Village of Cass City
Cass City, Michigan

Report on Financial Statements
(with required supplementary and additional supplementary information)
Year Ended December 31, 2025

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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, 2025, 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 2, 2026, 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 2, 2026

Village of Cass City
Management's Discussion and Analysis
Year Ended December 31, 2025

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, 2025. 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 $9,806,190 (net position). Of this amount $3,382,029 (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 $681,926.

Fund Level Activity

- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of $1,888,647, increasing $233,503 from the previous year.

In 2025, 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 2025 millage rates from 2024 rates, due to the Headlee Amendment Reduction in the General Operating Millage from 12.3096 mills to 12.2246 mills, a decrease of 0.0850 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 for the first time included in the capital budget Street Forestry Management.

The 2025 Capital Improvement Plan and budget included: 1) $6,000 for marketing (reimbursed through the MEDC RRC Program); 2) $50,000 for sidewalk repair; 3) $30,000 for the Street Forestry Management Program; 4) $68,000 for sewer lining and controls for the south lift station; 5) $15,000 for hydrant replacement; 6) $58,000 for the ARTP Treatment Plant media filter savings and roof replacement on Well #3; and 7) $80,000 for the purchase of a tool truck for DPW.

The 2025 Capital Improvement Plan and budget did not include: Municipal Building projects, and pool or parks capital investment.

Major and Local Street Repair was conducted in 2025. The Village levied a 4.8822 millage for these street projects, resulting in local tax revenues of $301,788 in 2025, in addition to the Act 51 State funding of $424,986.

In 2025, the Village Council approved a change to the allowance for the Village President and Trustees. The allowance was changed to reimburse council members per meeting attended on a quarterly basis instead of the annual stipend previously paid in December.

The Village sold two parcels of property in the Industrial Park in 2025. The Village sold 2 acres for $17,505 to be used for a wastewater dewatering station; and 2.2 acres for $19,372 to be used for storage units. Land sale proceeds were applied to the Village loan to purchase additional property in the industrial park.

Governmental Resources

As detailed in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2025.

The total net position related to the Village's governmental activities is $5,601,782 (see Table 1). The unrestricted portion of net position is $857,383.

Tax revenues, the Village's largest revenue source, increased by approximately $66,200 from 2024. 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 $5,019 in 2025. With a decrease of $3,278 in Local Community Stabilization Board funding from 2024 levels, this decrease was unexpected, as funding levels vary over multiple years.

Strategic Planning Highlights:

The Strategic Planning Goals for 2025 were: 1) Master Plan Update; 2) Street Forestry Management Program; 3) Housing Development Grant Study; and 4) Infrastructure Overview. The Village was awarded a 15-month Fellow through the Community Economic Development Association of Michigan (CEDAM) who assisted staff with public engagement and the revision to our Master Plan. McKenna completed the last plan and was hired to update the plan format. The Master Plan update was started in 2025 and will appear on the June 2026 agenda for final approval after the comment period ends for interested parties. The Street Forestry Program started with a DNR grant to prepare a tree inventory for the Village. The contractor also prepared an action plan. The Village budgeted $30,000 for the new Street Forestry Management Program which allowed for the study, tree removal, and tree planting. Research was completed by the CEDAM Fellow concerning the demographics for housing in the Village and incorporated into the Master Plan update; however, the Village did not prepare an independent housing study. Staff worked with our contracted engineer to update our Transportation Asset Management Plan and related infrastructure overview.

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.

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 non-major 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.

TABLE 1

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:

	Governmental Activities 2025	Governmental Activities 2024	Business-type Activities 2025	Business-type Activities 2024	Total 2025	Total 2024
Assets						
Other	$ 2,249,158	$ 2,159,484	$ 2,654,583	$ 1,908,152	$ 4,903,741	$ 4,067,636
Capital	3,593,781	3,551,474	5,629,975	4,224,391	9,223,756	7,775,865
Total current assets	5,842,939	5,710,958	8,284,558	6,132,543	14,127,497	11,843,501
Liabilities						
Other	81,291	99,333	1,345,994	204,017	1,427,285	303,350
Long-term	159,866	193,756	2,734,156	2,222,132	2,894,022	2,415,888
Total liabilities	241,157	293,089	4,080,150	2,426,149	4,321,307	2,719,238
Net Position						
Invested in capital assets, net of related debt	3,476,905	3,386,143	1,511,285	2,011,260	4,988,190	5,397,403
Restricted for USDA bond reserve	-	-	22,925	18,340	22,925	18,340
Restricted for bond reserve	-	-	94,500	94,500	94,500	94,500
Restricted streets and highways	1,191,995	1,028,563	-	-	1,191,995	1,028,563
Restricted for special levied taxes	14,421	15,040	-	-	14,421	15,040
Restricted for DDA captured taxes	43,444	29,769	-	-	43,444	29,769
Restricted for Water Recreation	1,356	1,346	-	-	1,356	1,346
Restricted for USDA repair replacement and improvement	-	-	62,800	50,240	62,800	50,240
Restricted for Dog Park	4,530	6,746	-	-	4,530	6,746
Restricted for Park Improvements	11,148	-	-	-	11,148	-
Restricted for School Resource Officer	600	-	-	-	600	-
Unrestricted	857,383	950,263	2,512,898	1,532,054	3,370,281	2,482,317
Total net position	$ 5,601,782	$ 5,417,870	$ 4,204,408	$ 3,706,394	$ 9,806,190	$ 9,124,264

Village of Cass City's net position of governmental activities are $5,601,782 and $4,204,408 for business type activities; of these amounts $857,383 (governmental) and $2,512,898 (business–type) are unrestricted assets.

TABLE 2

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

	Governmental Activities 2025	Governmental Activities 2024	Business-type Activities 2025	Business-type Activities 2024	Total 2025	Total 2024
Revenue						
Program revenue						
Charges for services	$ 287,951	$ 277,417	$ 1,930,068	$ 1,593,070	$ 2,218,019	$ 1,870,487
Operating grants and contributions	697,680	683,946	19,947	196,288	717,627	880,234
Capital grants and contributions	9,250	18,000	-	-	9,250	18,000
General revenue:						
Property taxes	1,185,309	1,119,054	-	-	1,185,309	1,119,054
State sources	505,332	514,048	-	-	505,332	514,048
Interest	66,204	66,214	71,631	59,654	137,835	125,868
Sale of Fixed Assets	41,198				41,198	-
Franchise fees and other revenue	217,737	188,401	56,484	54,183	274,221	242,584
Total revenue	3,010,661	2,867,080	2,078,130	1,903,195	5,088,791	4,770,275
Program expenses						
General government/legislative	612,855	605,990	-	-	612,855	605,990
Public safety	755,525	805,870	-	-	755,525	805,870
Public works	902,836	796,031	-	-	902,836	796,031
Recreation and culture	441,747	481,756	-	-	441,747	481,756
Interest on long-term debt	8,715	8,864	-	-	8,715	8,864
Water and sewer	-	-	1,580,116	1,576,229	1,580,116	1,576,229
Other	105,071	174,736	-	-	105,071	174,736
Total program expenses	2,826,749	2,873,247	1,580,116	1,576,229	4,406,865	4,449,476
Change in net position	183,912	(6,167)	498,014	326,966	681,926	320,799
Net position - beginning of year	5,417,870	5,424,037	3,706,394	3,379,428	9,124,264	8,803,465
Net position - end of year	$ 5,601,782	$ 5,417,870	$ 4,204,408	$ 3,706,394	$ 9,806,190	$ 9,124,264

Governmental Activities

The Village of Cass City's total governmental activities revenues were $3,010,661. The expenses were $2,826,749, with a net change in position of $183,912.

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 2024 were $66,214, and for 2025 were $66,204.

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 2025.

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 July 1, 2025 through June 30, 2026. 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 four of a five year contract. The per household fee during 2025 started at $13.85 and was raised to $14.26. 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 $2,078,130. The expenses were $1,580,116 a net change in position of $498,014.

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 (ARTP), which received routine scheduled maintenance in 2025. The ARTP will require a new media filter and replacement of valves in the next few years estimated to cost about $550,000. The Village is saving $50,000 per year in anticipation of this expense; and we have applied to U.S. Senator Gary Peters' office for federal funding to assist with the expenditure.

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. The second component of sewer services is treatment at the wastewater treatment plant. The construction of the new wastewater plant, a $16 million project, began in 2025 with an expected completion date in 2027.

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.

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 increased by $53,005 in the General Fund. The fact that we added to our General Fund Fund Balance is a testament to the exceptional management by the department heads of their respective areas. Our original 2025 budget anticipated using $48,000 of our fund balance and instead we added $53,005. At the end of the current fiscal year, unassigned fund balance of the general fund was $376,630, while total fund balance was $641,291.

The two largest budgets for the General Fund are Police and Parks. Both the Police and Parks Departments did not have any capital expenditures budgeted in 2025. The Police Department labor costs continue to increase annually. 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 to maintain funding for a full-service Police Department. To maintain the level of services and our facilities, a ballot proposal is planned for the August 2026 primary requesting one mill for Parks and one mill for Police.

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 $224,247; and a decrease in fund balance of $60,815 in Local Streets Funds. At the end of the current fiscal year, Major Streets had restricted fund balance of $683,665 and local streets had a restricted fund balance of $508,330.

The Village updates and maintains a Transportation Asset Management Plan for our street maintenance. In 2025, the plan was updated and road repair and maintenance work was done on Hillcrest Street, Brooker Street, Herron Drive, and large patches were done on Bulen and Seed Streets.

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 an increase of $10 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 $13,675 in 2025. The DDA fund balance at year end is $43,444.

Funding for the EDC was limited to interest earnings, and sale of fixed assets. In 2025 the EDC increased their fund balance by $3,381. The EDC fund balance at year end is $10,561.

The Motor Vehicle Fund: The Village is proactive in maintaining and managing our fleet of vehicles and equipment to meet the needs of the community. The Village purchased a tool truck for the Department of Public Works. The capital budget included $80,000 and the actual cost was $60,198. In June 2025, delivery of a 2025 International Dump (Salt) Truck and Box was completed from an order placed in April 2024, at a final cost of $177,056. Other Fleet actions include the delivery of a police patrol vehicle ordered in 2024 at a purchase price of $48,791. Excess equipment and vehicles were auctioned online and sold. The sale of fixed assets totaled $41,198.

d) **Water Fund**

The Michigan Rural Water Association completed a rate study in Fall of 2024 for the 2025 budget, and the rate increases were approved in the 2025 budget. The net position in the water fund increased by $309,583. At the end of the current fiscal year, unrestricted net position was $1,223,340, while total net position was $2,074,079 in the water fund. The rate structure included costs for the relocation of the M-81 water main into the north alley between Church and Main 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. As the project was delayed until 2026, this contributed to the net position increase in 2025.

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 and valves at the Arsenic Treatment Plant, estimated to cost $550,000, and is currently saving $50,000 per year to accommodate this expense.

e) **Sewer Fund**

The Michigan Rural Water Association completed a rate study in the Fall of 2024 for the 2025 budget, and the rate increases were approved in the 2025 budget. The net position in the sewer fund increased by $182,889. At the end of the current fiscal year, unrestricted net position was $1,215,840, while total net position was $2,056,611 in the sewer fund. These numbers reflect the start of our wastewater treatment plant project. The rate structure anticipated greater repayment on our USDA loan than what was necessary based on the draw downs in 2025 which contributed to the increase in net position.

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 contributed to revenue generated in the amount of $91,156 for 2025.

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 2025, the Village of Cass City recorded an investment total of $30,558,368 in a wide range of capital assets, including land, buildings, equipment, computer equipment, and water and sewer lines. Capital assets increased $1,874,178 from 2024. 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 $9,106,674 at the end of 2025.

The Village's total outstanding long-term obligations were $2,869,084 as of December 31, 2025.

Economic Factors

There has been a movement towards property tax relief. The Axe Mi Tax proposal would eliminate approximately $17 billion in personal and property taxes for local government with no replacement revenue source. The Michigan House of Representatives passed eight bills on May 20, 2026 for tax relief, and now they will move to the Michigan Senate. In 2025 the Village property taxes were $1,185,309. To lose this revenue stream without replacement would greatly hinder our operations.

The Village of Cass City's budget for 2025 did incorporate a three percent (3%) percent increase from the 2024 budget in anticipation of costs rising, which included a 3% cost of living allowance for employees. The Village continues to experience the budget impact of rising costs associated with employee benefits such as healthcare and operational costs such as fuel and chemicals for our plants.

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 $137,835 in 2025. In 2025 the Village added to all the fund balances with the exception of Local Streets which had a decrease of $60,815. The Major Streets Fund had an increase of $224,247. As the Village has a Transportation Asset Management Plan, we are able to transfer and use Major Street funds for Local Streets. 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, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 2,102,334	$ 2,248,829	$ 4,351,163
Receivables			
Customers	38,311	266,464	304,775
Accrued interest and other	6,885	8,054	14,939
Due from other units of government	135,916	-	135,916
Internal balances	(68,093)	68,093	-
Prepaid items	33,805	-	33,805
Restricted assets			
Cash and cash equivalents	-	180,225	180,225
Capital assets, net			
Non-depreciated/amortized	549,405	2,106,590	2,655,995
Depreciated/amortized	3,044,376	3,406,303	6,450,679
TOTAL ASSETS	5,842,939	8,284,558	14,127,497
LIABILITIES			
Current liabilities			
Accounts payable	39,399	1,316,331	1,355,730
Accrued and other liabilities	19,502	29,663	49,165
Unearned revenue	22,390	-	22,390
Noncurrent liabilities			
Due within one year	34,470	245,831	280,301
Due in more than one year	100,458	2,488,325	2,588,783
Total other postemployment benefits liability	24,938	-	24,938
TOTAL LIABILITIES	241,157	4,080,150	4,321,307
NET POSITION			
Net investment in capital assets	3,476,905	1,511,285	4,988,190
Restricted for:			
2021 Bond reserve	-	94,500	94,500
USDA Bond reserve	-	22,925	22,925
USDA Repair and replacement equipment	-	62,800	62,800
Special levied taxes	14,421	-	14,421
Streets and highways	1,191,995	-	1,191,995
DDA captured taxes	43,444	-	43,444
Park improvements	11,148		11,148
School resource officer	600		600
Water recreation	1,356	-	1,356
Dog Park	4,530	-	4,530
Unrestricted	857,383	2,512,898	3,370,281
TOTAL NET POSITION	$ 5,601,782	$ 4,204,408	$ 9,806,190

See notes to financial statements.

VILLAGE OF CASS CITY
Statement of Activities
Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities:							
General government	$ 612,855	$ 287,951	$ 70,176	$ -	$ (254,728)	$ -	$ (254,728)
Public safety	755,525	-	2,300	-	(753,225)	-	(753,225)
Public works	902,836	-	618,949	-	(283,887)	-	(283,887)
Community and economic development	105,071	-	-	9,250	(95,821)	-	(95,821)
Recreation and culture	441,747	-	6,255	-	(435,492)	-	(435,492)
Interest on long-term debt	8,715	-	-	-	(8,715)	-	(8,715)
Total Governmental activities	2,826,749	287,951	697,680	9,250	(1,831,868)	-	(1,831,868)
Business-type activities:							
Sewer	958,150	1,112,423	-	-	-	154,273	154,273
Water	621,966	817,645	19,947	-	-	215,626	215,626
Total Business-type activities	1,580,116	1,930,068	19,947	-	-	369,899	369,899
Total Primary government	$ 4,406,865	$ 2,218,019	$ 717,627	$ 9,250	(1,831,868)	369,899	(1,461,969)
General revenues							
Property taxes					1,185,309	-	1,185,309
State sources					505,332	-	505,332
Unrestricted investment earnings					66,204	71,631	137,835
Gain on sale of capital assets					41,198	-	41,198
Miscellaneous					217,737	56,484	274,221
Total general revenues and transfers					2,015,780	128,115	2,143,895
Change in net position					183,912	498,014	681,926
Net position - beginning of year					5,417,870	3,706,394	9,124,264
Net position - end of year					$ 5,601,782	$ 4,204,408	$ 9,806,190

VILLAGE OF CASS CITY
Balance Sheet
Governmental Funds
December 31, 2025

	General	Special Revenue Funds: Major Street	Special Revenue Funds: Local Street	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 551,629	$ 629,073	$ 497,132	$ 70,028	$ 1,747,862
Receivables					
Customers	37,125	-	477	-	37,602
Interest	1,697	2,081	1,639	227	5,644
Due from other units of government	57,548	59,364	19,004	-	135,916
Due from other funds	5,625	-	-	-	5,625
Prepaid items	33,805	-	-	-	33,805
TOTAL ASSETS	***$ 687,429***	***$ 690,518***	***$ 518,252***	***$ 70,255***	***$ 1,966,454***
LIABILITIES					
Accounts payable	$ 13,787	$ 4,857	$ 8,462	$ 7,144	$ 34,250
Accrued and other liabilities	15,333	1,996	1,460	-	18,789
Unearned revenue	14,640	-	-	7,750	22,390
Total liabilities	43,760	6,853	9,922	14,894	75,429
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - miscellaneous	2,378	-	-	-	2,378
Total deferred inflows of resources	2,378	-	-	-	2,378
FUND BALANCES					
Nonspendable:					
Prepaid items	33,805	-	-	-	33,805
Restricted for:					
Special levied taxes	14,421	-	-	-	14,421
Streets and highways	-	683,665	508,330	-	1,191,995
DDA captured taxes	-	-	-	43,444	43,444
Water recreation	-	-	-	1,356	1,356
Dog Park	4,530	-	-	-	4,530
Park improvements	11,148	-	-	-	11,148
School resource officer	600	-	-	-	600
Committed to:					
Police	79,060	-	-	-	79,060
Assigned to:					
EDC	-	-	-	10,561	10,561
Subsequent year expenditures	121,097	-	-	-	121,097
Unassigned	376,630	-	-	-	376,630
Total fund balances	641,291	683,665	508,330	55,361	1,888,647
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	***$ 687,429***	***$ 690,518***	***$ 518,252***	***$ 70,255***	***$ 1,966,454***

VILLAGE OF CASS CITY
Reconciliation of Fund Balances of Governmental Funds to Net Position of Governmental Activities
December 31, 2025

Total fund balances for governmental funds	$ 1,888,647
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 not reported in the funds.	3,022,675
Certain receivables are not available to pay for current period expenditures and, therefore are deferred inflows of resources in the funds.	2,378
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	(116,876)
Compensated absences	(15,637)
Total other postemployment benefit liability	(24,938)
Internal service funds are included as part of governmental activities.	845,533
Net position of governmental activities	$ 5,601,782

See notes to financial statements.

VILLAGE OF CASS CITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2025

	General	Special Revenue Funds: Major Street	Special Revenue Funds: Local Street	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local sources					
Taxes	$ 810,446	$ 32,490	$ 292,217	$ 50,408	$ 1,185,561
Local contributions	70,176	-	-	6,255	76,431
Charges for services	283,912	-	-	-	283,912
Fines and forfeitures	4,039	-	-	-	4,039
Interest income	14,686	18,887	18,668	1,853	54,094
Administration fee revenue	211,811	-	-	-	211,811
Other revenue	5,926	-	-	-	5,926
Total local sources	1,400,996	51,377	310,885	58,516	1,821,774
Intergovernmental					
State shared revenue	338,434	-	-	-	338,434
State and federal grants	169,198	398,641	220,308	9,250	797,397
Total intergovernmental	507,632	398,641	220,308	9,250	1,135,831
Total revenues	1,908,628	450,018	531,193	67,766	2,957,605
Expenditures					
Current					
General government	530,589	-	-	-	530,589
Public safety	686,877	-	-	-	686,877
Public works	171,990	225,771	592,008	-	989,769
Community and economic development	46,799	-	-	48,627	95,426
Recreation and culture	401,128	-	-	20	401,148
Debt service					
Principal retirement	3,574	-	-	44,881	48,455
Interest and fiscal charges	1,166	-	-	7,549	8,715
Total expenditures	1,842,123	225,771	592,008	101,077	2,760,979
Excess (deficiency) of revenues over expenditures	66,505	224,247	(60,815)	(33,311)	196,626
Other financing sources (uses)					
Transfers in	-	-	-	13,500	13,500
Transfers out	(13,500)	-	-	-	(13,500)
Sale of fixed assets	-	-	-	36,877	36,877
Total other financing sources and uses	(13,500)	-	-	50,377	36,877
Net change in fund balance	53,005	224,247	(60,815)	17,066	233,503
Fund balance - beginning of year	588,286	459,418	569,145	38,295	1,655,144
Fund balance - end of year	$ 641,291	$ 683,665	$ 508,330	$ 55,361	$ 1,888,647

See notes to financial statements.

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, 2025

Net change in fund balances - Total governmental funds	$	233,503
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		(316,859)
Capital outlay		173,787
Sale of capital assets (net book value)		(21,949)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		
Miscellaneous		(252)
Expenses are recorded when incurred in the statement of activities		
Compensated absences		(218)
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		(14,438)
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.		
Repayments of long-term debt		48,455
Internal service funds are also included as governmental activities		81,883
Change in net position of governmental activities	$	183,912

VILLAGE OF CASS CITY
Statement of Net Position
Proprietary Funds
December 31, 2025

	Business-type Activities			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current assets				
Cash and cash equivalents	$ 1,112,412	$ 1,136,417	$ 2,248,829	$ 354,472
Receivables				
Customers	152,820	113,644	266,464	709
Accrued interest and other	3,697	4,357	8,054	1,241
Due from other funds	-	600	600	-
Total current assets	1,268,929	1,255,018	2,523,947	356,422
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	-	180,225	180,225	-
Capital assets not being depreciation	2,106,590	-	2,106,590	-
Capital assets, net of depreciation	610,658	2,795,645	3,406,303	571,106
Total noncurrent assets	2,717,248	2,975,870	5,693,118	571,106
TOTAL ASSETS	3,986,177	4,230,888	8,217,065	927,528
LIABILITIES				
Current liabilities				
Accounts payable	1,309,433	6,898	1,316,331	5,149
Accrued and other liabilities	13,373	16,290	29,663	713
Due to other funds	600	5,625	6,225	-
Current portion of compensated absences	11,966	2,865	14,831	2,415
Current portion of long-term liabilities	142,000	89,000	231,000	-
Total current liabilities	1,477,372	120,678	1,598,050	8,277
Noncurrent liabilities				
Long-term debt	452,194	2,036,131	2,488,325	-
Total noncurrent liabilities	452,194	2,036,131	2,488,325	-
Total liabilities	1,929,566	2,156,809	4,086,375	8,277
NET POSITION				
Net investment in capital assets	840,771	670,514	1,511,285	571,106
Restricted for:				
2021 Bond Reserve	-	94,500	94,500	-
USDA Bond Reserve	-	22,925	22,925	-
USDA Repair replacement and improvement	-	62,800	62,800	-
Unrestricted	1,215,840	1,223,340	2,439,180	348,145
Total net position	$ 2,056,611	$ 2,074,079	4,130,690	$ 919,251
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			73,718	
Net position of business-type activities			$ 4,204,408	

VILLAGE OF CASS CITY
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2025

	Business-type Activities			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service Funds
Operating revenue				
Customer fees	$ 1,021,267	$ 817,645	$ 1,838,912	$ -
Billings to other funds	-	-	-	356,095
Charges for services	-	-	-	139
Other revenue	91,156	56,484	147,640	-
Total operating revenue	1,112,423	874,129	1,986,552	356,234
Operating expenses				
Personnel services	439,512	199,496	639,008	62,550
Supplies	53,668	29,958	83,626	36,317
Contractual services	174,151	88,426	262,577	620
Utilities	85,710	41,873	127,583	-
Repairs and maintenance	6,121	6,570	12,691	36,478
Other expenses	88,768	64,191	152,959	92,508
Depreciation	108,724	146,826	255,550	78,717
Total operating expenses	956,654	577,340	1,533,994	307,190
Operating income (loss)	155,769	296,789	452,558	49,044
Nonoperating revenue (expenses)				
Federal grant	-	19,947	19,947	-
Interest income	32,072	39,559	71,631	12,111
Gain on sale of assets	-	-	-	26,270
Interest expense	(4,952)	(46,712)	(51,664)	-
Total nonoperating revenues (expenses)	27,120	12,794	39,914	38,381
Income (loss) before contributions and transfers out	182,889	309,583	492,472	87,425
Change in net position	182,889	309,583	492,472	87,425
Net position - beginning of year	1,873,722	1,764,496		831,826
Net position - end of year	$ 2,056,611	$ 2,074,079		$ 919,251
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			5,542	
Change in net position of business-type activities			$ 498,014	

VILLAGE OF CASS CITY
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2025

	Business-type Activities			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities				
Receipts from customers	$ 1,089,838	$ 860,108	$ 1,949,946	$ 1,102
Receipts from other units of government	-	37,840	37,840	356,095
Payments to other funds	-	5,625	5,625	-
Payments to suppliers	(520,763)	(219,058)	(739,821)	(164,005)
Payments to employees	(436,066)	(196,790)	(632,856)	(63,286)
Payments for interfund services used	(10,035)	(30,208)	(40,243)	-
Net cash provided (used) by operating activities	122,974	457,517	580,491	129,906
Cash flows from noncapital financing activities				
Federal grant	-	19,947	19,947	-
Net cash provided (used) by noncapital financing activities	-	19,947	19,947	-
Cash flows from capital and related financing activities				
Proceeds from capital debt	594,194	-	594,194	-
Purchases/construction of capital assets	(255,269)	(6,500)	(261,769)	(286,045)
Principal and interest paid on long-term debt	(4,952)	(134,712)	(139,664)	-
Proceeds from sale of capital assets	-	-	-	26,270
Net cash used by capital and related financing activities	333,973	(141,212)	192,761	(259,775)
Cash flows from investing activities				
Interest received	32,072	39,559	71,631	12,111
Net cash provided (used) by investing activities	32,072	39,559	71,631	12,111
Net change in cash and cash equivalents	489,019	375,811	864,830	(117,758)
Cash and cash equivalents - beginning of year	623,393	940,831	1,564,224	472,230
Cash and cash equivalents - end of year	$ 1,112,412	$ 1,316,642	$ 2,429,054	$ 354,472
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	$ 155,769	$ 296,789	$ 452,558	$ 49,044
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation and amortization expense	108,724	146,826	255,550	78,717
Changes in assets and liabilities:				
Receivables (net)	(22,585)	(14,021)	(36,606)	963
Less: Accruals payable to construction in progress	(1,282,283)	-	(1,282,283)	-
Due from other units of government	-	37,840	37,840	-
Accounts payable	1,159,903	(18,248)	1,141,655	1,918
Accrued and other liabilities	3,446	2,706	6,152	(736)
Due to other funds	-	5,625	5,625	-
Net cash (used) provided by operating activities	$ 122,974	$ 457,517	$ 580,491	$ 129,906

Village of Cass City
Notes to Financial Statements
December 31, 2025

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.

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. Similarily, balances between funds included in business-type activies (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.

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.

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.

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 peoperty 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.

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. Interfund Transactions – During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.The General Fund records charges for administrative costs to various Village funds as revenue. All Village funds record these payments as operating expenditures/expenses.

8. 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.

9. 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.

10. 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.

11. 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).

    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.

12. 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.

   The 2025 taxable valuation of the Village totaled $69,667,120, on which ad valorem taxes consisted of 12.2246 mills for operating purposes, 4.8822 mills for street purposes, and .68 mills for promotion purposes. This resulted in $755,659 for operating expenses, $301,788 for street expenses, and $42,029 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, 2025, 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, $943,079 of the Village's bank balance of $4,536,802 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 $4,530,868 and $520 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.

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	$ 2,102,334	$ 2,248,829	$ 4,351,163
Restricted cash and cash equivalents	-	180,225	180,225
(See notes 13, 14 & 15 for details)			
Total primary government	$ 2,102,334	$ 2,429,054	$ 4,531,388

The breakdown between deposits and investments is as follows:

	Primary Government
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	$ 4,530,868
Petty cash and cash on hand	520
	$ 4,531,388

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 $22,390 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	$ 2,378
	$ 2,378

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	$ 571,354	$ -	$ 21,949	$ 549,405
Total assets not being depreciated	571,354	-	21,949	549,405
Assets being depreciated/amortized				
Land improvements	869,193	-	-	869,193
Infrastructure	10,630,028	173,787	-	10,803,815
Buildings, additions and improvements	743,511	-	-	743,511
Machinery and equipment	2,287,227	286,045	107,757	2,465,515
Right to use - machinery and equipment	20,581	-	-	20,581
Total assets being depreciated/amortized	14,550,540	459,832	107,757	14,902,615
Less accumulated depreciation/amortization for				
Land improvements	493,320	38,641		531,961
Infrastructure	8,657,824	238,718		8,896,542
Buildings, additions and improvements	681,410	10,923		692,333
Machinery and equipment	1,731,692	103,178	107,757	1,727,113
Right to use - machinery and equipment	6,174	4,116		10,290
Total accumulated depreciation/amortization	11,570,420	395,576	107,757	11,858,239
Net assets being depreciated/amortized	2,980,120	64,256	-	3,044,376
Governmental activities capital assets, net	$ 3,551,474	$ 64,256	$ 21,949	$ 3,593,781

Village of Cass City
Notes to Financial Statements
December 31, 2025

	Beginning Balance	Additions/ Reclassifications	Deletions/ Reclassifications	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Construction in progress	$ 569,038	$ 1,537,552	$ -	$ 2,106,590
Total capital assets not being depreciated	569,038	1,537,552	-	2,106,590
Capital assets being depreciated				
Buildings, additions and improvements	3,232,406	-	-	3,232,406
Machinery and equipment	182,084	-	-	182,084
Water system	4,981,600	6,500	-	4,988,100
Sewer system	4,597,168	-	-	4,597,168
Total capital assets being depreciated	12,993,258	6,500	-	12,999,758
Less accumulated depreciation for				
Buildings, additions and improvements	2,665,096	-	-	2,665,096
Machinery and equipment	182,084	-	-	182,084
Water system	2,045,628	146,826	-	2,192,454
Sewer system	4,445,097	108,724	-	4,553,821
Total accumulated depreciation	9,337,905	255,550	-	9,593,455
Net capital assets being depreciated	3,655,353	(249,050)	-	3,406,303
Business-type capital assets, net	$ 4,224,391	$ 1,288,502	$ -	$ 5,512,893

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

General government	$ 67,807
Public safety	78,898
Public works	113,436
Community and economic development	10,773
Recreation and culture	45,945
Capital assets held by the government's internal service funds	78,717
Total governmental activities	395,576
Business-type activities	
Sewer	108,724
Water	146,826
Total business-type activities	255,550
Total primary government	$ 651,126

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.

Fund	Interfund Payable	Interfund Receivable
Governmental Funds		
General Fund		$ 5,625
Proprietary Funds		
Water	$ 5,625	600
Sewer	600	
Total	$ 6,225	$ 6,225

NOTE 6 - TRANSFERS

Tranfers 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, 2025, the DDA Fund received transfers from General Fund in the amount of $13,500 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
GOVERNMENTAL ACTIVITIES:			
Balance January 1, 2025	$ 165,331	$ 17,925	$ 183,256
Additions	-	127	127
Deletions	(48,455)	-	(48,455)
Balance December 31, 2025	116,876	18,052	134,928
Due within one year	16,418	18,052	34,470
Due in more than one year	$ 100,458	$ -	$ 100,458
BUSINESS-TYPE ACTIVITIES:			
Balance January 1, 2025	$ 2,213,131	$ 9,001	$ 2,222,132
Additions	594,194	5,830	600,024
Deletions	(88,000)	-	(88,000)
Balance December 31, 2025	2,719,325	14,831	2,734,156
Due within one year	231,000	14,831	245,831
Due in more than one year	$ 2,488,325	$ -	$ 2,488,325

*The change in compensated absences is presented as a net change.

Village of Cass City
Notes to Financial Statements
December 31, 2025

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

<u>GOVERNMENTAL ACTIVITIES:</u>		
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%.	$	58,008
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%		46,700
Office equipment lease due in monthly installments of $395 due through October 2, 2028 with an implied interest rate of 8.25%		12,168
Total notes from direct borrowings and direct placements		116,876
Compensated absences		18,052
Total governmental activities long-term obligations	$	134,928
<u>BUSINESS-TYPE ACTIVITIES</u>		
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%.	$	1,050,131
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%.		1,075,000
USDA Sewage Collection System Revenue Bond, Series 2025 (secured by revenue stream of the system) due in annual installments of $140,000 to $297,000 through October 1, 2065, interest at 2.00%.		594,194
Total business-type activity revenue bonds		2,719,325
Compensated absences		14,831
Total business-type activities long-term obligations	$	2,734,156

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 $116,876 and business-type activities of $2,719,325 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.

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

YEAR ENDING DECEMBER 31,	GOVERNMENTAL ACTIVITIES — NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS		BUSINESS-TYPE ACTIVITIES — REVENUE BONDS*		
	Principal	Interest	Principal	Interest	Total
2026	$ 16,418	$ 6,365	$ 89,000	$ 44,441	$ 156,224
2027	17,662	5,242	89,000	42,396	154,300
2028	17,444	4,037	94,000	40,288	155,769
2029	14,544	3,046	95,000	38,118	150,708
2030	9,317	2,586	95,000	35,931	142,834
2031-2035	22,223	9,242	518,000	144,800	694,265
2036-2040	19,268	2,043	496,000	82,307	599,618
2041-2045	-	-	159,000	51,327	210,327
2046-2050	-	-	173,000	36,959	209,959
2051-2055	-	-	188,000	21,296	209,296
2056-2060	-	-	129,131	4,830	133,961
	116,876	32,561	2,125,131	542,693	2,817,261
Compensated absences	18,052	-	14,831	-	32,883
	$ 134,928	$ 32,561	$ 2,139,962	$ 542,693	$ 2,850,144

*Outstanding principal and interest on the 2025 USDA Sewage Collection System Revenue Bonds have been excluded from the schedule above because the loans have not been drawn in full. The amortization schedule will be determined at the completion of the project.

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 2025 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, 2025, the Village contributed $117,900 to the plan and plan members also contributed $47,160. Pension expense for the fiscal year ended December 31, 2025 was $117,900.

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 employee, which is funded on the pay-as-you-go basis. In accordance with Village policy, the eligible employee receives healthcare benefits through premium coverage from age 60 to 65 if they retire with 10 years of service.

Plan membership. At December 31, 2025, Plan membership consisted of the following:

Inactive plan members currently receiving benefit payments	0
Active plan members	1
Total membership	1

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 provided health insurance benefits for one eligible retiree until their death in 2025 and one active employe is eligible. The benefit terms provide for payment of 100% of health insurance premiums from age 60 to 65 if they retire with 10 years of service.

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 2025 were $1,817.

Assumptions. The total OPEB liability was determined by a valuation using the alternative measurement method as of December 31, 2025, 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 benefit is not based on salary.

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 – Assumed age of 63.

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 2025 health insurance premium for the member was used as the basis for calculation of the present value of total benefits to be paid.

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 4.43%. 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, 2024	$ 10,500
Changes for the year:	
Service cost and interest	14,438
Net change	14,438
Balance at December 31, 2025	$ 24,938

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 4.43%, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.43%) or 1% higher (5.43%) than the current rate:

1% Decrease (3.43%)	Current Discount Rate (4.43%)	1% Increase (5.43%)
$ 25,065	$ 24,938	$ 24,810

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 2025, 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
$ 24,688	$ 24,938	$ 25,187

OPEB Expense and Payable to Plan

For the year ended December 31, 2025, the Village recognized an increase in OPEB expense of $14,438. At December 31, 2025, the Village had no amounts payable for contributions to the Plan.

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 with Fishbeck related to wastewater treatment plant improvements, on an hourly basis not to exceed $1,650,000 that was not completed at December 31, 2025. As of December 31, 2025, approximately $989,080 of design costs have been capitalized as construction in progress in the financial statements on this agreement.

In 2025, the Village entered into a contractual agreement with RCL Construction Co. Inc. related to wastewater treatment plant improvements. As of December 31, 2025, approximately $1,117,511 of construction costs have been capitalized as construction in progress in the financial statements on this agreement. The contractual commitment outstanding at December 31, 2025 was approximately $12,952,865. The project is expected to be completed in 2027.

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:

	2025 2020 Series	2024 2020 Series
Beginning Balance	$ 50,240	$ 37,680
Additions	12,560	12,560
Ending Balance	$ 62,800	$ 50,240

At December 31, 2025 and 2024, 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:

	2025		2024	
	2020 Series		2020 Series	
Beginning Balance	$	18,340	$	13,755
Additions		4,585		4,585
Ending Balance	$	22,925	$	18,340

At December 31, 2025 and 2024, 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, 2025 and 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, 2025, the Village's property tax revenue for general operations were reduced by $18,331 under this program.

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2025, the Village implemented the following new pronouncements: GASB Statement No. 102, *Certain Risk Disclosures.*

Summary:

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. There was no material impact on the Village's financial statements after the adoption of GASB Statement No. 102.

NOTE 18 – UPCOMING ACCOUNTING PRONOUNCEMENTS

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;
  - Stresses 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.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2027 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF CASS CITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Taxes				
Property taxes	$ 849,583	$ 869,319	$ 797,688	$ (71,631)
Penalties and interest	262	262	1,448	1,186
Administration fee	11,000	11,000	11,310	310
State revenue sharing and other state revenue	392,577	393,104	338,434	(54,670)
State grants	168,900	175,557	169,198	(6,359)
Local contributions	88,000	89,045	70,176	(18,869)
Charges for services	324,185	306,833	283,912	(22,921)
Fines and forfeitures	5,140	5,476	4,039	(1,437)
Interest income	15,000	15,000	14,686	(314)
Administration fee revenue	219,611	219,632	211,811	(7,821)
Other revenue	-	-	5,926	5,926
Total revenues	2,074,258	2,085,228	1,908,628	(176,600)
Expenditures				
Current:				
General government				
Village council	8,008	14,008	11,134	2,874
Manager	168,192	165,998	162,605	3,393
Clerk	203,043	203,043	185,769	17,274
Audit	20,500	24,458	22,898	1,560
Fiscal services	105,088	115,424	116,878	(1,454)
Elections	107	107	-	107
Buildings and grounds	38,013	38,013	31,305	6,708
Total general government	542,951	561,051	530,589	30,462
Public safety				
Police	713,372	715,172	686,877	28,295
Total public safety	713,372	715,172	686,877	28,295
Public works				
Department of public works	265,000	265,000	171,990	93,010
Total public works	265,000	265,000	171,990	93,010
Community and economic development				
Zoning	71,732	71,732	46,799	24,933
Total community and economic development	71,732	71,732	46,799	24,933
Recreation and culture				
Parks and recreation	509,889	452,454	401,128	51,326
Total recreation and culture	509,889	452,454	401,128	51,326
Debt service				
Principal retirement	4,341	2,041	3,574	(1,533)
Interest and fiscal charges	1,473	3,773	1,166	2,607
Total debt service	5,814	5,814	4,740	1,074
Total expenditures	2,108,758	2,071,223	1,842,123	229,100
Excess of revenues over (under) expenditures	(34,500)	14,005	66,505	52,500
Other financing sources (uses)				
Transfers out	(13,500)	(13,500)	(13,500)	-
Total other financing sources (uses)	(13,500)	(13,500)	(13,500)	-
Net change in fund balances	$ (48,000)	$ 505	53,005	$ 52,500
Fund balance - beginning of year			588,286	
Fund balance - end of year			$ 641,291	

VILLAGE OF CASS CITY
Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
Year Ended December 31, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Taxes	$ 30,639	$ 31,392	$ 32,490	$ 1,098
Other state grants	403,071	408,071	398,641	(9,430)
Interest income	7,280	12,280	18,887	6,607
Other revenue	6,968	6,968	-	(6,968)
Total revenues	447,958	458,711	450,018	(8,693)
Expenditures				
Current				
Public works	385,115	400,868	225,771	175,097
Total expenditures	385,115	400,868	225,771	175,097
Net change in fund balances	$ 62,843	$ 57,843	224,247	$ 166,404
Fund balance - beginning of year			459,418	
Fund balance - end of year			$ 683,665	

VILLAGE OF CASS CITY
Required Supplementary Information
Budgetary Comparison Schedule
Local Street Fund
Year Ended December 31, 2025

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues				
Taxes	$ 268,226	$ 271,884	$ 292,217	$ 20,333
Other state grants	239,068	244,068	220,308	(23,760)
Interest income	10,400	15,200	18,668	3,468
Other revenue	2,726	2,726	-	(2,726)
Total revenues	520,420	533,878	531,193	(2,685)
Expenditures				
Current				
Public works	850,796	864,254	592,008	272,246
Total expenditures	850,796	864,254	592,008	272,246
Net change in fund balances	$ (330,376)	$ (330,376)	(60,815)	$ 269,561
Fund balance - beginning of year			569,145	
Fund balance - end of year			$ 508,330	

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost and interest	$ 14,438	$ (30)	$ (618)	$ (28,015)	$ 477	$ 3,306	$ (7,388)	$ (3,659)
Net change in total OPEB liability	14,438	(30)	(618)	(28,015)	477	3,306	(7,388)	(3,659)
Total OPEB liability, beginning of year	10,500	10,530	11,148	39,163	38,686	35,380	42,768	46,427
Total OPEB liability, end of year	$ 24,938	$ 10,500	$ 10,530	$ 11,148	$ 39,163	$ 38,686	$ 35,380	$ 42,768
Plan fiduciary net position								
Contributions-employer	$ 1,817	$ 3,654	$ 3,654	$ 3,881	$ 10,127	$ 9,956	$ 9,289	$ 9,199
Benefit payments	(1,817)	(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	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Village net OPEB (asset) / liability	$ 24,938	$ 10,500	$ 10,530	$ 11,148	$ 39,163	$ 38,686	$ 35,380	$ 42,768
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%	0%	0%	0%
Covered payroll	$ 74,870	$ - (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	33.31%	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.)

The Schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Village presents information for those years for which information is available.

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

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarial Determined Contributions	$ 1,817	$ 3,654	$ 3,654	$ 3,881	$ 10,127	$ 9,956	$ 9,289	$ 9,199
Contributions in relation to the actuarially determined contributions	1,817	3,654	3,654	3,881	10,127	9,956	9,289	9,199
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 74,870	$ - (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	2.43%	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.

The Schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Village presents information for those years for which information is available.

ADDITIONAL SUPPLEMENTARY INFORMATION

VILLAGE OF CASS CITY
Additional Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2025

	Special Revenue Funds			
	Water Recreation	Economic Development Corporation	Downtown Development Authority	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	$ 1,356	$ 10,526	$ 58,146	$ 70,028
Receivables				
Accrued interest and other	-	35	192	227
Total assets	$ 1,356	$ 10,561	$ 58,338	$ 70,255
Liabilities				
Accounts payable	$ -	$ -	$ 7,144	$ 7,144
Unearned revenue	-	-	7,750	7,750
Total liabilities	-	-	14,894	14,894
Fund balances				
Restricted for:				
Water recreation	1,356	-	-	1,356
DDA captured taxes	-	-	43,444	43,444
Assigned to:				
EDC	-	10,561	-	10,561
Total fund balances	1,356	10,561	43,444	55,361
Total liabilities and fund balances	$ 1,356	$ 10,561	$ 58,338	$ 70,255

VILLAGE OF CASS CITY
Additional Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2025

	Special Revenue Funds			
	Water Recreation	Economic Development Corporation	Downtown Development Authority	Total Nonmajor Governmental Funds
Revenues				
Taxes	$ -	$ -	$ 50,408	$ 50,408
Other state grants	-	-	9,250	9,250
Local contributions	20	-	6,235	6,255
Interest income	10	579	1,264	1,853
Total revenues	30	579	67,157	67,766
Expenditures				
Current				
Community and economic development	-	1,438	47,189	48,627
Recreation and culture	20	-	-	20
Debt service				
Principal retirement	-	42,176	2,705	44,881
Interest and fiscal charges	-	3,961	3,588	7,549
Total expenditures	20	47,575	53,482	101,077
Excess (deficiency) of revenues over expenditures	10	(46,996)	13,675	(33,311)
Other financing sources (uses)				
Transfers in	-	13,500	-	13,500
Sale of fixed assets	-	36,877	-	36,877
Total other financing sources and uses	-	50,377	-	50,377
Net change in fund balance	10	3,381	13,675	17,066
Fund balance - beginning of year	1,346	7,180	29,769	38,295
Fund balance - end of year	$ 1,356	$ 10,561	$ 43,444	$ 55,361

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants

Valerie J. Hartel, CPA
Jamie L. Peasley, CPA
Angela M. Burnette, CPA
…………………………
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Thomas B. Doran
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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, 2025, 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 2, 2026.

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.*

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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 2, 2026

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants

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

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, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you. 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. 102, *Certain Risk Disclosures*, during the year ended December 31, 2025. 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 2, 2026.

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.

A separate management letter was not issued.

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 2, 2026