marketing Cass City; and 5) Update Transportation Asset Management Plan. Funding to support the strategic planning goals was included in the 2024 budget.

Municipal Park Lighting: In January the Village contracted with DTE to install street lighting in the Municipal Park at a cost of \$20,100. This work was completed in the spring of 2024.

Street Forestry Management: The Village established a group of volunteers to participate in the newly formed Forestry Committee. The Forestry Committee assisted the Village is planning for tree replacement in the downtown area, applying for a DNR grant to conduct a tree inventory, and research and planning for types of new trees in the Village.

Downtown Street Parking: There were two courses of action considered to increase parking in the downtown area. The first was to change parallel parking to diagonal parking, which did not get the support of the community. The second was to tear down the house at the corner of Leach and Pine Streets owned by the Downtown Development Authority (DDA) to increase parking in the adjacent municipal lot. At the July 29, 2024 Village Council meeting the contract with Della Holdings, LLC was approved to demolish the house and garage in the amount of \$25,500 to allow for the parking lot to be improved and made larger with the Village's millings from prior street projects.

Branding and Marketing: The Village received funding from the Michigan Economic Development Corporation (MEDC) Redevelopment Certified Community (RRC) grant for marketing and branding. The Village had a match of 25%. At the April 2024, meeting the Village Council approved a contract with New Moon Visions for marketing and branding services in the amount of \$30,000. The deadline to complete the work was December 31, 2024 and the work was completed on time and on budget. The new logo and tag line "Cass City – Lives Built Here" was promoted in our marketing campaign which started in 2025.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and additional supplementary information, in addition to 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 information on all of the Village's assets and liabilities, with the difference between the two 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 government'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent personal property taxes and earned but unused compensated absences).

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 cost through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, public works, community and economic development, and culture and recreation. The business-type activities of the Village include the water and sewer activity.

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 two categories: governmental funds, and proprietary funds.

Village of Cass City

Management's Discussion and Analysis

Year Ended December 31, 2024

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 evaluating 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 various 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 general fund, major street, and local street fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Village adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund and major special revenue funds in the required supplementary information to demonstrate compliance with budgets.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

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 activity. The Village also maintains an internal service fund.

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 funds, both of which are considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on page 19 through 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 39 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's progress in funding its obligation to provide other post-employment benefits to one retiree, and the general and special revenue fund budgets. Required supplementary information can be found on pages 40 through 44 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on retirement benefits. Combining and individual fund statements and other schedules can be found on pages 45 through 46 of this report.

Village of Cass City
Management's Discussion and Analysis
Year Ended December 31, 2024

The Village of Cass City as a Whole

The following table shows, in a condensed format, the net position as of the current date and compared to the prior year:

TABLE 1

| | Governmental Activities <u>2024</u> | Governmental Activities <u>2023</u> | Business-type Activities <u>2024</u> | Business-type Activities <u>2023</u> | Total <u>2024</u> | Total <u>2023</u> |
|---|---|---|--|--|----------------------|----------------------|
| Assets | | | | | | |
| Other | \$ 2,159,484 | \$ 2,000,683 | \$ 1,908,152 | \$ 2,027,875 | \$ 4,067,636 | \$ 4,028,558 |
| Capital | <u>3,551,474</u> | <u>3,649,561</u> | <u>4,224,391</u> | <u>3,891,279</u> | <u>7,775,865</u> | <u>7,540,840</u> |
| Total current assets | <u>5,710,958</u> | <u>5,650,244</u> | <u>6,132,543</u> | <u>5,919,154</u> | <u>11,843,501</u> | <u>11,569,398</u> |
| Liabilities | | | | | | |
| Other | 99,333 | 65,916 | 204,017 | 256,726 | 303,350 | 322,642 |
| Long-term | <u>193,756</u> | <u>160,291</u> | <u>2,222,132</u> | <u>2,283,000</u> | <u>2,415,888</u> | <u>2,443,291</u> |
| Total liabilities | <u>293,089</u> | <u>226,207</u> | <u>2,426,149</u> | <u>2,539,726</u> | <u>2,719,238</u> | <u>2,765,933</u> |
| Net Position | | | | | | |
| Invested in capital assets, net of related debt | 3,386,143 | 3,506,473 | 2,011,260 | 1,608,279 | 5,397,403 | 5,114,752 |
| Restricted for USDA bond reserve | - | - | 18,340 | 13,755 | 18,340 | 13,755 |
| Restricted for bond reserve | - | - | 94,500 | 94,500 | 94,500 | 94,500 |
| Restricted streets and highways | 1,028,563 | 836,929 | - | - | 1,028,563 | 836,929 |
| Restricted for special levied taxes | 15,040 | 40,544 | - | - | 15,040 | 40,544 |
| Restricted for DDA captured taxes | 29,769 | 29,536 | - | - | 29,769 | 29,536 |
| Restricted for Water Recreation | 1,346 | 1,846 | - | - | 1,346 | 1,846 |
| Restricted for USDA repair replacement and improvement | - | - | 50,240 | 37,680 | 50,240 | 37,680 |
| Restricted for Dog Park | 6,746 | 6,876 | - | - | 6,746 | 6,876 |
| Unrestricted | <u>950,263</u> | <u>1,001,833</u> | <u>1,532,054</u> | <u>1,625,214</u> | <u>2,482,317</u> | <u>2,627,047</u> |
| Total net position | <u>\$ 5,417,870</u> | <u>\$ 5,424,037</u> | <u>\$ 3,706,394</u> | <u>\$ 3,379,428</u> | <u>\$ 9,124,264</u> | <u>\$ 8,803,465</u> |

Village of Cass City's net position of governmental activities are \$5,417,870 and \$3,706,394 for business type activities; of these amounts \$950,263 (governmental) and \$1,532,054 (business-type) are unrestricted assets.

Village of Cass City
Management's Discussion and Analysis
Year Ended December 31, 2024

TABLE 2

The following table shows the changes in the net position during the current and prior year:

| | Governmental Activities 2024 | Governmental Activities 2023 | Business-type Activities 2024 | Business-type Activities 2023 | Total 2024 | Total 2023 |
|------------------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|---------------------|---------------------|
| Revenue | | | | | | |
| Program revenue | | | | | | |
| Charges for services | \$ 277,417 | \$ 261,950 | \$ 1,593,070 | \$ 1,497,355 | \$ 1,870,487 | \$ 1,759,305 |
| Operating grants and contributions | 683,946 | 698,531 | 196,288 | 95,364 | 880,234 | 793,895 |
| Capital grants and contributions | 18,000 | - | - | - | 18,000 | - |
| General revenue: | | | | | | |
| Property taxes | 1,119,054 | 1,018,127 | - | - | 1,119,054 | 1,018,127 |
| State sources | 514,048 | 514,454 | - | - | 514,048 | 514,454 |
| Interest | 66,214 | 49,977 | 59,654 | 41,434 | 125,868 | 91,411 |
| Franchise fees and other revenue | 188,401 | 248,103 | 54,183 | 87,192 | 242,584 | 335,295 |
| Total revenue | <u>2,867,080</u> | <u>2,791,142</u> | <u>1,903,195</u> | <u>1,721,345</u> | <u>4,770,275</u> | <u>4,512,487</u> |
| Program expenses | | | | | | |
| General government/legislative | 605,990 | 571,641 | - | - | 605,990 | 571,641 |
| Public safety | 805,870 | 783,779 | - | - | 805,870 | 783,779 |
| Public works | 796,031 | 623,071 | - | - | 796,031 | 623,071 |
| Recreation and culture | 481,756 | 572,680 | - | - | 481,756 | 572,680 |
| Interest on long-term debt | 8,864 | 6,469 | - | - | 8,864 | 6,469 |
| Water and sewer | - | - | 1,576,229 | 1,528,857 | 1,576,229 | 1,528,857 |
| Other | 174,736 | 67,011 | - | - | 174,736 | 67,011 |
| Total program expenses | <u>2,873,247</u> | <u>2,624,651</u> | <u>1,576,229</u> | <u>1,528,857</u> | <u>4,449,476</u> | <u>4,153,508</u> |
| Change in net position | (6,167) | 166,491 | 326,966 | 192,488 | 320,799 | 358,979 |
| Net position - beginning of year | <u>5,424,037</u> | <u>5,257,546</u> | <u>3,379,428</u> | <u>3,186,940</u> | <u>8,803,465</u> | <u>8,444,486</u> |
| Net position - end of year | <u>\$ 5,417,870</u> | <u>\$ 5,424,037</u> | <u>\$ 3,706,394</u> | <u>\$ 3,379,428</u> | <u>\$ 9,124,264</u> | <u>\$ 8,803,465</u> |

Village of Cass City

Management's Discussion and Analysis

Year Ended December 31, 2024

Governmental Activities

The Village of Cass City's total governmental activities revenues were \$2,867,080. The expenses were \$2,873,247, with a net change in position of (\$6,167).

The Village invests with four local banks and one credit union. As allowed by law, the Village invests in Certificates of Deposit, Money Market Funds, and IntraFi Cash Services (ICS) where the best interest rates are available. Changes in the economy have increased our return on investment. The interest and dividends for 2023 were \$49,977, and for 2024 were \$66,214.

The Village Manager and Department Heads closely and consistently monitored its operational costs and spending in all areas. The Village Council also approved quarterly budget amendments in 2024.

The Village collaborates with the Cass City Public Schools for a School Resource Officer (SRO) in a full-time capacity. The SRO program has strengthened the relationship between the Village, Schools, and Community. The current SRO Memo of Understanding (MOU) term is August 13, 2024 through June 30, 2025. The Village is reimbursed for the police officer through a school grant. The Village will be working with the school on a MOU for the upcoming school year.

The Village contracts with Emterra Environmental for solid waste, recycling, and compost collection. We are in year three of a five year contract. The per household fee during 2024 started at \$13.45 and was raised to \$13.85. The Village adds \$1.00 to the Emterra charge to cover the costs of the fuel surcharge billed to the Village monthly based on diesel fuel rates.

Business-Type Activities

The Village of Cass City operates two Business-type activities: the Water Fund and the Sewer Fund. The Village of Cass City's total business-type activities revenues were \$1,903,195. The expenses were \$1,576,229 a net change in position of \$326,966.

The Village provides treated water to the Village residents. Raw water is pumped from three Village-owned wells. The Village also has an Arsenic Treatment Plant, which received routine scheduled maintenance in 2024.

The Village also provides municipal sanitary sewer services to its residents. There are two components of sanitary sewer services. The first is the collection such as our underground infrastructure for sewer lines and lift stations. This infrastructure in many areas of the village is old and in need of replacement. The most cost-effective method of fixing the sewer lines is a repair instead of replacement. The Village approved a contract with Monchilov at their February 26, 2024 meeting to repair lines under Brooker, Maple and Sherman Streets with a process called Cured in Place Pipe (CIPP) in the amount of \$100,000; however, this work was not able to be completed by the contractor.

The second component of sewer services is treatment at the wastewater treatment plant. Preliminary and final engineering for our Wastewater Treatment Plant was completed by Fishbeck Engineering in 2024.

Village of Cass City Funds

The fund financial statements provide detailed information about the most significant funds. The Village Council creates funds to help manage money for specific purposes as well as show accountability for certain activities, such as State of Michigan Act 51, Major and Local Street funds. The Cass City Village governmental major funds include General Fund, Major Street Fund and Local Street Fund. The business-type activities include the Water and Sewer Funds.

**Village of Cass City
Management's Discussion and Analysis
Year Ended December 31, 2024**

a) General Fund

Functions relating to the general governmental operational activities of the Village, which are financed by property tax levies, by distribution of State revenues, and from fees charged for various municipal activities and services are recorded in the General Fund. Fund balance decreased by \$87,348 in the General Fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$418,678, while total fund balance was \$588,286.

The two largest budgets for the General Fund are Police and Parks. The Parks Department capital budget included \$24,000 for street lighting for the Municipal Park, which came in under budget at \$20,100. The Parks budget also included \$6,000 for a pool vacuum, which was purchased and paid for through a grant funding from the Tuscola County Community Foundation FYI Fund and the William and Ruth Janks Fund.

The Police Department labor costs continue to increase. Every year it is a challenge to present a Police budget that has 24-hour coverage 365 days of the year. Historically, the budget cuts have been in the Parks Department in order to maintain a full-service Police Department. In 2025, no capital investment only maintenance was included for the Parks Department.

The Police Department performs Code Enforcement on behalf of the Village. The Police have been issuing warnings, letters, and citations concerning blight infractions. The Police Department has been working with the County Prosecutor and our Village Attorney on dangerous buildings, which has dramatically increased our legal expenses.

b) Major and Local Street Funds

The State of Michigan provides municipalities revenues from gas and weight taxes to reimburse expenditures for the maintenance and construction of the Village's street system. The State requires that these expenditures be segregated into a Major Street component and a Local Street component. The Village uses these funds for improvements to the Village street system.

The year finished with an increase in fund balance in Major Streets by \$120,031; and an increase in fund balance of \$71,603 in Local Streets Funds. At the end of the current fiscal year, major street had restricted fund balance of \$459,418 and local streets had a restricted fund balance of \$569,145.

A study of our street conditions was conducted in 2023 and incorporated into our capital improvement plan for streets in 2024. One of the strategic planning goals was to update the Transportation Asset Management Plan for the Village and was concluded before January 2024.

c) Other Governmental Funds

The Water Recreation Fund provides for maintenance and repairs, as well as capital projects for the Helen Stevens Memorial Pool and adjacent Splash Pad. The year's activities resulted in a decrease of \$500 in its fund balance.

Downtown Development Authority (DDA) and Economic Development Corporation (EDC) are two additional funds maintained by the Village of Cass City for the growth and enhancement of programs in the Village and the downtown corridor. Since 1999, funding for the DDA is a result of the tax capture of taxable valuation of parcels in the DDA district. There is no special millage for the DDA. The DDA Fund Balance increased by \$233 in 2024. The DDA fund balance at year end is \$29,769.

Funding for the EDC was limited to interest earnings. In 2024 the EDC decreased their fund balance by \$140. The EDC fund balance at year end is \$7,180.

**Village of Cass City
Management's Discussion and Analysis
Year Ended December 31, 2024**

d) Water Fund

The Michigan Rural Water Association completed a rate study in Fall of 2023 for the 2024 budget, and the rate increases were approved in the 2024 budget. The net position in the water fund increased by \$95,076. At the end of the current fiscal year, unrestricted net position was \$878,576, while total net position was \$1,764,496 in the water fund.

The Village has asset management plans for our Water and Wastewater Plants. The Water Fund allocates funds to save for future expenses. The Village anticipates the need to replace the media filter at the Arsenic Treatment Plant, estimated to cost \$350,000, and is currently saving \$50,000 per year to accommodate this expense.

In 2024 the Village contracted with Spicer Engineering for a watermain replacement project on M-81 to relocate an 8-inch main to the alley behind businesses between Seeger and West Streets. The project is necessary to replace the old water main on M-81 and to comply with the Lead and Copper Rule for safe drinking water. Spicer completed the engineering and the Village planned to do the project in 2025, which has since been delayed to 2026.

e) Sewer Fund

The Michigan Rural Water Association completed a rate study in the Fall of 2023 for the 2024 budget, and the rate increases were approved in the 2024 budget. The net position in the sewer fund increased by \$230,757. At the end of the current fiscal year, unrestricted net position was \$585,302, while total net position was \$1,873,722 in the sewer fund.

This department provides increasing levels of independent lab work for drink water analysis of local villages, churches, parks and restaurants, as well as lagoon testing for other municipalities which generated \$72,606 in revenue in 2024.

General Fund Budgetary Highlights

Over the course of the year, the Village Council and Village administration monitor and amend the budget quarterly to account for unanticipated events during the year. The most significant change was the decrease in LCSA revenues, increase in recreation fees, decrease in public and private donations and increase in local property tax revenues. Other budgetary impacts include the slight increase in State Shared Revenue dollars.

Capital Asset and Debt Administration

At the end of 2024, the Village of Cass City recorded an investment total of \$28,684,190 in a wide range of capital assets, including land, buildings, equipment, computer equipment, and water and sewer lines. Capital assets increased \$792,538 from 2023. The increase in capital assets was due to the investments in streets, equipment, and construction in progress on the waste water treatment plant project. The value of the capital assets, net of depreciation/amortization contained in this report, is \$7,775,865 at the end of 2024.

The Village's total outstanding long-term obligations were \$2,405,388 as of December 31, 2024.

Village of Cass City

Management's Discussion and Analysis

Year Ended December 31, 2024

Economic Factors

Inflation and the increased cost to purchase equipment and materials and provide services has remained high and will require budget amendments to reflect current costs. In January 2023 inflation was at the highest point for the year at 6.4% with gradual declines throughout the year ending with a 3.4% inflation rate in December 2023. In 2024, inflation rates commenced at 3.1% to a December inflation rate of 2.9%. Though the inflation rate continued to lower, the compounding effect impacted our ability to purchase and receive supplies, equipment and materials for the Village. Delays are routine, and in many cases, supplies are limited which have a direct impact on Village services to the community.

The Village of Cass City's budget for 2024 did incorporate a three percent (3%) percent increase from the 2023 budget in anticipation of inflation rates rising. Economic factors change daily due to changes in national and state economic policy, new forecasts and trends, changes in the interest rates, changes in the state law, changes in healthcare, and the impact of supply chain disruptions.

The Village continues to experience the budget impact of rising costs associated with employee benefits such as healthcare and operational costs such as chemicals for our plants.

A wage study was performed by Rehman Robson to assist with Teamsters Local 214 and Police Officers Labor Council union negotiations to make informed and fair decisions on employee compensation.

The Village Council is actively involved with the oversight of the Village's budget and provides conservative direction to staff. The constant monitoring of the budget and the quarterly budget amendments has been a proactive approach and put the Village in a good position. Staff also monitors Village investments to maximize interest earnings which totaled \$125,868 in 2024. The Village has a strong financial foundation for future planned improvements.

Contacting the Village of Cass City's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village of Cass City's finances and to show the Village's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Village Manager, 6506 Main Street, Cass City, MI 48726, (989) 872-2911 or via email at ccmanager@casscity.org.

BASIC FINANCIAL STATEMENTS

VILLAGE OF CASS CITY
Statement of Net Position
December 31, 2024

| | Primary Government | | |
|---|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,002,295 | \$ 1,401,144 | \$ 3,403,439 |
| Receivables | | | |
| Taxes | 2,455 | - | 2,455 |
| Customers | 37,899 | 231,129 | 269,028 |
| Accrued interest and other | 7,616 | 6,783 | 14,399 |
| Less allowance for uncollectible accounts | (2,455) | - | (2,455) |
| Due from other units of government | 144,944 | 37,840 | 182,784 |
| Internal balances | (68,176) | 68,176 | - |
| Prepaid items | 34,906 | - | 34,906 |
| Restricted assets | | | |
| Cash and cash equivalents | - | 163,080 | 163,080 |
| Capital assets, net | | | |
| Non-depreciated/amortized | 571,354 | 569,038 | 1,140,392 |
| Depreciated/amortized | 2,980,120 | 3,655,353 | 6,635,473 |
| TOTAL ASSETS | 5,710,958 | 6,132,543 | 11,843,501 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 33,518 | 174,676 | 208,194 |
| Accrued and other liabilities | 32,446 | 29,341 | 61,787 |
| Unearned revenue | 33,368 | - | 33,368 |
| Noncurrent liabilities | | | |
| Due within one year | 33,333 | 97,001 | 130,334 |
| Due in more than one year | 149,923 | 2,125,131 | 2,275,054 |
| Total other postemployment benefits liability | 10,500 | - | 10,500 |
| TOTAL LIABILITIES | 293,088 | 2,426,149 | 2,719,237 |
| NET POSITION | | | |
| Net investment in capital assets | 3,386,143 | 2,011,260 | 5,397,403 |
| Restricted for: | | | |
| 2021 Bond reserve | - | 94,500 | 94,500 |
| USDA Bond reserve | - | 18,340 | 18,340 |
| USDA Repair and replacement equipment | - | 50,240 | 50,240 |
| Special levied taxes | 15,040 | - | 15,040 |
| Streets and highways | 1,028,563 | - | 1,028,563 |
| DDA captured taxes | 29,769 | - | 29,769 |
| Water recreation | 1,346 | - | 1,346 |
| Dog Park | 6,746 | - | 6,746 |
| Unrestricted | 950,263 | 1,532,054 | 2,482,317 |
| TOTAL NET POSITION | \$ 5,417,870 | \$ 3,706,394 | \$ 9,124,264 |

VILLAGE OF CASS CITY
Statement of Activities
Year Ended December 31, 2024

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------------|---------------------|-------------------------|--|--|--|-----------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-type Activities | |
| Primary government | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 605,990 | \$ 277,417 | \$ 68,082 | \$ - | \$ (260,491) | \$ - | \$ (260,491) |
| Public safety | 805,870 | - | 2,195 | - | (803,675) | - | (803,675) |
| Public works | 796,031 | - | 613,669 | - | (182,362) | - | (182,362) |
| Community and economic development | 174,736 | - | - | 18,000 | (156,736) | - | (156,736) |
| Recreation and culture | 481,756 | - | - | - | (481,756) | - | (481,756) |
| Interest on long-term debt | <u>8,864</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(8,864)</u> | <u>-</u> | <u>(8,864)</u> |
| Total Governmental activities | <u>2,873,247</u> | <u>277,417</u> | <u>683,946</u> | <u>18,000</u> | <u>(1,893,884)</u> | <u>-</u> | <u>(1,893,884)</u> |
| Business-type activities: | | | | | | | |
| Sewer | 868,125 | 911,382 | 162,640 | - | - | 205,897 | 205,897 |
| Water | <u>708,104</u> | <u>681,688</u> | <u>33,648</u> | <u>-</u> | <u>-</u> | <u>7,232</u> | <u>7,232</u> |
| Total Business-type activities | <u>1,576,229</u> | <u>1,593,070</u> | <u>196,288</u> | <u>-</u> | <u>-</u> | <u>213,129</u> | <u>213,129</u> |
| Total Primary government | <u>\$ 4,449,476</u> | <u>\$ 1,870,487</u> | <u>\$ 880,234</u> | <u>\$ 18,000</u> | <u>(1,893,884)</u> | <u>213,129</u> | <u>(1,680,755)</u> |
| | | | | | | | |
| General revenues | | | | | | | |
| Property taxes | | | | | 1,119,054 | - | 1,119,054 |
| State sources | | | | | 514,048 | - | 514,048 |
| Unrestricted investment earnings | | | | | 66,214 | 59,654 | 125,868 |
| Net book value of assets disposed | | | | | (29,307) | - | (29,307) |
| Miscellaneous | | | | | <u>217,708</u> | <u>54,183</u> | <u>271,891</u> |
| Total general revenues and transfers | | | | | <u>1,887,717</u> | <u>113,837</u> | <u>2,001,554</u> |
| Change in net position | | | | | (6,167) | 326,966 | 320,799 |
| Net position - beginning of year | | | | | <u>5,424,037</u> | <u>3,379,428</u> | <u>8,803,465</u> |
| Net position - end of year | | | | | <u>\$ 5,417,870</u> | <u>\$ 3,706,394</u> | <u>\$ 9,124,264</u> |

VILLAGE OF CASS CITY
Balance Sheet
Governmental Funds
December 31, 2024

| | <u>Special Revenue Funds</u> | | | Nonmajor | Total |
|--|------------------------------|--------------------------|--------------------------|---------------------------|----------------------------|
| | <u>General</u> | <u>Major Street</u> | <u>Local Street</u> | <u>Governmental Funds</u> | <u>Governmental Funds</u> |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 524,013 | \$ 395,508 | \$ 553,862 | \$ 56,682 | \$ 1,530,065 |
| Receivables | | | | | |
| Taxes | 2,455 | - | - | - | 2,455 |
| Customers | 36,377 | - | 477 | 176 | 37,030 |
| Interest | 1,678 | 1,259 | 2,398 | 237 | 5,572 |
| Less allowance for uncollectible accounts | (2,455) | - | - | - | (2,455) |
| Due from other units of government | 56,278 | 66,140 | 22,526 | - | 144,944 |
| Prepaid items | 34,906 | - | - | - | 34,906 |
| TOTAL ASSETS | <u>\$ 653,252</u> | <u>\$ 462,907</u> | <u>\$ 579,263</u> | <u>\$ 57,095</u> | <u>\$ 1,752,517</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 19,442 | \$ 336 | \$ 8,994 | \$ 1,515 | \$ 30,287 |
| Accrued and other liabilities | 26,526 | 3,153 | 1,124 | 285 | 31,088 |
| Unearned revenue | 16,368 | - | - | 17,000 | 33,368 |
| Total liabilities | 62,336 | 3,489 | 10,118 | 18,800 | 94,743 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - miscellaneous | 2,630 | - | - | - | 2,630 |
| Total deferred inflows of resources | 2,630 | - | - | - | 2,630 |
| FUND BALANCES | | | | | |
| Nonspendable: | | | | | |
| Prepaid items | 34,906 | - | - | - | 34,906 |
| Restricted for: | | | | | |
| Special levied taxes | 15,040 | - | - | - | 15,040 |
| Streets and highways | - | 459,418 | 569,145 | - | 1,028,563 |
| DDA captured taxes | - | - | - | 29,769 | 29,769 |
| Water recreation | - | - | - | 1,346 | 1,346 |
| Dog Park | 6,746 | - | - | - | 6,746 |
| Committed to: | | | | | |
| Police | 64,916 | - | - | - | 64,916 |
| Assigned to: | | | | | |
| EDC | - | - | - | 7,180 | 7,180 |
| Subsequent year expenditures | 48,000 | - | - | - | 48,000 |
| Unassigned | 418,678 | - | - | - | 418,678 |
| Total fund balances | 588,286 | 459,418 | 569,145 | 38,295 | 1,655,144 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | <u>\$ 653,252</u> | <u>\$ 462,907</u> | <u>\$ 579,263</u> | <u>\$ 57,095</u> | <u>\$ 1,752,517</u> |

VILLAGE OF CASS CITY
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
December 31, 2024

| | |
|---|----------------------------|
| Total fund balances for governmental funds | \$ 1,655,144 |
| Total net position for governmental activities in the statement of net position is different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 3,187,696 |
| Certain receivables are not available to pay for current period expenditures and, therefore are deferred inflows of resources in the funds. | 2,630 |
| Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. | |
| Long term debt obligations | (165,331) |
| Compensated absences | (15,419) |
| Total other postemployment benefit liability | (10,500) |
| Internal service funds are included as part of governmental activities. | <u>763,650</u> |
| Net position of governmental activities | <u>\$ 5,417,870</u> |

VILLAGE OF CASS CITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2024

| | | Special Revenue Funds | | | |
|---|------------|-----------------------|--------------|-----------------------------|--------------------------|
| | General | Major Street | Local Street | Nonmajor Governmental Funds | Total Governmental Funds |
| Revenues | | | | | |
| Local sources | | | | | |
| Taxes | \$ 786,659 | \$ 29,737 | \$ 261,589 | \$ 41,319 | \$ 1,119,304 |
| Local contributions | 68,082 | - | - | - | 68,082 |
| Charges for services | 272,206 | - | - | - | 272,206 |
| Fines and forfeitures | 5,211 | - | - | - | 5,211 |
| Interest income | 11,117 | 13,691 | 19,761 | 1,904 | 46,473 |
| Administration fee revenue | 203,664 | - | - | - | 203,664 |
| Other revenue | 12,284 | - | 1,760 | - | 14,044 |
| Total local sources | 1,359,223 | 43,428 | 283,110 | 43,223 | 1,728,984 |
| Intergovernmental | | | | | |
| State shared revenue | 330,122 | - | - | - | 330,122 |
| State and federal grants | 186,121 | 389,080 | 224,589 | 18,000 | 817,790 |
| Total intergovernmental | 516,243 | 389,080 | 224,589 | 18,000 | 1,147,912 |
| Total revenues | 1,875,466 | 432,508 | 507,699 | 61,223 | 2,876,896 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 536,824 | - | - | - | 536,824 |
| Public safety | 725,983 | - | - | - | 725,983 |
| Public works | 185,344 | 312,477 | 436,096 | - | 933,917 |
| Community and economic development | 59,929 | - | - | 97,283 | 157,212 |
| Recreation and culture | 439,300 | - | - | 500 | 439,800 |
| Debt service | | | | | |
| Principal retirement | 3,292 | - | - | 36,465 | 39,757 |
| Interest and fiscal charges | 1,482 | - | - | 7,382 | 8,864 |
| Total expenditures | 1,952,154 | 312,477 | 436,096 | 141,630 | 2,842,357 |
| Excess (deficiency) of revenues over expenditures | (76,688) | 120,031 | 71,603 | (80,407) | 34,539 |
| Other financing sources (uses) | | | | | |
| Transfers in | - | - | - | 18,000 | 18,000 |
| Transfers out | (18,000) | - | - | - | (18,000) |
| Issuance of debt | - | - | - | 62,000 | 62,000 |
| Sale of fixed assets | 7,340 | - | - | - | 7,340 |
| Total other financing sources and uses | (10,660) | - | - | 80,000 | 69,340 |
| Net change in fund balance | (87,348) | 120,031 | 71,603 | (407) | 103,879 |
| Fund balance - beginning of year | 675,634 | 339,387 | 497,542 | 38,702 | 1,551,265 |
| Fund balance - end of year | \$ 588,286 | \$ 459,418 | \$ 569,145 | \$ 38,295 | \$ 1,655,144 |

VILLAGE OF CASS CITY
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2024

| | |
|---|--------------------------|
| Net change in fund balances - Total governmental funds | \$ 103,879 |
| Total change in net position reported for governmental activities in the statement of activities is different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. | |
| Depreciation/amortization expense | (314,915) |
| Capital outlay | 244,759 |
| Sale of capital assets (net book value) | (44,647) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | |
| Miscellaneous | (250) |
| Expenses are recorded when incurred in the statement of activities | |
| Compensated absences | (8,746) |
| The statement of net position reports the OPEB liability related to the OPEB liability and OPEB expense. However, the amount recorded on the governmental funds equals actual OPEB contributions. | |
| Net change in total OPEB liability | 30 |
| Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. | |
| Loan proceeds | (62,000) |
| Repayments of long-term debt | 39,757 |
| Internal service funds are also included as governmental activities | <u>35,966</u> |
| Change in net position of governmental activities | <u>\$ (6,167)</u> |

VILLAGE OF CASS CITY
Statement of Net Position
Proprietary Funds
December 31, 2024

| | Business-type Activities | | | Governmental Activities |
|--|--------------------------|---------------------|------------------------|-------------------------|
| | Sewer | Water | Total Enterprise Funds | Internal Service Funds |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 623,393 | \$ 777,751 | \$ 1,401,144 | \$ 472,230 |
| Receivables | | | | |
| Customers | 131,240 | 99,889 | 231,129 | 869 |
| Accrued interest and other | 2,692 | 4,091 | 6,783 | 2,044 |
| Due from other units of government | - | 37,840 | 37,840 | - |
| Due from other funds | - | 600 | 600 | - |
| Total current assets | <u>757,325</u> | <u>920,171</u> | <u>1,677,496</u> | <u>475,143</u> |
| Noncurrent assets | | | | |
| Restricted assets | | | | |
| Cash and cash equivalents | - | 163,080 | 163,080 | - |
| Capital assets, net of depreciation | <u>1,288,420</u> | <u>2,935,971</u> | <u>4,224,391</u> | <u>363,778</u> |
| Total noncurrent assets | <u>1,288,420</u> | <u>3,099,051</u> | <u>4,387,471</u> | <u>363,778</u> |
| TOTAL ASSETS | <u>2,045,745</u> | <u>4,019,222</u> | <u>6,064,967</u> | <u>838,921</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | 149,530 | 25,146 | 174,676 | 3,231 |
| Accrued and other liabilities | 12,892 | 16,449 | 29,341 | 1,358 |
| Due to other funds | 600 | - | 600 | - |
| Current portion of compensated absences | 9,001 | - | 9,001 | 2,506 |
| Current portion of long-term liabilities | - | 88,000 | 88,000 | - |
| Total current liabilities | <u>172,023</u> | <u>129,595</u> | <u>301,618</u> | <u>7,095</u> |
| Noncurrent liabilities | | | | |
| Long-term debt | - | 2,125,131 | 2,125,131 | - |
| Total noncurrent liabilities | - | 2,125,131 | 2,125,131 | - |
| Total liabilities | <u>172,023</u> | <u>2,254,726</u> | <u>2,426,749</u> | <u>7,095</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 1,288,420 | 722,840 | 2,011,260 | 363,778 |
| Restricted for: | | | | |
| 2021 Bond Reserve | - | 94,500 | 94,500 | - |
| USDA Bond Reserve | - | 18,340 | 18,340 | - |
| USDA Repair replacement and improvement | - | 50,240 | 50,240 | - |
| Unrestricted | <u>585,302</u> | <u>878,576</u> | <u>1,463,878</u> | <u>468,048</u> |
| Total net position | <u>\$ 1,873,722</u> | <u>\$ 1,764,496</u> | <u>3,638,218</u> | <u>\$ 831,826</u> |
| Some amounts reported for business-type activities in the statement of net position are different because certain internal service funds assets and liabilities are reported with business-type activities | | | | |
| | | | <u>68,176</u> | |
| Net position of business-type activities | | | <u>\$3,706,394</u> | |

VILLAGE OF CASS CITY
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2024

| | Business-type Activities | | | Governmental Activities |
|---|--------------------------|---------------------|------------------------|-------------------------|
| | Sewer | Water | Total Enterprise Funds | Internal Service Funds |
| Operating revenue | | | | |
| Customer fees | \$ 838,776 | \$ 681,688 | \$ 1,520,464 | \$ - |
| Billings to other funds | - | - | - | 334,004 |
| Charges for services | - | - | - | 640 |
| Other revenue | <u>72,606</u> | <u>54,183</u> | <u>126,789</u> | <u>-</u> |
| Total operating revenue | <u>911,382</u> | <u>735,871</u> | <u>1,647,253</u> | <u>334,644</u> |
| Operating expenses | | | | |
| Personnel services | 422,424 | 208,368 | 630,792 | 71,248 |
| Supplies | 52,972 | 33,033 | 86,005 | 48,073 |
| Contractual services | 89,343 | 169,510 | 258,853 | 480 |
| Utilities | 93,923 | 36,911 | 130,834 | - |
| Repairs and maintenance | 10,793 | 3,375 | 14,168 | 51,496 |
| Other expenses | 90,471 | 62,625 | 153,096 | 92,767 |
| Depreciation | <u>108,843</u> | <u>146,360</u> | <u>255,203</u> | <u>61,221</u> |
| Total operating expenses | <u>868,769</u> | <u>660,182</u> | <u>1,528,951</u> | <u>325,285</u> |
| Operating income (loss) | <u>42,613</u> | <u>75,689</u> | <u>118,302</u> | <u>9,359</u> |
| Nonoperating revenue (expenses) | | | | |
| Federal grant | 162,640 | - | 162,640 | - |
| State grant | - | 33,648 | 33,648 | - |
| Interest income | 25,504 | 34,150 | 59,654 | 19,740 |
| Gain on sale of assets | - | - | - | 8,000 |
| Interest expense | <u>-</u> | <u>(48,411)</u> | <u>(48,411)</u> | <u>-</u> |
| Total nonoperating revenues (expenses) | <u>188,144</u> | <u>19,387</u> | <u>207,531</u> | <u>27,740</u> |
| Change in net position | 230,757 | 95,076 | 325,833 | 37,099 |
| Net position - beginning of year | <u>1,642,965</u> | <u>1,669,420</u> | | <u>794,727</u> |
| Net position - end of year | <u>\$ 1,873,722</u> | <u>\$ 1,764,496</u> | | <u>\$ 831,826</u> |
| Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities | | | | <u>1,133</u> |
| Change in net position of business-type activities | | | <u>\$ 326,966</u> | |

VILLAGE OF CASS CITY
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2024

| | Business-type Activities | | | Governmental Activities |
|--|--------------------------|-------------------|------------------------|-------------------------|
| | | | Total Enterprise Funds | Internal Service Funds |
| Cash flows from operating activities | | | | |
| Receipts from customers | \$ 899,771 | \$ 725,741 | \$ 1,625,512 | \$ (91) |
| Receipts from interfund users | - | - | - | 334,004 |
| Payments to suppliers | (227,851) | (258,197) | (486,048) | (197,708) |
| Payments to employees | (418,791) | (209,600) | (628,391) | (69,895) |
| Payments for interfund services used | (11,102) | (29,275) | (40,377) | - |
| Net cash provided (used) by operating activities | <u>242,027</u> | <u>228,669</u> | <u>470,696</u> | <u>66,310</u> |
| Cash flows from capital and related financing activities | | | | |
| Proceeds from capital debt | - | 90,000 | 90,000 | - |
| Purchases/construction of capital assets | (580,165) | (8,150) | (588,315) | (77,937) |
| Principal and interest paid on long-term debt | - | (208,280) | (208,280) | - |
| Proceeds from sale of capital assets | - | - | - | 8,000 |
| Net cash used by capital and related financing activities | <u>(580,165)</u> | <u>(126,430)</u> | <u>(706,595)</u> | <u>(69,937)</u> |
| Cash flows from investing activities | | | | |
| Interest received | <u>25,504</u> | <u>34,150</u> | <u>59,654</u> | <u>19,740</u> |
| Net cash provided (used) by investing activities | <u>25,504</u> | <u>34,150</u> | <u>59,654</u> | <u>19,740</u> |
| Net change in cash and cash equivalents | (312,634) | 136,389 | (176,245) | 16,113 |
| Cash and cash equivalents - beginning of year | <u>936,027</u> | <u>804,442</u> | <u>1,740,469</u> | <u>456,117</u> |
| Cash and cash equivalents - end of year | <u>\$ 623,393</u> | <u>\$ 940,831</u> | <u>\$ 1,564,224</u> | <u>\$ 472,230</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities | | | | |
| Operating income (loss) | \$ 42,613 | \$ 75,689 | \$ 118,302 | \$ 9,359 |
| Adjustments to reconcile operating income to net cash from operating activities: | | | | |
| Depreciation and amortization expense | 108,843 | 146,360 | 255,203 | 61,221 |
| Changes in assets and liabilities: | | | | |
| Receivables (net) | (11,611) | (10,130) | (21,741) | (731) |
| Accounts payable | 98,549 | 17,982 | 116,531 | (4,892) |
| Accrued and other liabilities | <u>3,633</u> | <u>(1,232)</u> | <u>2,401</u> | <u>1,353</u> |
| Net cash (used) provided by operating activities | <u>\$ 242,027</u> | <u>\$ 228,669</u> | <u>\$ 470,696</u> | <u>\$ 66,310</u> |

**Village of Cass City
Notes to Financial Statements
December 31, 2024**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Village of Cass City is governed by an elected seven-member Council. The accompanying financial statements present the government entities for which the Village is considered to be financially accountable.

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 non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS:

The fund financial statements provide information about the Village's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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 required to be accounted for in another fund.

The Major Street Fund accounts for the maintenance and improvement activities for streets designated as "major" within the Village. Funding is primarily through state shared gas and weight taxes.

The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" within the Village. Funding is primarily through state shared gas and weight taxes.

The Village reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Village of Cass City
Notes to Financial Statements
December 31, 2024

Additionally, the Village reports the following:

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements. The Village reports the Water Recreation Fund, Economic Development Corporation Fund, and Downtown Development Authority Fund as its nonmajor special revenue funds.

Internal Service Funds account for major machinery and equipment purchases and maintenance provided to other departments of the Village on a cost reimbursement basis.

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

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

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes, state revenue sharing, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

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 where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the Village's water and sewer function and various other functions of the Village. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Village of Cass City

Notes to Financial Statements

December 31, 2024

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 sewer and water funds and the internal service funds are charges to customers for sales and services. The Village also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Village does not utilize encumbrance accounting.

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

1. A budget is submitted to the Council for the fiscal year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally adopted by the Council resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. During the year, the Village incurred expenditures in a certain budgeted fund, which were in excess of the amounts appropriated, as follows:

| | <u>Final Budget</u> | <u>Actual</u> | <u>Excess</u> |
|--------------|---------------------|---------------|---------------|
| General Fund | | | |
| Debt Service | \$ 3,071 | \$ 4,774 | \$ (1,703) |

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Council.
5. The budget was amended during the year with supplemental appropriations, the last one approved prior to the year ended December 31st. The Village does not consider these amendments to be significant.

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Deposits and Investments

1. Cash and cash equivalents – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Village of Cass City
Notes to Financial Statements
December 31, 2024

2. Investments - In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:
- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
 - b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
 - c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
 - d. The United States government or federal agency obligations repurchase agreements.
 - e. Bankers acceptances of United States banks.
 - f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

3. Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Accounts receivable in the proprietary funds do not have an allowance for uncollectibles. Delinquent amounts are ultimately added to the tax roll and become a lien on the property and as a consequence, no allowance is deemed necessary. No other significant allowances are deemed necessary.

4. Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories and prepaid items of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.
5. Restricted assets – Certain revenue bonds of the Enterprise Funds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted cash. See notes 13, 14, and 15 for details.
6. Capital assets – Capital assets, which include property, plant, right to use – leased equipment (if any), and equipment, are reported (net of accumulated depreciation/amortization, if applicable) in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

Village of Cass City
Notes to Financial Statements
December 31, 2024

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the Village values these capital assets at the estimated acquisition value of the item at the date of its donation.

Land and construction in progress, if any, are not depreciated. Right-to-use assets, if any, are amortized using the straight-line method over the shorter of the lease period or the estimated useful life. Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

| | |
|---------------------------------|----------------|
| Buildings | 10 to 40 years |
| Building improvements | 10 to 40 years |
| Water and sewer lines | 10 to 40 years |
| Vehicles | 5 to 10 years |
| Office equipment | 5 to 10 years |
| Computer equipment | 5 to 10 years |
| Right to use - leased equipment | 5 years |

7. Deferred outflows/inflows of resources

Deferred outflows:

In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Village has no items that qualify for this category.

Deferred inflows:

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has one item that qualifies for this category. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from receipts that are received after 60 days of year end. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available.

8. Net position flow assumption

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

9. Fund balance flow assumptions

Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to reported as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund 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.

10. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of the resources for specific purposes. The Village itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

**Village of Cass City
Notes to Financial Statements
December 31, 2024**

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

Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as committed. The Village may also assign fund balances 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.

11. Leases

Lessee: The Village is a lessee for a noncancelable lease of equipment. The Village recognizes a lease liability and an intangible right-to-us lease asset in the government-wide financial statements.

At the commencement of a lease, the Village initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Village determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Village uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Village generally uses its estimated incremental borrowing rate as the discount rate for leases
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Village is reasonably certain to exercise.

The Village monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

2. Property taxes

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each January 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Village of Cass City
Notes to Financial Statements
December 31, 2024

The 2024 taxable valuation of the Village totaled \$67,223,095, on which ad valorem taxes consisted of 12.3096 mills for operating purposes, 4.9162 mills for street purposes, and .68 mills for promotion purposes. This resulted in \$741,569 for operating expenses, \$293,797 for street expenses, and \$40,632 for promotion expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

3. Compensated absences – It is the Village's policy to permit employees to accumulate a limited amount of earned but unused paid time off (PTO), which will be paid to employees upon use of such time within a designated period. All PTO is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
4. Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year which they are incurred.

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 while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

5. Use of estimates - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.
6. Proprietary funds operating and nonoperating revenues and expenses – Proprietary funds distinguish operating revenues and expenses from nonoperating 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 water and sewer funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 - CASH & INVESTMENTS

As of December 31, 2024, the Village had deposits and investments subject to the following risks:

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village does not have a policy for custodial credit risk. However, the Village strives to reduce its exposure to custodial credit risk when possible. As of year end, \$1,182,207 of the Village's bank balance of \$3,624,655 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$3,566,169 and \$350 for imprest cash on hand.

Custodial credit risk – investments – For an investment, this 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. There were no investments held at year end.

The Village will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Village will do business.

Village of Cass City
Notes to Financial Statements
December 31, 2024

Interest rate risk – In accordance with its investment policy, the Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Village's cash requirements.

Concentration of credit risk – The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security of issuer will be minimized.

Foreign currency risk. The Village is not authorized to invest in investments which have this type of risk.

Fair value measurement - The Village is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

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

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Village's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Village does not have any investments subject to the fair value measurement.

At year end the Village's deposits were reported in the basic financial statements in the following categories:

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| Cash and cash equivalents | \$ 2,002,295 | \$ 1,401,144 | \$ 3,403,439 |
| Restricted cash and cash equivalents (See notes 13, 14 & 15 for details) | <u>-</u> | <u>163,080</u> | <u>163,080</u> |
| Total primary government | <u>\$ 2,002,295</u> | <u>\$ 1,564,224</u> | <u>\$ 3,566,519</u> |

The breakdown between deposits and investments is as follows:

| | Primary Government |
|---|---------------------|
| Bank deposits (checking and savings accounts, money markets and certificates of deposit) | \$ 3,566,169 |
| Petty cash and cash on hand | <u>350</u> |
| | <u>\$ 3,566,519</u> |

Village of Cass City
Notes to Financial Statements
December 31, 2024

NOTE 3 - UNAVAILABLE & UNEARNED REVENUE

Governmental funds and proprietary funds defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, unearned revenues consisted of \$33,368 of rental income, energy credits, and grants received prior to meeting earning requirements.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in governmental funds were as follows:

| | Unavailable |
|--------------------------|-----------------|
| Governmental funds | |
| Miscellaneous receivable | \$ 2,630 |
| | <u>\$ 2,630</u> |

NOTE 4 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

| | Beginning Balance | Additions/ Reclassifications | Deletions/ Reclassifications | Ending Balance |
|--|---------------------|---------------------------------|---------------------------------|---------------------|
| Governmental activities | | | | |
| Assets not being depreciated | | | | |
| Land | \$ 566,354 | \$ 5,000 | \$ - | \$ 571,354 |
| Total assets not being depreciated | <u>566,354</u> | <u>5,000</u> | <u>-</u> | <u>571,354</u> |
| Assets being depreciated/amortized | | | | |
| Land improvements | 836,993 | 32,200 | | 869,193 |
| Infrastructure | 10,424,218 | 205,810 | | 10,630,028 |
| Buildings, additions and improvements | 822,854 | | 79,343 | 743,511 |
| Machinery and equipment | 2,246,671 | 84,686 | 44,130 | 2,287,227 |
| Right to use - machinery and equipment | 20,581 | | | 20,581 |
| Total assets being depreciated/amortized | <u>14,351,317</u> | <u>322,696</u> | <u>123,473</u> | <u>14,550,540</u> |
| Less accumulated depreciation/amortization for | | | | |
| Land improvements | 455,390 | 37,930 | | 493,320 |
| Infrastructure | 8,422,122 | 235,702 | | 8,657,824 |
| Buildings, additions and improvements | 698,120 | 12,986 | 29,696 | 681,410 |
| Machinery and equipment | 1,690,420 | 85,402 | 44,130 | 1,731,692 |
| Right to use - machinery and equipment | 2,058 | 4,116 | | 6,174 |
| Total accumulated depreciation/amortization | <u>11,268,110</u> | <u>376,136</u> | <u>73,826</u> | <u>11,570,420</u> |
| Net assets being depreciated/amortized | <u>3,083,207</u> | <u>(53,440)</u> | <u>49,647</u> | <u>2,980,120</u> |
| Governmental activities capital assets, net | <u>\$ 3,649,561</u> | <u>\$ (48,440)</u> | <u>\$ 49,647</u> | <u>\$ 3,551,474</u> |

Village of Cass City
Notes to Financial Statements
December 31, 2024

| | Beginning Balance | Additions/ Reclassifications | Deletions/ Reclassifications | Ending Balance |
|--|---------------------|---------------------------------|---------------------------------|---------------------|
| Business-type activities | | | | |
| Capital assets not being depreciated | | | | |
| Construction in progress | \$ - | \$ 569,038 | \$ - | \$ 569,038 |
| Total capital assets not being depreciated | - | 569,038 | - | 569,038 |
| Capital assets being depreciated | | | | |
| Buildings, additions and improvements | 3,232,406 | - | - | 3,232,406 |
| Machinery and equipment | 182,084 | - | - | 182,084 |
| Water system | 4,973,450 | 8,150 | - | 4,981,600 |
| Sewer system | 4,586,041 | 11,127 | - | 4,597,168 |
| Total capital assets being depreciated | 12,973,981 | 19,277 | - | 12,993,258 |
| Less accumulated depreciation for | | | | |
| Buildings, additions and improvements | 2,664,701 | 395 | - | 2,665,096 |
| Machinery and equipment | 182,084 | - | - | 182,084 |
| Water system | 1,899,268 | 146,360 | - | 2,045,628 |
| Sewer system | 4,336,649 | 108,448 | - | 4,445,097 |
| Total accumulated depreciation | 9,082,702 | 255,203 | - | 9,337,905 |
| Net capital assets being depreciated | 3,891,279 | (235,926) | - | 3,655,353 |
| Business-type capital assets, net | <u>\$ 3,891,279</u> | <u>\$ 333,112</u> | <u>\$ -</u> | <u>\$ 4,224,391</u> |

Depreciation expense was charged to programs of the primary Village as follows:

| | |
|--|-------------------|
| General government | \$ 60,513 |
| Public safety | 81,834 |
| Public works | 105,272 |
| Community and economic development | 17,721 |
| Recreation and culture | 49,575 |
| Capital assets held by the government's internal service funds | <u>61,221</u> |
| Total governmental activities | <u>376,136</u> |
| Business-type activities | |
| Sewer | 108,843 |
| Water | <u>146,360</u> |
| Total business-type activities | <u>255,203</u> |
| Total primary government | <u>\$ 631,339</u> |

Village of Cass City
Notes to Financial Statements
December 31, 2024

NOTE 5 - INTERFUND PAYABLES AND RECEIVABLES

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

| <u>Fund</u> | <u>Interfund Payable</u> | <u>Interfund Receivable</u> |
|-------------------|--------------------------|-----------------------------|
| Proprietary Funds | | |
| Water | | \$ 600 |
| Sewer | \$ 600 | |
| Total | <u>\$ 600</u> | <u>\$ 600</u> |

NOTE 6 - TRANSFERS

Transfers are used to move unrestricted general fund revenues to finance various programs that the Village must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

During the year ended December 31, 2024, the DDA Fund received transfers from General Fund in the amount of \$18,000 to subsidize operations.

NOTE 7 - LONG-TERM DEBT

The Village issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund, Sewer Fund and Water Fund.

| | Revenue Bonds and notes from direct borrowings and direct placements | Compensated absences | Total |
|---|---|-------------------------|---------------------|
| <u>GOVERNMENTAL ACTIVITIES:</u> | | | |
| Balance January 1, 2024 | \$ 143,088 | \$ 6,673 | \$ 149,761 |
| Additions | 62,000 | 11,252 | 73,252 |
| Deletions | (39,757) | - | (39,757) |
| Balance December 31, 2024 | 165,331 | 17,925 | 183,256 |
| Due within one year | 15,408 | 17,925 | 33,333 |
| Due in more than one year | <u>\$ 149,923</u> | <u>\$ -</u> | <u>\$ 149,923</u> |
| <u>BUSINESS-TYPE ACTIVITIES:</u> | | | |
| Balance January 1, 2024 | \$ 2,283,000 | \$ - | \$ 2,283,000 |
| Additions | 90,000 | 9,001 | 99,001 |
| Deletions | (159,869) | - | (159,869) |
| Balance December 31, 2024 | 2,213,131 | 9,001 | 2,222,132 |
| Due within one year | 88,000 | 9,001 | 97,001 |
| Due in more than one year | <u>\$ 2,125,131</u> | <u>\$ -</u> | <u>\$ 2,125,131</u> |

Village of Cass City
Notes to Financial Statements
December 31, 2024

Significant details regarding outstanding long-term debt (including current portion) are presented below:

GOVERNMENTAL ACTIVITIES:

Notes from direct borrowings and direct placements:

| | |
|---|--------------------------|
| Bank loan dated June 5, 2024 (secured by properties) for the payoff of land contracts on buildings. Due in monthly installments of \$524 through June 5, 2039, interest at 5.95%. | \$ 60,713 |
| Bank loan dated January 13, 2023, for the payoff of Hillaker/Doerr property. Due in monthly installments of \$1,125 through December 13, 2032, interest at 5.5% | 88,876 |
| Office equipment lease due in monthly installments of \$395 due through October 2, 2028 with an implied interest rate of 8.25% | <u>15,742</u> |
| Total notes from direct borrowings and direct placements | 165,331 |
| Compensated absences | <u>17,925</u> |
| Total governmental activities long-term obligations | <u><u>\$ 183,256</u></u> |

BUSINESS-TYPE ACTIVITIES

Revenue bonds:

| | |
|--|----------------------------|
| USDA Water Supply System Revenue Bond, Series 2020 (secured by revenue stream of the system) due in annual installments of \$ 0 to \$43,000 through October 1, 2058, interest at 1.75%. | \$ 1,073,131 |
| Water Supply System Revenue Refunding Bonds, Series 2021 (secured by revenue stream of the system) due in annual installments of \$16,000 to \$94,500 through April 1, 2039, interest at 2.5%. | <u>1,140,000</u> |
| Total business-type activity revenue bonds | 2,213,131 |
| Compensated absences | <u>9,001</u> |
| Total business-type activities long-term obligations | <u><u>\$ 2,222,132</u></u> |

The business-type activities USDA Revenue bond and Revenue Refunding bond are secured by specific revenue streams. All other debt is secured by the full faith and credit of the Village. All outstanding debt of the Village is direct borrowing or direct placement debt.

The Village's outstanding notes from direct borrowings and direct placements related to governmental activities of \$165,331 and business-type activities of \$2,213,131 contains provisions that in the event of default, (1) unable to make principle or interest payments (2) false misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including interest may become immediately due and payable.

Village of Cass City
Notes to Financial Statements
December 31, 2024

Annual debt service requirements to maturity for the above obligations are as follows:

| YEAR ENDING DECEMBER 31, | GOVERNMENTAL ACTIVITIES | | BUSINESS-TYPE ACTIVITIES | | |
|-----------------------------|--|-----------|-----------------------------|------------|--------------|
| | NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS | | REVENUE BONDS | | |
| | Principal | Interest | Principal | Interest | Total |
| | | | | | |
| 2025 | \$ 15,408 | \$ 9,127 | \$ 88,000 | \$ 46,469 | \$ 159,004 |
| 2026 | 16,420 | 8,167 | 89,000 | 44,441 | 158,028 |
| 2027 | 17,664 | 7,132 | 89,000 | 42,396 | 156,192 |
| 2028 | 17,445 | 6,523 | 94,000 | 40,288 | 158,256 |
| 2029 | 14,546 | 5,570 | 95,000 | 38,118 | 153,234 |
| 2030-2034 | 58,518 | 24,865 | 506,000 | 156,596 | 745,979 |
| 2035-2039 | 25,330 | 23,150 | 573,000 | 94,560 | 716,040 |
| 2040-2044 | - | - | 156,000 | 54,057 | 210,057 |
| 2045-2049 | - | - | 170,000 | 39,934 | 209,934 |
| 2050-2054 | - | - | 185,000 | 24,534 | 209,534 |
| 2055-2059 | - | - | 168,131 | 7,769 | 175,900 |
| | 165,331 | 84,534 | 2,213,131 | 589,162 | 3,052,158 |
| Compensated absences | 17,925 | - | 9,001 | - | 26,926 |
| | \$ 183,256 | \$ 84,534 | \$ 2,222,132 | \$ 589,162 | \$ 3,079,084 |

NOTE 8 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in 2024 or any of the past three fiscal years.

There are claims and legal actions pending against the Village which are either partially or fully covered by insurance. The Village is defending against these actions. In the opinion of Village management, the ultimate amount of loss, if any, resulting from these claims and legal actions is not determinable at the time of the release of the Village's financial statements.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

PLAN DESCRIPTION:

The Village has instituted a defined contribution pension plan covering all full-time Village of Cass City employees who choose to belong to the plan. It is administered by Michigan Employees' Retirement System (MERS). The plan has been adopted under the provisions of 401(a) of the Internal Revenue Code.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and forfeitures of other participants benefits that may be allocated to such participant's account. The plan allows the employer to contribute up to 10% of the participating employee's gross wages, with tiered vesting. In addition, plan members can contribute up to 4% of their annual wages to the plan. During the most recent plan year, the Village's required and actual contribution is equal to an amount of each employee's annual salary to the plan. During the year ended December 31, 2024, the Village contributed \$112,373 to the plan and plan members also contributed \$44,942. Pension expense for the fiscal year ended December 31, 2024 was \$112,373.

**Village of Cass City
Notes to Financial Statements
December 31, 2024**

NOTE 10 - DEFERRED COMPENSATION PLAN

The Village Council offers all Village of Cass City employees a deferred compensation plan created in accordance with the Internal Revenue Code, 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 for 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 32, plan balances and activities are not reflected in Village of Cass City's financial statements.

NOTE 11 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information About the Plan

Plan administration. The Village of Cass City administers a single-employer defined benefit healthcare plan (the "Plan"). The Plan provides health insurance benefits to one retiree, which is funded on the pay-as-you-go basis. In accordance with Village policy, the eligible retiree receives healthcare benefits through premium coverage.

Plan membership. At December 31, 2024, Plan membership consisted of the following:

| | |
|--|-----------------|
| Inactive plan members currently receiving benefit payments | 1 |
| Active plan members | <u>0</u> |
| Total membership | <u><u>1</u></u> |

Benefits provided. The Village Council has the authority to establish or amend benefit terms, to determine the types of benefits provided through the Plan, and to determine the classes of plan members covered. The Village closed the plan to new entrants, but provides health insurance benefits for one eligible retiree. The benefit terms provide for payment of 100% of health insurance premiums.

Contributions. The contribution requirements of Plan members and the Village are established and may be amended by the Village Council. The required contribution is based on projected pay-as-you-go financing requirements. The total contributions paid for 2024 were \$3,654.

Assumptions. The total OPEB liability was determined by a valuation using the alternative measurement method as of December 31, 2024, using the following assumptions (which were determined by management utilizing the best information available), applied to all periods included in the measurement, unless otherwise specified:

Inflation rate – Implicit in premium

Salary increases – Not applicable because of no active plan members

Investment rate of return – Not applicable because plan is not pre-funded

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections by the Village's management. An initial rate decrease of 6.0 percent was used for 2018, and no material change anticipated each year following.

Retirement age for active employees – Not applicable because of no active plan members

Marital status – Not applicable because of no benefits provided to spouse.

Mortality – Life expectancies were based on mortality tables from the Social Security Administration (SSA). The 2021 SSA Actuarial Life Table for males was used.

Health insurance premiums – The 2024 health insurance premium for the retiree was used as the basis for calculation of the present value of total benefits to be paid.

Village of Cass City
Notes to Financial Statements
December 31, 2024

Probability of accepting benefits – Based on the historical participation rate, a probability rate of accepting benefits of 100% was utilized.

Discount Rate. The discount rate used to measure the total OPEB liability was 4.28%. Because the Plan does not have a dedicated OPEB trust, there are no assets projected to be sufficient to make projected future benefit payments of current plan members. Projected benefits were discounted at a discount rate reflecting a 20 year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability.

Changes in the Total OPEB Liability

The components of the change in the total OPEB liability are summarized as following:

| | |
|------------------------------|------------------|
| Balance at December 31, 2023 | \$ 10,530 |
| Changes for the year: | |
| Service cost and interest | (30) |
| Net change | (30) |
| Balance at December 31, 2024 | <u>\$ 10,500</u> |

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Village, calculated using the discount rate of 4.28%, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.28%) or 1% higher (5.28%) than the current rate:

| 1% Decrease (3.28%) | Current Discount Rate (4.28%) | 1% Increase (5.28%) |
|------------------------|-------------------------------------|------------------------|
| <u>\$ 10,605</u> | <u>\$ 10,500</u> | <u>\$ 10,395</u> |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Village, calculated using the healthcare cost trend rate of a 0% decrease for 2024, as well as what the Village's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

| 1% Decrease | Current Healthcare Cost Trend Rate (0% change) | 1% Increase |
|------------------|---|------------------|
| <u>\$ 10,395</u> | <u>\$ 10,500</u> | <u>\$ 10,605</u> |

OPEB Expense and Payable to Plan

For the year ended December 31, 2024, the Village recognized a decrease in OPEB expense of \$30. At December 31, 2024, the Village had no amounts payable for contributions to the Plan.

Village of Cass City
Notes to Financial Statements
December 31, 2024

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the Village believes such amounts, if any, would be immaterial.

In 2023, the Village entered into a contractual agreement for professional services related to a wastewater treatment plant project, on an hourly basis not to exceed \$1,650,000. As of December 31, 2024 approximately \$569,038 of design costs have been capitalized as construction in progress in the financial statements on this agreement.

NOTE 13 - USDA RESERVE FOR REPAIR, REPLACEMENTS AND IMPROVEMENT (RRI)

The 2020 agreement covering the bond payable to USDA Rural Development requires that the Village accumulate at a rate of not less than \$12,560 annually to a reserve account for the life of the loan. The following summarizes the transactions in the reserve for RRI for the year ended December 31:

| | <u>2024</u> <u>2020 Series</u> | <u>2023</u> <u>2020 Series</u> |
|-------------------|-----------------------------------|-----------------------------------|
| Beginning Balance | \$ 37,680 | \$ 25,120 |
| Additions | 12,560 | 12,560 |
| Ending Balance | <u>\$ 50,240</u> | <u>\$ 37,680</u> |

At December 31, 2024 and 2023, the reserve for RRI was in compliance with the minimum balance as set forth by Rural Development.

NOTE 14 – USDA RESERVE FOR BOND

The 2020 agreement covering the bond payable to USDA Rural Development requires that the Village accumulate at a rate of not less than \$4,585 annually to a reserve account until the account reaches the sum of \$45,850. The following summarizes the transactions in the reserve for bond for the year ended December 31:

| | <u>2024</u> <u>2020 Series</u> | <u>2023</u> <u>2020 Series</u> |
|-------------------|-----------------------------------|-----------------------------------|
| Beginning Balance | \$ 13,755 | \$ 9,170 |
| Additions | 4,585 | 4,585 |
| Ending Balance | <u>\$ 18,340</u> | <u>\$ 13,755</u> |

At December 31, 2024 and 2023, the reserve for bond was in compliance with the minimum balance as set forth by Rural Development.

NOTE 15 – FIRST MERCHANT BANK BOND RESERVE

As stated in the bond agreement, the Village utilized \$94,500 of the total released from the 2006 Bond Reserve account to establish the 2021 Bond Reserve Account. The balance of the 2021 Bond Reserve was \$94,500 at December 31, 2024 and December 31, 2023.

**Village of Cass City
Notes to Financial Statements
December 31, 2024**

NOTE 16 – TAX ABATEMENTS

INDUSTRIAL FACILITIES EXEMPTION

Municipalities within the Village's boundaries entered into property tax abatement agreements with local business under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. An Industrial Facilities Tax Exemption (IFT) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term for 1-12 years as determined by the local unit of government. The IFT on new plant and new industrial property is computed at 50% of the taxes levied. The municipalities can elect to freeze the taxable values for rehabilitation properties.

For the year ended December 31, 2024, the Village's property tax revenue for general operations were reduced by \$18,919 under this program.

NOTE 17 – NEW ACCOUNTING STANDARDS

For the year ended December 31, 2024, the Village implemented the following new pronouncements: GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* and GASB Statement No. 101, *Compensated Absences*.

Summary:

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. There was no material impact on the Village's financial statements after the adoption of GASB Statement No. 101.

NOTE 18 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Village is currently evaluating the impact this standard will have on the financial statements when adopted for the Village's 2025 year end.

Village of Cass City
Notes to Financial Statements
December 31, 2024

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

- Management's discussion and analysis (MD&A);
 - Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - iStresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- Unusual or infrequent items;
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026 fiscal year.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026 fiscal year.

NOTE 19 – SUBSEQUENT EVENT:

Subsequent to year end, the Village approved the low bid from a company for the construction of the Waste Water Treatment Plant Improvement Project of approximately \$14,014,500. The bid award is subject to the approval and availability of funds and completion of necessary arrangements with USDA Rural Development for a grant/loan combination of approximately \$15.9 million to finance the construction project.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF CASS CITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2024

| | Budgeted Amounts | | | Variance with |
|---|--------------------|---------------------|-------------------|------------------|
| | Original | Final | Actual | Final Budget |
| Revenues | | | | |
| Taxes | | | | |
| Property taxes | \$ 746,486 | \$ 776,835 | \$ 775,629 | \$ (1,206) |
| Penalties and interest | 150 | 150 | 90 | (60) |
| Administration fee | 10,586 | 10,941 | 10,940 | (1) |
| State revenue sharing and other state revenue | 377,554 | 378,072 | 330,122 | (47,950) |
| State grants | 200,985 | 190,560 | 186,121 | (4,439) |
| Local contributions | 81,750 | 81,750 | 68,082 | (13,668) |
| Charges for services | 285,809 | 295,950 | 272,206 | (23,744) |
| Fines and forfeitures | 5,000 | 6,425 | 5,211 | (1,214) |
| Interest income | 18,000 | 18,000 | 11,117 | (6,883) |
| Administration fee revenue | 210,864 | 215,705 | 203,664 | (12,041) |
| Other revenue | - | - | 12,284 | 12,284 |
| Total revenues | <u>1,937,184</u> | <u>1,974,388</u> | <u>1,875,466</u> | <u>(98,922)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | | | | |
| Village council | 7,700 | 6,700 | 3,622 | 3,078 |
| Manager | 168,561 | 168,561 | 161,409 | 7,152 |
| Clerk | 218,499 | 196,499 | 175,590 | 20,909 |
| Audit | 21,115 | 21,115 | 19,317 | 1,798 |
| Fiscal services | 129,819 | 156,168 | 147,320 | 8,848 |
| Elections | 103 | 103 | - | 103 |
| Buildings and grounds | <u>38,254</u> | <u>38,254</u> | <u>29,566</u> | <u>8,688</u> |
| Total general government | <u>584,051</u> | <u>587,400</u> | <u>536,824</u> | <u>50,576</u> |
| Public safety | | | | |
| Police | <u>693,152</u> | <u>732,952</u> | <u>725,983</u> | <u>6,969</u> |
| Total public safety | <u>693,152</u> | <u>732,952</u> | <u>725,983</u> | <u>6,969</u> |
| Public works | | | | |
| Department of public works | <u>195,170</u> | <u>209,478</u> | <u>185,344</u> | <u>24,134</u> |
| Total public works | <u>195,170</u> | <u>209,478</u> | <u>185,344</u> | <u>24,134</u> |
| Community and economic development | | | | |
| Zoning | <u>61,703</u> | <u>66,103</u> | <u>59,929</u> | <u>6,174</u> |
| Total community and economic development | <u>61,703</u> | <u>66,103</u> | <u>59,929</u> | <u>6,174</u> |
| Recreation and culture | | | | |
| Parks and recreation | <u>484,608</u> | <u>496,458</u> | <u>439,300</u> | <u>57,158</u> |
| Total recreation and culture | <u>484,608</u> | <u>496,458</u> | <u>439,300</u> | <u>57,158</u> |
| Debt service | | | | |
| Principal retirement | - | 3,071 | 3,292 | (221) |
| Interest and fiscal charges | - | - | 1,482 | (1,482) |
| Total debt service | <u>-</u> | <u>3,071</u> | <u>4,774</u> | <u>(1,703)</u> |
| Total expenditures | <u>2,018,684</u> | <u>2,095,462</u> | <u>1,952,154</u> | <u>143,308</u> |
| Excess of revenues over (under) expenditures | <u>(81,500)</u> | <u>(121,074)</u> | <u>(76,688)</u> | <u>44,386</u> |
| Other financing sources (uses) | | | | |
| Transfers out | (13,500) | (18,000) | (18,000) | - |
| Sale of fixed assets | - | 7,340 | 7,340 | - |
| Total other financing sources (uses) | <u>(13,500)</u> | <u>(10,660)</u> | <u>(10,660)</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (95,000)</u> | <u>\$ (131,734)</u> | <u>(87,348)</u> | <u>\$ 44,386</u> |
| Fund balance - beginning of year | | | <u>675,634</u> | |
| Fund balance - end of year | | | <u>\$ 588,286</u> | |

VILLAGE OF CASS CITY
Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
Year Ended December 31, 2024

| | Budgeted Amounts | | | Variance with |
|--|------------------|-----------|------------|---------------|
| | Original | Final | Actual | Final Budget |
| Revenues | | | | |
| Taxes | \$ 29,698 | \$ 30,511 | \$ 29,737 | \$ (774) |
| Other state grants | 387,568 | 387,568 | 389,080 | 1,512 |
| Interest income | 7,000 | 10,000 | 13,691 | 3,691 |
| Other revenue | 6,700 | 6,700 | - | (6,700) |
| | | | | |
| Total revenues | 430,966 | 434,779 | 432,508 | (2,271) |
| Expenditures | | | | |
| Current | | | | |
| Public works | 547,966 | 551,779 | 312,477 | 239,302 |
| | | | | |
| Total expenditures | 547,966 | 551,779 | 312,477 | 239,302 |
| Other financing sources (uses) | | | | |
| Transfers in | 117,000 | 117,000 | - | (117,000) |
| | | | | |
| Total other financing sources and uses | 117,000 | 117,000 | - | (117,000) |
| | | | | |
| Net change in fund balances | \$ - | \$ - | 120,031 | \$ 120,031 |
| | | | | |
| Fund balance - beginning of year | | | 339,387 | |
| | | | | |
| Fund balance - end of year | | | \$ 459,418 | |

VILLAGE OF CASS CITY
Required Supplementary Information
Budgetary Comparison Schedule
Local Street Fund
Year Ended December 31, 2024

| | <u>Budgeted Amounts</u> | | | <u>Variance with</u> |
|----------------------------------|-------------------------|--------------------|-------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Final Budget</u> |
| Revenues | | | | |
| Taxes | \$ 259,954 | \$ 268,986 | \$ 261,589 | \$ (7,397) |
| Other state grants | 222,623 | 226,247 | 224,589 | (1,658) |
| Interest income | 10,000 | 12,500 | 19,761 | 7,261 |
| Other revenue | <u>2,621</u> | <u>2,621</u> | <u>1,760</u> | <u>(861)</u> |
| Total revenues | <u>495,198</u> | <u>510,354</u> | <u>507,699</u> | <u>(2,655)</u> |
| Expenditures | | | | |
| Current | | | | |
| Public works | <u>503,823</u> | <u>520,354</u> | <u>436,096</u> | <u>84,258</u> |
| Total expenditures | <u>503,823</u> | <u>520,354</u> | <u>436,096</u> | <u>84,258</u> |
| Net change in fund balances | <u>\$ (8,625)</u> | <u>\$ (10,000)</u> | 71,603 | <u>\$ 81,603</u> |
| Fund balance - beginning of year | | | <u>497,542</u> | |
| Fund balance - end of year | | | <u>\$ 569,145</u> | |

VILLAGE OF CASS CITY
Required Supplementary Information
Other Post Employment Benefits
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Last Seven Years (Determined as of the Year Ended December 31)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB liability | | | | | | | |
| Service cost and interest | \$ (30) | \$ (618) | \$ (28,015) | \$ 477 | \$ 3,306 | \$ (7,388) | \$ (3,659) |
| Net change in total OPEB liability | (30) | (618) | (28,015) | 477 | 3,306 | (7,388) | (3,659) |
| Total OPEB liability, beginning of year | 10,530 | 11,148 | 39,163 | 38,686 | 35,380 | 42,768 | 46,427 |
| Total OPEB liability, end of year | <u>\$ 10,500</u> | <u>\$ 10,530</u> | <u>\$ 11,148</u> | <u>\$ 39,163</u> | <u>\$ 38,686</u> | <u>\$ 35,380</u> | <u>\$ 42,768</u> |
| Plan fiduciary net position | | | | | | | |
| Contributions-employer | \$ 3,654 | \$ 3,654 | \$ 3,881 | \$ 10,127 | \$ 9,956 | \$ 9,289 | \$ 9,199 |
| Benefit payments | (3,654) | (3,654) | (3,881) | (10,127) | (9,956) | (9,289) | (9,199) |
| Net change in plan fiduciary net position | - | - | - | - | - | - | - |
| Plan fiduciary net position beginning | - | - | - | - | - | - | - |
| Plan fiduciary net position ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Village net OPEB (asset) / liability | <u>\$ 10,500</u> | <u>\$ 10,530</u> | <u>\$ 11,148</u> | <u>\$ 39,163</u> | <u>\$ 38,686</u> | <u>\$ 35,380</u> | <u>\$ 42,768</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Covered payroll | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | (No active members.) | (No active members.) | (No active members.) | (No active members.) | (No active members.) | (No active members.) | (No active members.) |
| Village's OPEB liability as a percentage of covered payroll | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| | (No active members.) | (No active members.) | (No active members.) | (No active members.) | (No active members.) | (No active members.) | (No active members.) |

GASB Statement No. 75 was implemented in fiscal year 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

VILLAGE OF CASS CITY
Required Supplementary Information
Other Post Employment Benefits
Schedule of Employer Contributions
For the Last Seven Years (Determined as of the Year Ended December 31)

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Actuarial Determined Contributions | \$ 3,654 | \$ 3,654 | \$ 3,881 | \$ 10,127 | \$ 9,956 | \$ 9,289 | \$ 9,199 |
| Contributions in relation to the actuarially determined contributions | <u>3,654</u> | <u>3,654</u> | <u>3,881</u> | <u>10,127</u> | <u>9,956</u> | <u>9,289</u> | <u>9,199</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ - (No active members.) | \$ - (No active members.) | \$ - (No active members.) | \$ - (No active members.) | \$ - (No active members.) | \$ - (No active members.) | \$ - (No active members.) |
| Contributions as a percentage of covered employee payroll | 0% (No active members.) | 0% (No active members.) | 0% (No active members.) | 0% (No active members.) | 0% (No active members.) | 0% (No active members.) | 0% (No active members.) |

Notes to Schedule of Contributions

Contributions relate to contributions made by the Village.

GASB Statement No. 75 was implemented in fiscal year 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such data is available.

ADDITIONAL SUPPLEMENTARY INFORMATION

VILLAGE OF CASS CITY
Additional Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2024

| | <u>Special Revenue Funds</u> | | | Total |
|-------------------------------------|------------------------------|---|---|--|
| | <u>Water Recreation</u> | <u>Economic Development Corporation</u> | <u>Downtown Development Authority</u> | <u>Nonmajor Governmental Funds</u> |
| Assets | | | | |
| Cash and cash equivalents | \$ 1,346 | \$ 7,149 | \$ 48,187 | \$ 56,682 |
| Receivables | | | | |
| Customers | - | - | 176 | 176 |
| Accrued interest and other | - | 31 | 206 | 237 |
| Total assets | <u>\$ 1,346</u> | <u>\$ 7,180</u> | <u>\$ 48,569</u> | <u>\$ 57,095</u> |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ 1,515 | \$ 1,515 |
| Accrued and other liabilities | - | - | 285 | 285 |
| Unearned revenue | - | - | 17,000 | 17,000 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>18,800</u> | <u>18,800</u> |
| Fund balances | | | | |
| Restricted for: | | | | |
| Water recreation | 1,346 | - | - | 1,346 |
| DDA captured taxes | - | - | 29,769 | 29,769 |
| Assigned to: | | | | |
| EDC | - | 7,180 | - | 7,180 |
| Total fund balances | <u>1,346</u> | <u>7,180</u> | <u>29,769</u> | <u>38,295</u> |
| Total liabilities and fund balances | <u>\$ 1,346</u> | <u>\$ 7,180</u> | <u>\$ 48,569</u> | <u>\$ 57,095</u> |

VILLAGE OF CASS CITY
Additional Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2024

| | Special Revenue Funds | | | Total Nonmajor Governmental Funds |
|---|-----------------------|--|--------------------------------------|--|
| | Water Recreation | Economic Development Corporation | Downtown Development Authority | |
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ 41,319 | \$ 41,319 |
| Other state grants | - | - | 18,000 | 18,000 |
| Interest income | - | 362 | 1,542 | 1,904 |
| Total revenues | - | 362 | 60,861 | 61,223 |
| Expenditures | | | | |
| Current | | | | |
| Community and economic development | - | 5,000 | 92,283 | 97,283 |
| Recreation and culture | 500 | - | - | 500 |
| Debt service | | | | |
| Principal retirement | - | 8,601 | 27,864 | 36,465 |
| Interest and fiscal charges | - | 4,901 | 2,481 | 7,382 |
| Total expenditures | 500 | 18,502 | 122,628 | 141,630 |
| Excess (deficiency) of revenues over expenditures | (500) | (18,140) | (61,767) | (80,407) |
| Other financing sources (uses) | | | | |
| Transfers in | - | 18,000 | - | 18,000 |
| Issuance of debt | - | - | 62,000 | 62,000 |
| Total other financing sources and uses | - | 18,000 | 62,000 | 80,000 |
| Net change in fund balance | (500) | (140) | 233 | (407) |
| Fund balance - beginning of year | 1,846 | 7,320 | 29,536 | 38,702 |
| Fund balance - end of year | <u>\$ 1,346</u> | <u>\$ 7,180</u> | <u>\$ 29,769</u> | <u>\$ 38,295</u> |



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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Jamie L. Peasley, CPA
Angela M. Burnette, CPA
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Thomas B. Doran, CPA
Chelsie M. Peruski, CPA
Kendra K. Bednarski, CPA

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

Management and Village Council
Village of Cass City
Cass City, MI 48726

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Cass City, State of Michigan, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Village of Cass City, State of Michigan's, basic financial statements, and have issued our report thereon dated June 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village of Cass City, State of Michigan'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 Village of Cass City, State of Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Cass City, State of Michigan's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

June 10, 2025



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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Management and the Village Council
Village of Cass City
6506 Main Street
Cass City, MI 48726

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Cass City for the year ended December 31, 2024. 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. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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 Cass City are described in Note 1 of the financial statements. As described in Note 17 to the financial statements, the Village adopted Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections an amendment of GASB Statement No. 62* and Statement No. 101, *Compensated Absences*, during the year ended December 31, 2024. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by the Village during the year where there is 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 of Cass City's financial statements were:

Management's estimate in calculating the current and noncurrent liability of the payout of employee compensated absences upon their retirement is based on current hourly rates and policies regarding payment of paid time off (PTO) banks. We evaluated the methods, assumptions, and data used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of depreciation expense is based on an estimate of the useful lives of capital assets. We evaluated the methods, assumptions, and data used by management to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the total other postemployment benefit liability is based on an actuarial study which utilized certain actuarial assumptions. We evaluated the methods, assumptions, and data used by management to develop the total other postemployment benefits in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

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

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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. We proposed adjustments that we consider to be significant and have communicated this to management.

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 auditors' 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 June 10, 2025.

Management's 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 Village'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 Village'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 required supplementary information (RSI) which are required and supplement 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, other knowledge we obtained during the 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 additional supplementary information, which accompany the financial statements but are not RSI. With respect to this additional supplementary information accompanying the financial statements, 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.

Village of Cass City
Page three

Restriction on Use

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

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants
Caro, Michigan

June 10, 2025



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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Kendra K. Bednarski, CPA

Management and the Village Council
Village of Cass City
6506 Main St
Cass City, MI 48726-0123

In planning and performing our audit of the financial statements of Village of Cass City as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Cass City's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated June 10, 2025 on the financial statements of Village of Cass City. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized below:

Bank Reconciliations

We noted during the course of the audit that bank reconciliations were not always prepared on a timely basis. Bank reconciliations are considered an important internal control procedure and should be given a high priority. Reconciliation discrepancies should be investigated and resolved in a timely manner to avoid compounding the problem and difficulty tracking the source of the issue. We recommend that bank reconciliations be completed and agreed to the general ledger within thirty days of month end.

This communication is intended solely for the use of the Village Council and management of Village of Cass City and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants
Caro, Michigan

June 10, 2025