

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

**Report on Financial Statements
(with required supplementary and
additional supplementary information)
Year Ended December 31, 2023**

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Independent Auditor's Report

Village Council
Village of Cass City
Cass City, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Cass City, State of Michigan, as of and for the year ended December 31, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 18 to the financial statements, in 2023 the Village adopted new accounting guidance, GASB Statement No. 96, *Subscription-based IT Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2024, 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.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN
June 11, 2024

Village of Cass City Management's Discussion and Analysis Year Ended December 31, 2023

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, 2023. This analysis hopes to add background and context to the Village's financial statements.

Financial Highlights

In 2023, 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 maintained 2022 millage rates into 2023, increased the utility rates, and saved for future projects such as the Water Arsenic Treatment Plant media filter, the Wastewater Treatment Plant Renovation Project and future fleet purchases.

The 2023 Capital Improvement Plan and budget included: 1) the Village's obsolete telephone system was replaced with a Voice Over Internet Protocol (VOIP) including new Yealink phones with a \$6,000 budget; 2) \$20,000 budgeted for pool improvements; 3) sidewalk repair for \$25,000; 4) Generator for north lift station in the amount of \$35,000; 5) \$15,000 for hydrant replacement; 6) Wastewater Treatment Plant maintenance and repairs of equipment in the amount of \$40,000; and 7) a dump truck for the Department of Public Works budgeted at \$150,000.

Major and Local Street Repair was conducted in 2023. The Village levied a 4.9162 millage for these street projects, resulting in local tax revenues of \$266,685 in 2023, in addition to the Act 51 State funding of \$417,702.

Staff inspected and repaired isolated areas of sidewalk in the Village. A contract was awarded for 2023 sidewalk repair in the amount of \$27,500.

A Generac generator was purchased for the north lift station for wastewater in the amount of \$24,503. The Village Council approved this purchase at the January 30, 2023 meeting. In order to run the lift station during a power outage, staff would have to rush to install a back up generator at the location to keep it operating.

The Motor Vehicle Fund purchased a new dump truck for the Village Department of Public Works. At the May 22, 2023 Village Council meeting they approved the purchase of an F-650 Dump Truck in the amount of \$111,680.

Governmental Resources

As detailed in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2023.

The total net position related to the Village's governmental activities is \$5,424,037 (see Table 1). The unrestricted portion of net position is \$1,001,833.

Tax revenues, the Village's largest revenue source, increased by \$51,812 from 2022. 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 a decrease of \$5,665 in 2023. With an increase of \$38,806 in Local Community Stabilization Board funding from 2022 levels, this increase was unexpected, as funding levels vary over the multiple years.

**Village of Cass City
Management's Discussion and Analysis
Year Ended December 31, 2023**

Strategic Planning Highlights:

The Strategic Planning Goals for 2023 were: 1) Wastewater Treatment Plant Project, 2) Rental Housing Ordinance; and 3) Infrastructure for alleys, sidewalks, and streets, and 4) marketing downtown. Funding to support the strategic planning goals was included in the 2023 budget.

Several meetings were held concerning the Wastewater Treatment Plant. A Committee of the Whole Meeting was held on March 8, 2023 to discuss the project. At the May 10, 2023 Committee of the Whole Meeting the financial impact to rate payers was presented to the Village Council and discussed with our financial advisor and rate consultant. At the August 28, 2023 the Village Council approved the Professional Services Agreement with Fishbeck for engineering services for the Wastewater Treatment Plant Project in the amount of \$1,650,000.

The Village of Cass City approved a Rental Registration Ordinance November 28, 2022. The ordinance requires registration and inspection of rental properties within the Village. The ordinance has been controversial with local landlords. At the June 26, 2023 Village Council meeting a motion was approved to continue the process with Rental Properties registration and request copies of insurance inspection, rental checklist, and documents of inspections. The Council also instructed staff to proceed with hiring SafeBuilt to conduct the inspections. Staff proceeded with administration and the establishment of a rental registration system.

The Village funded a new position for marketing, economic and community development. This position is the Director of Community Development which will oversee the Parks and Recreation Department also. The Director assisted with local retention calls, grant writing, social media post, and a revised website for the Village. The Director participated in many event planning committees and attended the Chamber of Commerce meetings regularly.

The Village continued to work with Michigan Economic Development Corporation. As an RRC community, we receive services, grants, and assistance from the State to attract new investment and development. In 2023 the Village was awarded a \$35,000 grant from MEDC to assist a new business with start-up costs. This grant will be utilized in 2024 for the former Coachlight Building on Main and Seeger.

Alleys, sidewalks and streets – historically we have budgeted up to \$50,000 for sidewalk repair. In 2023 a conservative \$125,624 was spent on streets. The Village Council chose to limit street repair in order to save for future projects. In 2023, the Village did street repair for Huron Street, and large patches on Crestwood, Spruce, Oak, Garfield and Comment Drive. Repair on the alley north of M-81 between Seeger and West Streets was delayed. Engineering for this project is in progress in 2024.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Village of Cass City as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

**Village of Cass City
Management's Discussion and Analysis
Year Ended December 31, 2023**

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 <u>2023</u>	Governmental Activities <u>2022</u>	Business-type Activities <u>2023</u>	Business-type Activities <u>2022</u>	Total <u>2023</u>	Total <u>2022</u>
Assets						
Other	\$ 2,000,683	\$ 2,033,623	\$ 2,027,875	\$ 1,670,220	\$ 4,028,558	\$ 3,703,843
Capital	<u>3,649,561</u>	<u>3,701,544</u>	<u>3,891,279</u>	<u>4,014,943</u>	<u>7,540,840</u>	<u>7,716,487</u>
Total current assets	<u>5,650,244</u>	<u>5,735,167</u>	<u>5,919,154</u>	<u>5,685,163</u>	<u>11,569,398</u>	<u>11,420,330</u>
Liabilities						
Other	65,916	423,421	256,726	285,023	322,642	708,444
Long-term	<u>160,291</u>	<u>54,200</u>	<u>2,283,000</u>	<u>2,213,200</u>	<u>2,443,291</u>	<u>2,267,400</u>
Total liabilities	<u>226,207</u>	<u>477,621</u>	<u>2,539,726</u>	<u>2,498,223</u>	<u>2,765,933</u>	<u>2,975,844</u>
Net Position						
Invested in capital assets, net of related debt	3,506,473	3,666,239	1,608,279	1,801,743	5,114,752	5,467,982
Restricted for USDA bond reserve	-	-	13,755	9,170	13,755	9,170
Restricted for bond reserve	-	-	94,500	94,500	94,500	94,500
Restricted streets and highways	836,929	560,537	-	-	836,929	560,537
Restricted for special levied taxes	40,544	57,805	-	-	40,544	57,805
Restricted for DDA captured taxes	29,536	15,497	-	-	29,536	15,497
Restricted for Water Recreation	1,846	1,856	-	-	1,846	1,856
Restricted for Park equipment	-	-	-	-	-	-
Restricted for USDA repair replacement and improvement	-	-	37,680	25,120	37,680	25,120
Restricted for Dog Park	6,876	24,550	-	-	6,876	24,550
Restricted for Capital Projects	-	-	-	250,000	-	250,000
Unrestricted	<u>1,001,833</u>	<u>931,062</u>	<u>1,625,214</u>	<u>1,006,407</u>	<u>2,627,047</u>	<u>1,937,469</u>
Total net position	<u>\$ 5,424,037</u>	<u>\$ 5,257,546</u>	<u>\$ 3,379,428</u>	<u>\$ 3,186,940</u>	<u>\$ 8,803,465</u>	<u>\$ 8,444,486</u>

Village of Cass City's net position of governmental activities are \$5,424,037 and \$3,379,428 for business type activities; of these amounts \$1,001,833 (governmental) and \$1,625,214 (business-type) are unrestricted assets.

**Village of Cass City
Management's Discussion and Analysis
Year Ended December 31, 2023**

TABLE 2

	Governmental Activities 2023	Governmental Activities 2022	Business-type Activities 2023	Business-type Activities 2022	Total 2023	Total 2022
Revenue						
Program revenue						
Charges for services	\$ 261,950	\$ 246,237	\$ 1,497,355	\$ 1,454,103	\$ 1,759,305	\$ 1,700,340
Operating grants and contributions	698,531	647,584	95,364	12,177	793,895	659,761
Capital grants and contributions	-	284,550	-	250,000	-	534,550
General revenue:						
Property taxes	1,018,127	966,315	-	-	1,018,127	966,315
State sources	514,454	480,877	-	-	514,454	480,877
Interest	49,977	7,215	41,434	5,331	91,411	12,546
Franchise fees and other revenue	248,103	230,480	87,192	62,331	335,295	292,811
Total revenue	<u>2,791,142</u>	<u>2,863,258</u>	<u>1,721,345</u>	<u>1,783,942</u>	<u>4,512,487</u>	<u>4,647,200</u>
Program expenses						
General government/legislative	571,641	537,478	-	-	571,641	537,478
Public safety	783,779	692,282	-	-	783,779	692,282
Public works	623,071	738,789	-	-	623,071	738,789
Recreation and culture	572,680	343,124	-	-	572,680	343,124
Interest on long-term debt	6,469	1,009	-	-	6,469	1,009
Water and sewer	-	-	1,528,857	1,397,766	1,528,857	1,397,766
Other	67,011	59,837	-	-	67,011	59,837
Total program expenses	<u>2,624,651</u>	<u>2,372,519</u>	<u>1,528,857</u>	<u>1,397,766</u>	<u>4,153,508</u>	<u>3,770,285</u>
Change in net position	166,491	490,739	192,488	386,176	358,979	876,915
Net position - beginning of year	<u>5,257,546</u>	<u>4,766,807</u>	<u>3,186,940</u>	<u>2,800,764</u>	<u>8,444,486</u>	<u>7,567,571</u>
Net position - end of year	<u>\$ 5,424,037</u>	<u>\$ 5,257,546</u>	<u>\$ 3,379,428</u>	<u>\$ 3,186,940</u>	<u>\$ 8,803,465</u>	<u>\$ 8,444,486</u>

Village of Cass City Management's Discussion and Analysis Year Ended December 31, 2023

Governmental Activities

The Village of Cass City's total governmental activities revenues were \$2,791,142. The expenses were \$2,624,651, with a net change in position of \$166,491.

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. The revenues from our interest earnings were declining and the Village has received diminished returns on our investments. Changes in the economy have reversed this trend. The interest and dividends for 2022 were \$12,546, and for 2023 were \$91,411.

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 2023.

In 2022, the Village collaborated with the Cass City Public Schools for a School Resource Officer (SRO) in a part-time capacity for the Fall. This program was a success and transitioned to a full-time SRO officer in 2023. The SRO program has strengthened the relationship between the Village, Schools, and Community.

Business-Type Activities

The Village of Cass City operates two Business-type activities: the Water Fund and the Sewer Fund. The Village of Cass City's total business-type activities revenues were \$1,721,345. The expenses were \$1,528,857 a net change in position of \$192,488.

The Village provides treated water to the Village residents. Raw water is pumped from three Village-owned wells. The Village also has an Arsenic Treatment Plant, which received routine scheduled maintenance in 2023.

The Village also provides municipal sanitary sewer services to its residents. There are two components of sanitary sewer services. The first is the collection such as our underground infrastructure for sewer lines and lift stations. This infrastructure in many areas of the village is old and in need of replacement. The most cost-effective method of fixing the sewer lines is a repair instead of replacement. The Village approved a contract with Monchilov at their January 30, 2023 meeting to repair lines under Seed Street with a process called Cured in Place Pipe (CIPP) in the amount of \$85,000.

The second component of sewer services is treatment at the wastewater treatment plant. The Village signed a letter of intent and was approved for a loan/grant combination from USDA Rural Development for the renovation of our wastewater treatment plant estimated to cost \$15,900,023. The approved amount from USDA consists of a grant of \$7,605,723 and a loan of \$8,294,300 for 2% for 40 years. The Village is still evaluating the scope of the renovations needed and the project is expected to begin in 2024. At the August 28, 2023 Village Council meeting an agreement for engineering services for the Wastewater Treatment Plant Project with Fishbeck Engineering was approved in the amount of \$1,650,000.

Village of Cass City Funds

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

**Village of Cass City
Management's Discussion and Analysis
Year Ended December 31, 2023**

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 \$23,277 in the General Fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$399,385, while total fund balance was \$675,634.

The Village collaborated with the Cass City Public Schools to provide a School Resource Officer for the elementary and high schools which was funded through a grant with a term of March 6, 2023 through June 30, 2024.

The Cass City Police Department full-time patrol officers unionized in 2023. The three full-time officers joined the Police Officers Labor Council (POLC) in the Fall. The first negotiation session was held in December 2023. The budgetary impact of the collective bargaining agreement will not be known until 2024.

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 also.

A new position was created and funded in 2023, the Director of Community Development. This position would be oversee the Parks Department operations (seasonal), and also community and economic development for the Village. The budgetary impact for this position was \$81,969.

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 \$222,038; and an increase in fund balance of \$54,354 in Local Streets Funds. At the end of the current fiscal year, major street had restricted fund balance of \$339,387 and local street had a restricted fund balance of \$497,542.

c) Other Governmental Funds

The Water Recreation Fund provides for maintenance and repairs, as well as capital projects for the Helen Stevens Memorial Pool and adjacent Splash Pad. The year's activities resulted in a decrease of \$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. The DDA Fund Balance increased by \$14,039 in 2023. The increase was due to the \$10,000 grant for the Business Builders Program which has yet to be utilized by its recipient Market on Main. The DDA did not pursue any infrastructure improvements (i.e. benches or streetscape) during 2023 with the intent to increase their fund balance as their tax capture has been decreasing.

Funding for the EDC was limited to interest earnings. In 2023 the EDC decreased their fund balance by \$12,991. The Village purchased 8.08 acres of property in the Industrial Park for future development. The Village obtained a loan through a local bank to make the purchase. At the January 10, 2023 EDC Meeting the Board approved using the EDC fund balance to make payments for one year on the loan for the Industrial Park property.

**Village of Cass City
Management's Discussion and Analysis
Year Ended December 31, 2023**

d) Water Fund

The Michigan Rural Water Association completed a rate study in Fall of 2022 for the 2023 budget, and the rate increases were approved in the 2023 budget. The net position in the water fund increased by \$156,060. At the end of the current fiscal year, unrestricted net position was \$732,304, while total net position was \$1,669,420 in the water fund.

The Village has asset management plans for our Water and Wastewater Plants. The Water Fund allocates funds to save for future expenses. The Village anticipates the need to replace the media filter at the Arsenic Treatment Plant, estimated to cost \$350,000, and is currently growing our fund balance to accommodate such an expenditure.

The Village was awarded a Drinking Water Asset Management (DWAM) grant from EGLE in the amount of \$146,712 to study and prepare a report on our water lines in accordance with the State's Lead and Copper Rule. As of December 31, 2023, \$33,046 was spent.

e) Sewer Fund

The Michigan Rural Water Association completed a rate study in the Fall of 2022 for the 2023 budget, and the rate increases were approved in the 2023 budget. The net position in the sewer fund increased by \$31,753. At the end of the current fiscal year, unrestricted net position was \$825,867, while total net position was \$1,642,965 in the sewer fund.

This department provides increasing levels of independent lab work for drink water analysis of local villages, churches, parks and restaurants, as well as lagoon testing for other municipalities which generated \$29,355 in revenue in 2023.

A back-up generator for the Hospital Drive Lift Station was approved at the January 30, 2023 Village Council meeting. The Village approved the purchase from Thumb Cooling and Heating in the amount of \$24,503. In the past, Village staff would have to mobilize and manually hook-up and monitor a generator when there was a power outage to avoid sewer back-ups. The new generator at the lift station in the north area of the Village will provide continuity of service to residents.

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 increase in Act 51 revenues and increase in local property tax revenues. Other budgetary impacts include the slight increase in State Shared Revenue dollars and local contributions from public and private donors to enhance the parks, pool and recreation infrastructure.

Capital Asset and Debt Administration

At the end of 2023, the Village of Cass City recorded an investment total of \$27,891,652 in a wide range of capital assets, including land, buildings, equipment, computer equipment, and water and sewer lines. Capital assets increased \$432,012 from 2022. The increase in capital assets was due to the investment in property, dog park, and a dump truck. The value of the capital assets, net of depreciation/amortization contained in this report, is \$7,540,840 at the end of 2023.

**Village of Cass City
Management's Discussion and Analysis
Year Ended December 31, 2023**

Economic Factors

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

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

The Village 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 \$91,411 in 2023. 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, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,828,940	\$ 1,594,534	\$ 3,423,474
Receivables			
Taxes	2,455	-	2,455
Customers	38,410	212,140	250,550
Accrued interest and other	4,232	4,031	8,263
Less allowance for uncollectible accounts	(2,455)	-	(2,455)
Due from other units of government	131,262	4,192	135,454
Internal balances	(67,043)	67,043	-
Prepaid items	64,882	-	64,882
Restricted assets			
Cash and cash equivalents	-	145,935	145,935
Capital assets, net			
Non-depreciated/amortized	566,354	-	566,354
Depreciated/amortized	3,083,207	3,891,279	6,974,486
TOTAL ASSETS	<u>5,650,244</u>	<u>5,919,154</u>	<u>11,569,398</u>
LIABILITIES			
Current liabilities			
Accounts payable	24,867	58,145	83,012
Accrued and other liabilities	28,953	35,941	64,894
Unearned revenue	12,096	162,640	174,736
Noncurrent liabilities			
Due within one year	27,527	83,000	110,527
Due in more than one year	122,234	2,200,000	2,322,234
Total other postemployment benefits liability	10,530	-	10,530
TOTAL LIABILITIES	<u>226,207</u>	<u>2,539,726</u>	<u>2,765,933</u>
NET POSITION			
Net investment in capital assets	3,506,473	1,608,279	5,114,752
Restricted for:			
2021 Bond reserve	-	94,500	94,500
USDA Bond reserve	-	13,755	13,755
USDA Repair and replacement equipment	-	37,680	37,680
Special levied taxes	40,544	-	40,544
Streets and highways	836,929	-	836,929
DDA captured taxes	29,536	-	29,536
Water recreation	1,846	-	1,846
Dog Park	6,876	-	6,876
Unrestricted	1,001,833	1,625,214	2,627,047
TOTAL NET POSITION	<u>\$ 5,424,037</u>	<u>\$ 3,379,428</u>	<u>\$ 8,803,465</u>

VILLAGE OF CASS CITY
Statement of Activities
Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government						
Governmental activities:						
General government	\$ 571,641	\$ 261,950	\$ 88,971	\$ (220,720)	\$ -	\$ (220,720)
Public safety	783,779	-	1,760	(782,019)	-	(782,019)
Public works	623,071	-	594,100	(28,971)	-	(28,971)
Community and economic development	67,011	-	-	(67,011)	-	(67,011)
Recreation and culture	572,680	-	13,700	(558,980)	-	(558,980)
Interest on long-term debt	6,469	-	-	(6,469)	-	(6,469)
Total Governmental activities	<u>2,624,651</u>	<u>261,950</u>	<u>698,531</u>	<u>(1,664,170)</u>	<u>-</u>	<u>(1,664,170)</u>
Business-type activities:						
Sewer	926,760	833,562	76,542	-	(16,656)	(16,656)
Water	602,097	663,793	18,822	-	80,518	80,518
Total Business-type activities	<u>1,528,857</u>	<u>1,497,355</u>	<u>95,364</u>	<u>-</u>	<u>63,862</u>	<u>63,862</u>
Total Primary government	<u>\$ 4,153,508</u>	<u>\$ 1,759,305</u>	<u>\$ 793,895</u>	<u>(1,664,170)</u>	<u>63,862</u>	<u>(1,600,308)</u>
General revenues						
Property taxes				1,018,127	-	1,018,127
State sources				514,454	-	514,454
Unrestricted investment earnings				49,977	41,434	91,411
Miscellaneous				248,103	87,192	335,295
Total general revenues and transfers				<u>1,830,661</u>	<u>128,626</u>	<u>1,959,287</u>
Change in net position				166,491	192,488	358,979
Net position - beginning of year				<u>5,257,546</u>	<u>3,186,940</u>	<u>8,444,486</u>
Net position - end of year				<u>\$ 5,424,037</u>	<u>\$ 3,379,428</u>	<u>\$ 8,803,465</u>

VILLAGE OF CASS CITY
Balance Sheet
Governmental Funds
December 31, 2023

	Special Revenue Funds			Nonmajor	Total
	General	Major Street	Local Street	Governmental Funds	Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 565,248	\$ 283,466	\$ 485,619	\$ 38,490	\$ 1,372,823
Receivables					
Taxes	2,455	-	-	-	2,455
Customers	36,632	-	477	176	37,285
Interest	1,308	657	1,125	85	3,175
Less allowance for uncollectible accounts	(2,455)	-	-	-	(2,455)
Due from other units of government	54,264	55,768	21,230	-	131,262
Prepaid items	64,882	-	-	-	64,882
TOTAL ASSETS	\$ 722,334	\$ 339,891	\$ 508,451	\$ 38,751	\$ 1,609,427
LIABILITIES					
Accounts payable	\$ 8,774	\$ 40	\$ 7,881	\$ 49	\$ 16,744
Accrued and other liabilities	22,950	464	3,028	-	26,442
Unearned revenue	12,096	-	-	-	12,096
Total liabilities	43,820	504	10,909	49	55,282
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - miscellaneous	2,880	-	-	-	2,880
Total deferred inflows of resources	2,880	-	-	-	2,880
FUND BALANCES					
Nonspendable:					
Prepaid items	64,882	-	-	-	64,882
Restricted for:					
Special levied taxes	40,544	-	-	-	40,544
Streets and highways	-	339,387	497,542	-	836,929
DDA captured taxes	-	-	-	29,536	29,536
Water recreation	-	-	-	1,846	1,846
Dog Park	6,876	-	-	-	6,876
Committed to:					
Police	61,447	-	-	-	61,447
Assigned to:					
EDC	-	-	-	7,320	7,320
Subsequent year expenditures	102,500	-	-	-	102,500
Unassigned	399,385	-	-	-	399,385
Total fund balances	675,634	339,387	497,542	38,702	1,551,265
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 722,334	\$ 339,891	\$ 508,451	\$ 38,751	\$ 1,609,427

VILLAGE OF CASS CITY
Reconciliation of Fund Balances of Governmental Funds
to Net Position of Governmental Activities
December 31, 2023

Total fund balances for governmental funds	\$ 1,551,265
Total net position for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,302,499
Certain receivables are not available to pay for current period expenditures and, therefore are deferred inflows of resources in the funds.	2,880
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	(143,088)
Compensated absences	(6,673)
Total other postemployment benefit liability	(10,530)
Internal service funds are included as part of governmental activities.	<u>727,684</u>
Net position of governmental activities	<u>\$ 5,424,037</u>

VILLAGE OF CASS CITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2023

	Special Revenue Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Street	Local Street		
Revenues					
Taxes	\$ 720,062	\$ 27,109	\$ 239,576	\$ 30,380	\$ 1,017,127
State shared revenue	329,288	-	-	-	329,288
Other state grants	186,926	369,901	224,199	-	781,026
Local contributions	88,971	-	-	13,700	102,671
Charges for services	257,296	-	-	-	257,296
Fines and forfeitures	4,654	-	-	-	4,654
Interest income	17,704	5,588	13,223	692	37,207
Administration fee revenue	193,967	-	-	-	193,967
Other revenue	39,943	96	96	-	40,135
	<u>1,838,811</u>	<u>402,694</u>	<u>477,094</u>	<u>44,772</u>	<u>2,763,371</u>
Expenditures					
Current					
General government	491,720	-	-	-	491,720
Public safety	677,208	-	-	-	677,208
Public works	168,157	180,656	422,740	-	771,553
Community and economic development	33,060	-	-	31,827	64,887
Recreation and culture	453,600	-	-	10	453,610
Capital outlay	-	-	-	105,000	105,000
Debt service					
Principal retirement	1,547	-	-	16,251	17,798
Interest and fiscal charges	823	-	-	5,646	6,469
	<u>1,826,115</u>	<u>180,656</u>	<u>422,740</u>	<u>158,734</u>	<u>2,588,245</u>
Excess (deficiency) of revenues over expenditures	<u>12,696</u>	<u>222,038</u>	<u>54,354</u>	<u>(113,962)</u>	<u>175,126</u>
Other financing sources (uses)					
Transfers in	-	-	-	10,000	10,000
Transfers out	(10,000)	-	-	-	(10,000)
Lease proceeds	20,581	-	-	-	20,581
Issuance of debt	-	-	-	105,000	105,000
	<u>10,581</u>	<u>-</u>	<u>-</u>	<u>115,000</u>	<u>125,581</u>
Net change in fund balance	23,277	222,038	54,354	1,038	300,707
Fund balance - beginning of year	<u>652,357</u>	<u>117,349</u>	<u>443,188</u>	<u>37,664</u>	<u>1,250,558</u>
Fund balance - end of year	<u>\$ 675,634</u>	<u>\$ 339,387</u>	<u>\$ 497,542</u>	<u>\$ 38,702</u>	<u>\$ 1,551,265</u>

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, 2023

Net change in fund balances - Total governmental funds	\$ 300,707
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	(306,713)
Capital outlay	224,735
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Miscellaneous	1,000
Expenses are recorded when incurred in the statement of activities	
Compensated absences	1,074
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	618
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Loan proceeds	(105,000)
Lease proceeds	(20,581)
Repayments of long-term debt	17,798
Internal service funds are also included as governmental activities	52,853
Change in net position of governmental activities	<u>\$ 166,491</u>

VILLAGE OF CASS CITY
Statement of Net Position
Proprietary Funds
December 31, 2023

	Business-type Activities			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 936,027	\$ 658,507	\$ 1,594,534	\$ 456,117
Receivables - net				
Customers	120,153	91,987	212,140	1,125
Accrued interest and other	2,168	1,863	4,031	1,057
Due from other units of government	-	4,192	4,192	-
Due from other funds	-	600	600	-
Total current assets	<u>1,058,348</u>	<u>757,149</u>	<u>1,815,497</u>	<u>458,299</u>
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	-	145,935	145,935	-
Capital assets, net of depreciation	817,098	3,074,181	3,891,279	347,062
Total noncurrent assets	<u>817,098</u>	<u>3,220,116</u>	<u>4,037,214</u>	<u>347,062</u>
TOTAL ASSETS	<u>1,875,446</u>	<u>3,977,265</u>	<u>5,852,711</u>	<u>805,361</u>
LIABILITIES				
Current liabilities				
Accounts payable	50,981	7,164	58,145	8,123
Accrued and other liabilities	18,260	17,681	35,941	2,511
Due to other funds	600	-	600	-
Unearned revenue	162,640	-	162,640	-
Current portion of noncurrent liabilities	-	83,000	83,000	-
Total current liabilities	<u>232,481</u>	<u>107,845</u>	<u>340,326</u>	<u>10,634</u>
Noncurrent liabilities				
Long-term debt net of current portion	-	2,200,000	2,200,000	-
Total noncurrent liabilities	<u>-</u>	<u>2,200,000</u>	<u>2,200,000</u>	<u>-</u>
Total liabilities	<u>232,481</u>	<u>2,307,845</u>	<u>2,540,326</u>	<u>10,634</u>
NET POSITION				
Net investment in capital assets	817,098	791,181	1,608,279	347,062
Restricted for:				
2021 Bond Reserve	-	94,500	94,500	-
USDA Bond Reserve	-	13,755	13,755	-
USDA Repair replacement and improvement	-	37,680	37,680	-
Unrestricted	<u>825,867</u>	<u>732,304</u>	<u>1,558,171</u>	<u>447,665</u>
Total net position	<u>\$ 1,642,965</u>	<u>\$ 1,669,420</u>	<u>3,312,385</u>	<u>\$ 794,727</u>
Some amounts reported for business-type activities in the statement of net position are different because certain internal service funds assets and liabilities are reported with business-type activities			<u>67,043</u>	
Net position of business-type activities			<u>\$ 3,379,428</u>	

VILLAGE OF CASS CITY
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2023

	Business-type Activities			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service Funds
Operating revenue				
Customer fees	\$ 833,562	\$ 663,793	\$ 1,497,355	\$ -
Billings to other funds	-	-	-	336,355
Charges for services	-	-	-	681
Other revenue	<u>29,354</u>	<u>57,838</u>	<u>87,192</u>	<u>-</u>
Total operating revenue	<u>862,916</u>	<u>721,631</u>	<u>1,584,547</u>	<u>337,036</u>
Operating expenses				
Personnel services	427,953	193,741	621,694	53,869
Supplies	41,391	27,804	69,195	44,232
Contractual services	163,227	85,292	248,519	480
Utilities	92,834	41,465	134,299	-
Repairs and maintenance	19,545	3,163	22,708	36,492
Other expenses	82,364	58,693	141,057	89,521
Depreciation	<u>101,852</u>	<u>148,859</u>	<u>250,711</u>	<u>81,685</u>
Total operating expenses	<u>929,166</u>	<u>559,017</u>	<u>1,488,183</u>	<u>306,279</u>
Operating income (loss)	<u>(66,250)</u>	<u>162,614</u>	<u>96,364</u>	<u>30,757</u>
Nonoperating revenue (expenses)				
Federal grant	76,542	-	76,542	-
State grant	-	18,822	18,822	-
Interest income	21,974	19,460	41,434	12,771
Gain on sale of assets	-	-	-	14,000
Interest expense	<u>(513)</u>	<u>(44,836)</u>	<u>(45,349)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>98,003</u>	<u>(6,554)</u>	<u>91,449</u>	<u>26,771</u>
Change in net position	31,753	156,060	187,813	57,528
Net position - beginning of year	<u>1,611,212</u>	<u>1,513,360</u>		<u>737,199</u>
Net position - end of year	<u>\$ 1,642,965</u>	<u>\$ 1,669,420</u>		<u>\$ 794,727</u>
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities			<u>4,675</u>	
Change in net position of business-type activities			<u>\$ 192,488</u>	

VILLAGE OF CASS CITY
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2023

	Business-type Activities			Governmental Activities
	Sewer	Water	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities				
Receipts from customers	\$ 861,450	\$ 723,202	\$ 1,584,652	\$ (574)
Receipts from interfund users	-	7,986	7,986	336,355
Payments to suppliers	(329,403)	(421,949)	(751,352)	(179,171)
Payments to employees	(430,591)	(195,223)	(625,814)	(54,160)
Payments for interfund services used	(24,957)	(26,286)	(51,243)	-
Net cash provided (used) by operating activities	<u>76,499</u>	<u>87,730</u>	<u>164,229</u>	<u>102,450</u>
Cash flows from noncapital financing activities				
Federal grant	76,542	-	76,542	-
Unearned revenue	162,640	-	162,640	-
State grant	-	18,822	18,822	-
Net cash provided (used) by noncapital financing activities	<u>239,182</u>	<u>18,822</u>	<u>258,004</u>	<u>-</u>
Cash flows from capital and related financing activities				
Proceeds from capital debt	-	180,000	180,000	-
Purchases/construction of capital assets	(117,045)	(10,002)	(127,047)	(111,680)
Principal and interest paid on long-term debt	(28,714)	(126,836)	(155,550)	-
Proceeds from sale of capital assets	-	-	-	14,000
Net cash used by capital and related financing activities	<u>(145,759)</u>	<u>43,162</u>	<u>(102,597)</u>	<u>(97,680)</u>
Cash flows from investing activities				
Interest received	21,974	19,460	41,434	12,771
Net cash provided (used) by investing activities	<u>21,974</u>	<u>19,460</u>	<u>41,434</u>	<u>12,771</u>
Net change in cash and cash equivalents	191,896	169,174	361,070	17,541
Cash and cash equivalents - beginning of year	744,131	635,268	1,379,399	438,576
Cash and cash equivalents - end of year	<u>\$ 936,027</u>	<u>\$ 804,442</u>	<u>\$ 1,740,469</u>	<u>\$ 456,117</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (66,250)	\$ 162,614	\$ 96,364	\$ 30,757
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation and amortization expense	101,852	148,859	250,711	81,685
Changes in assets and liabilities:				
Receivables (net)	(1,466)	1,571	105	(1,255)
Due from other units of government	-	7,986	7,986	-
Accounts payable	45,001	(231,818)	(186,817)	(8,446)
Accrued and other liabilities	(2,638)	(1,482)	(4,120)	(291)
Net cash (used) provided by operating activities	<u>\$ 76,499</u>	<u>\$ 87,730</u>	<u>\$ 164,229</u>	<u>\$ 102,450</u>

Village of Cass City
Notes to Financial Statements
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

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

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

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

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

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS:

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

The Village reports the following major governmental funds:

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

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

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

The Village reports the following major proprietary funds:

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

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

Village of Cass City
Notes to Financial Statements
December 31, 2023

Additionally, the Village reports the following:

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

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

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

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

Measurement focus and basis of accounting

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the Village's water and sewer function and various other functions of the Village. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Village of Cass City
Notes to Financial Statements
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The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The Village also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Budgetary information

Budgetary basis of accounting:

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

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

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

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
Debt Service	\$ -	\$ 2,370	\$ 2,370

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

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

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

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

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

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

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

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

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

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

7. Deferred outflows/inflows of resources

Deferred outflows:

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

Deferred inflows:

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

8. Net position flow assumption

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

9. Fund balance flow assumptions

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

10. Fund balance policies

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

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

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

11. Leases

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

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

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

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

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

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

Revenues and expenditures/expenses

1. Program revenues

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

2. Property taxes

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

Village of Cass City
Notes to Financial Statements
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The 2023 taxable valuation of the Village totaled \$54,311,252, on which ad valorem taxes consisted of 12.4089 mills for operating purposes, 4.9162 mills for street purposes, and .68 mills for promotion purposes. This resulted in \$673,937 for operating expenses, \$266,999 for street expenses, and \$36,926 for promotion expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

3. Compensated absences – Exchange time is defined as those hours that the employee can take as paid time off in lieu of overtime pay. The maximum number of hours that can be held in a bank at any one time during a fiscal year is forty. Exchange time can be carried over into the next fiscal year but must be used during the first three months of the new fiscal year.
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.

NOTE 2 - CASH & INVESTMENTS

As of December 31, 2023, 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, \$365,683 of the Village's bank balance of \$3,641,061 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$3,568,929 and \$480 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.

Village of Cass City
Notes to Financial Statements
December 31, 2023

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	\$ 1,828,940	\$ 1,594,534	\$ 3,423,474
Restricted cash and cash equivalents (See notes 13, 14 & 15 for details)	-	145,935	145,935
Total primary government	<u>\$ 1,828,940</u>	<u>\$ 1,740,469</u>	<u>\$ 3,569,409</u>

The breakdown between deposits and investments is as follows:

	Primary Government
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 3,568,929
Petty cash and cash on hand	480
	<u>\$ 3,569,409</u>

Village of Cass City
Notes to Financial Statements
December 31, 2023

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 \$174,736 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:

Governmental funds	Unavailable
Miscellaneous receivable	\$ 2,880
	\$ 2,880

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Assets not being depreciated				
Land	\$ 461,354	\$ 105,000	\$ -	\$ 566,354
Total assets not being depreciated	461,354	105,000	-	566,354
Assets being depreciated/amortized				
Land improvements	793,234	43,759		836,993
Infrastructure	10,396,718	27,500		10,424,218
Buildings, additions and improvements	822,854			822,854
Machinery and equipment	2,138,546	139,575	31,450	2,246,671
Right to use - machinery and equipment	-	20,581		20,581
Total assets being depreciated/amortized	14,151,352	231,415	31,450	14,351,317
Less accumulated depreciation/amortization for				
Land improvements	420,436	34,954		455,390
Infrastructure	8,187,277	234,845		8,422,122
Buildings, additions and improvements	685,133	12,987		698,120
Machinery and equipment	1,618,316	103,554	31,450	1,690,420
Right to use - machinery and equipment	-	2,058		2,058
Total accumulated depreciation/amortization	10,911,162	388,398	31,450	11,268,110
Net assets being depreciated/amortized	3,240,190	(156,983)	-	3,083,207
Governmental activities capital assets, net	\$ 3,701,544	\$ (51,983)	\$ -	\$ 3,649,561

**Village of Cass City
Notes to Financial Statements
December 31, 2023**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets being depreciated				
Buildings, additions and improvements	\$ 3,232,406	\$ -	\$ -	\$ 3,232,406
Machinery and equipment	182,084	-		182,084
Water system	4,963,448	10,002		4,973,450
Sewer system	4,468,996	117,045		4,586,041
Total capital assets being depreciated	<u>12,846,934</u>	<u>127,047</u>	<u>-</u>	<u>12,973,981</u>
Less accumulated depreciation for				
Buildings, additions and improvements	2,664,306	395		2,664,701
Machinery and equipment	182,084	-		182,084
Water system	1,750,409	148,859		1,899,268
Sewer system	4,235,192	101,457		4,336,649
Total accumulated depreciation	<u>8,831,991</u>	<u>250,711</u>	<u>-</u>	<u>9,082,702</u>
Net capital assets being depreciated	<u>4,014,943</u>	<u>(123,664)</u>	<u>-</u>	<u>3,891,279</u>
Business-type capital assets, net	<u>\$ 4,014,943</u>	<u>\$ (123,664)</u>	<u>\$ -</u>	<u>\$ 3,891,279</u>

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

General government	\$ 102,594
Public safety	112,722
Public works	30,466
Community and economic development	3,047
Recreation and culture	57,884
Capital assets held by the government's internal service funds	<u>81,685</u>
Total governmental activities	<u>388,398</u>
Business-type activities	
Sewer	101,852
Water	<u>148,859</u>
Total business-type activities	<u>250,711</u>
Total primary government	<u>\$ 639,109</u>

Village of Cass City
Notes to Financial Statements
December 31, 2023

NOTE 5 - INTERFUND PAYABLES AND RECEIVABLES

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

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

NOTE 6 - TRANSFERS

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

During the year ended December 31, 2023, the DDA Fund received transfers from General Fund in the amount of \$10,000 to subsidize operations.

NOTE 7 - LONG-TERM DEBT

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

	<u>Revenue Bonds and notes from direct borrowings and direct placements</u>	<u>Compensated absences</u>	<u>Total</u>
<u>GOVERNMENTAL ACTIVITIES:</u>			
Balance January 1, 2023	\$ 35,305	\$ 7,747	\$ 43,052
Additions	125,581		125,581
Deletions	(17,798)	(1,074)	(18,872)
Balance December 31, 2023	143,088	6,673	149,761
Due within one year	20,854	6,673	27,527
Due in more than one year	<u>\$ 122,234</u>	<u>\$ -</u>	<u>\$ 122,234</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>			
Balance January 1, 2023	\$ 2,213,200	\$ -	\$ 2,213,200
Additions	180,000	-	180,000
Deletions	(110,200)	-	(110,200)
Balance December 31, 2023	2,283,000	-	2,283,000
Due within one year	83,000	-	83,000
Due in more than one year	<u>\$ 2,200,000</u>	<u>\$ -</u>	<u>\$ 2,200,000</u>

**Village of Cass City
Notes to Financial Statements
December 31, 2023**

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

GOVERNMENTAL ACTIVITIES:

Notes from direct borrowings and direct placements:

Bank loan dated May 30, 2018 (secured by properties) for the payoff of land contracts on buildings. Due in monthly installments of \$794 through December 4, 2026, interest at 2.5%.	\$ 26,577
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Bank loan dated January 13, 2023, for the payoff of Killaker/Doerr property. Due in monthly installments of \$1,125 through December 13, 2032, interest at 5.5%	97,477
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Office equipment lease due in monthly installments of \$395 due through October 2, 2028 with an implied interest rate of 8.25%	<u>19,034</u>
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Total notes from direct borrowings and direct placements	143,088
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Compensated absences	<u>6,673</u>
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Total governmental activities long-term obligations	<u><u>\$ 149,761</u></u>
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BUSINESS-TYPE ACTIVITIES

Revenue bonds:

USDA Water Supply System Revenue Bond, Series 2020 (secured by revenue stream of the system) due in annual installments of \$ 0 to \$43,000 through October 1, 2058, interest at 1.75%.	\$ 1,083,000
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Water Supply System Revenue Refunding Bonds, Series 2021 (secured by revenue stream of the system) due in annual installments of \$16,000 to \$94,500 through April 1, 2039, interest at 2.5%.	<u>1,200,000</u>
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Total business-type activities long-term obligations	<u><u>\$ 2,283,000</u></u>
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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 \$143,088 and business-type activities of \$2,283,000 contains provisions that in the event of default, (1) unable to make principle or interest payments (2) false misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including interest may become immediately due and payable.

**Village of Cass City
Notes to Financial Statements
December 31, 2023**

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

<u>YEAR ENDING DECEMBER 31,</u>	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS</u>		<u>REVENUE BONDS</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 20,854	\$ 6,908	\$ 83,000	\$ 48,203	\$ 158,965
2025	21,837	5,926	88,000	46,238	162,001
2026	21,918	4,902	89,000	44,210	160,030
2027	14,559	3,942	89,000	42,165	149,666
2028	14,152	3,524	94,000	40,058	151,734
2029-2033	49,768	6,686	494,000	166,948	717,402
2034-2038	-	-	560,000	106,480	666,480
2039-2043	-	-	244,000	56,723	300,723
2044-2048	-	-	167,000	41,703	208,703
2049-2053	-	-	182,000	26,565	208,565
2054-2058	-	-	193,000	10,080	203,080
	<u>143,088</u>	<u>31,888</u>	<u>2,283,000</u>	<u>629,373</u>	<u>3,087,349</u>
Compensated absences	6,673	-	-	-	6,673
	<u>\$ 149,761</u>	<u>\$ 31,888</u>	<u>\$2,283,000</u>	<u>\$629,373</u>	<u>\$3,094,022</u>

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 any of the past three fiscal years.

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, 2023, the Village contributed \$102,535 to the plan and plan members also contributed \$40,925. Pension expense for the fiscal year ended December 31, 2023 was \$102,535.

**Village of Cass City
Notes to Financial Statements
December 31, 2023**

NOTE 10 - DEFERRED COMPENSATION PLAN

The Village Council offers all Village of Cass City employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in Village of Cass City's financial statements.

NOTE 11 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information About the Plan

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

Plan membership. At December 31, 2023, Plan membership consisted of the following:

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

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

Contributions. The contribution requirements of Plan members and the Village are established and may be amended by the Village Council. The required contribution is based on projected pay-as-you-go financing requirements. The total contributions paid for 2023 were \$3,654.

Assumptions. The total OPEB liability was determined by a valuation using the alternative measurement method as of December 31, 2023, using the following assumptions (which were determined by management utilizing the best information available), applied to all periods included in the measurement, unless otherwise specified:

Inflation rate – Implicit in premium

Salary increases – Not applicable because of no active plan members

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

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

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

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

Mortality – Life expectancies were based on mortality tables from the Social Security Administration (SSA). The 2016 SSA Actuarial Life Table for males was used.

Health insurance premiums – The 2023 health insurance premium for the retiree was used as the basis for calculation of the present value of total benefits to be paid.

**Village of Cass City
Notes to Financial Statements
December 31, 2023**

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 4.00%. 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, 2022	\$	11,148
Changes for the year:		
Service cost and interest		(618)
Net change		(618)
Balance at December 31, 2023	\$	<u>10,530</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Village, calculated using the discount rate of 4.00%, as well as what the Village’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.00%) or 1% higher (5.00%) than the current rate:

1% Decrease (3.00%)	Current Discount Rate (4.00%)	1% Increase (5.00%)
\$ 10,637	\$ 10,530	\$ 10,424

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 2023, 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
\$ 10,425	\$ 10,530	\$ 10,635

OPEB Expense and Payable to Plan

For the year ended December 31, 2023, the Village recognized a decrease in OPEB expense of \$618. At December 31, 2023, the Village had no amounts payable for contributions to the Plan.

**Village of Cass City
Notes to Financial Statements
December 31, 2023**

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 District believes such amounts, if any, would be immaterial.

The Village entered into a contractual agreement for professional services related to wastewater treatment plant improvements, on an hourly basis not to exceed \$1,650,000. As of December 31, 2023 approximately \$73,751 of preliminary costs have been reported as expenditures in the financial statements on this agreement.

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

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

	2023 2020 Series	2022 2020 Series
Beginning Balance	\$ 25,120	\$ 12,560
Additions	12,560	12,560
Ending Balance	\$ 37,680	\$ 25,120

At December 31, 2023 and 2022, 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:

	2023 2020 Series	2022 2020 Series
Beginning Balance	\$ 9,170	\$ 4,585
Additions	4,585	4,585
Ending Balance	\$ 13,755	\$ 9,170

At December 31, 2023 and 2022, 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, 2023 and December 31, 2022.

**Village of Cass City
Notes to Financial Statements
December 31, 2023**

NOTE 16 – USDA WATER SUPPLY SYSTEM CONSTRUCTION

The Village issued revenue bonds administered by a loan through USDA Rural Development to replace underground water mains and connections, where necessary, on Seeger Street. The bonds titled Water Supply System Revenue Bond, Series 2020 will be issued in a series. As of December 31, 2023 construction was complete.

Contract price	\$1,237,000
Amount requested to date	<u>(1,237,000)</u>
Remaining as of December 31, 2023	<u>\$ -</u>

NOTE 17 – 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, 2023, the Village's property tax revenue for general operations were reduced by \$21,450 under this program.

NOTE 18 – NEW ACCOUNTING STANDARD

For the year ended December 31, 2023, the Village implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) No. 96, *Subscription-based Information Technology Arrangements*., was issued by the GASB in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription assets – an intangible assets – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the Village's financial statements after the adoption of GASB Statement No. 96.

Village of Cass City
Notes to Financial Statements
December 31, 2023

NOTE 19 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

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

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF CASS CITY
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 709,996	\$ 733,335	\$ 710,026	\$ (23,309)
Penalties and interest	144	144	73	(71)
Administration fee	9,758	10,278	9,963	(315)
State revenue sharing and other state revenue	356,082	366,962	329,288	(37,674)
State grants	162,681	186,927	186,926	(1)
Local contributions	73,150	88,274	88,971	697
Charges for services	264,680	275,977	257,296	(18,681)
Fines and forfeitures	4,348	5,348	4,654	(694)
Interest income	7,500	15,000	17,704	2,704
Administration fee revenue	193,967	193,967	193,967	-
Other revenue	12,200	39,463	39,943	480
Total revenues	<u>1,794,506</u>	<u>1,915,675</u>	<u>1,838,811</u>	<u>(76,864)</u>
Expenditures				
General government				
Village council	7,500	7,500	3,985	3,515
Manager	162,133	166,669	151,743	14,926
Clerk	189,076	181,776	164,906	16,870
Audit	23,300	21,300	18,640	2,660
Fiscal services	132,037	126,037	124,750	1,287
Elections	100	100	-	100
Buildings and grounds	35,193	33,343	27,696	5,647
Total general government	<u>549,339</u>	<u>536,725</u>	<u>491,720</u>	<u>45,005</u>
Public safety				
Police	637,359	688,533	677,208	11,325
Total public safety	<u>637,359</u>	<u>688,533</u>	<u>677,208</u>	<u>11,325</u>
Public works				
Department of public works	190,060	190,060	168,157	21,903
Total public works	<u>190,060</u>	<u>190,060</u>	<u>168,157</u>	<u>21,903</u>
Community and economic development				
Zoning	68,063	63,313	33,060	30,253
Total community and economic development	<u>68,063</u>	<u>63,313</u>	<u>33,060</u>	<u>30,253</u>
Recreation and culture				
Parks and recreation	461,543	513,186	453,600	59,586
Total recreation and culture	<u>461,543</u>	<u>513,186</u>	<u>453,600</u>	<u>59,586</u>
Debt service				
Principal retirement	-	-	1,547	(1,547)
Interest and fiscal charges	-	-	823	(823)
Total debt service	<u>-</u>	<u>-</u>	<u>2,370</u>	<u>(2,370)</u>
Total expenditures	<u>1,906,364</u>	<u>1,991,817</u>	<u>1,826,115</u>	<u>165,702</u>
Excess of revenues over (under) expenditures	<u>(111,858)</u>	<u>(76,142)</u>	<u>12,696</u>	<u>(242,566)</u>
Other financing sources (uses)				
Lease proceeds	-	-	20,581	20,581
Transfers out	(10,000)	(10,000)	(10,000)	-
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>10,581</u>	<u>20,581</u>
Net change in fund balances	<u>\$ (121,858)</u>	<u>\$ (86,142)</u>	<u>23,277</u>	<u>\$ 109,419</u>
Fund balance - beginning of year			652,357	
Fund balance - end of year			<u>\$ 675,634</u>	

VILLAGE OF CASS CITY
Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 27,744	\$ 29,154	\$ 27,109	\$ (2,045)
Other state grants	374,560	376,352	369,901	(6,451)
Interest income	3,000	4,500	5,588	1,088
Other revenue	<u>6,545</u>	<u>6,545</u>	<u>96</u>	<u>(6,449)</u>
Total revenues	<u>411,849</u>	<u>416,551</u>	<u>402,694</u>	<u>(13,857)</u>
Expenditures				
Current				
Public works	<u>282,834</u>	<u>296,834</u>	<u>180,656</u>	<u>116,178</u>
Total expenditures	<u>282,834</u>	<u>296,834</u>	<u>180,656</u>	<u>116,178</u>
Net change in fund balances	<u>\$ 129,015</u>	<u>\$ 119,717</u>	222,038	<u>\$ 102,321</u>
Fund balance - beginning of year			<u>117,349</u>	
Fund balance - end of year			<u>\$ 339,387</u>	

VILLAGE OF CASS CITY
Required Supplementary Information
Budgetary Comparison Schedule
Local Street Fund
Year Ended December 31, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 239,654	\$ 252,383	\$ 239,576	\$ (12,807)
Other state grants	202,719	216,737	224,199	7,462
Interest income	3,000	8,000	13,223	5,223
Other revenue	<u>2,545</u>	<u>2,545</u>	<u>96</u>	<u>(2,449)</u>
Total revenues	<u>447,918</u>	<u>479,665</u>	<u>477,094</u>	<u>(2,571)</u>
Expenditures				
Current				
Public works	<u>415,432</u>	<u>519,942</u>	<u>422,740</u>	<u>97,202</u>
Total expenditures	<u>415,432</u>	<u>519,942</u>	<u>422,740</u>	<u>97,202</u>
Net change in fund balances	<u>\$ 32,486</u>	<u>\$ (40,277)</u>	54,354	<u>\$ 94,631</u>
Fund balance - beginning of year			<u>443,188</u>	
Fund balance - end of year			<u>\$ 497,542</u>	

VILLAGE OF CASS CITY
Required Supplementary Information
Other Post Employment Benefits
Schedule of Changes in Total OPEB Liability and Related Ratios
Year Ended December 31, 2023

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

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

VILLAGE OF CASS CITY
Required Supplementary Information
Other Post Employment Benefits
Schedule of Employer Contributions
Year Ended December 31, 2023

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

Notes to Schedule of Contributions

Contributions relate to contributions made by the Village.

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

ADDITIONAL SUPPLEMENTARY INFORMATION

VILLAGE OF CASS CITY
Additional Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2023

	Special Revenue Funds			
	Water Recreation	Economic Development Corporation	Downtown Development Authority	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,846	\$ 7,303	\$ 29,341	\$ 38,490
Receivables				
Customers	-	-	176	176
Accrued interest and other	-	17	68	85
	<u>\$ 1,846</u>	<u>\$ 7,320</u>	<u>\$ 29,585</u>	<u>\$ 38,751</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 49	\$ 49
Fund balances				
Restricted for:				
Water recreation	1,846	-	-	1,846
DDA captured taxes	-	-	29,536	29,536
Assigned to:				
EDC	-	7,320	-	7,320
	<u>1,846</u>	<u>7,320</u>	<u>29,536</u>	<u>38,702</u>
Total fund balances	<u>1,846</u>	<u>7,320</u>	<u>29,536</u>	<u>38,702</u>
Total liabilities and fund balances	<u>\$ 1,846</u>	<u>\$ 7,320</u>	<u>\$ 29,585</u>	<u>\$ 38,751</u>

VILLAGE OF CASS CITY
Additional Supplementary Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2023

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Water Recreation	Economic Development Corporation	Downtown Development Authority	
Revenues				
Taxes	\$ -	\$ -	\$ 30,380	\$ 30,380
Local contributions	-	-	13,700	13,700
Interest income	-	333	359	692
Total revenues	-	333	44,439	44,772
Expenditures				
Current				
Community and economic development	-	947	30,880	31,827
Recreation and culture	10	-	-	10
Capital outlay	-	105,000	-	105,000
Debt service				
Principal retirement	-	7,523	8,728	16,251
Interest and fiscal charges	-	4,854	792	5,646
Total expenditures	10	118,324	40,400	158,734
Excess (deficiency) of revenues over expenditures	(10)	(117,991)	4,039	(113,962)
Other financing sources (uses)				
Transfers in	-	-	10,000	10,000
Issuance of debt	-	105,000	-	105,000
Total other financing sources and uses	-	105,000	10,000	115,000
Net change in fund balance	(10)	(12,991)	14,039	1,038
Fund balance - beginning of year	1,856	20,311	15,497	37,664
Fund balance - end of year	\$ 1,846	\$ 7,320	\$ 29,536	\$ 38,702



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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, 2023, 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 11, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

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

June 11, 2024



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

Certified Public Accountants

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

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

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, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 22, 2024. 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 18 to the financial statements, the Village of Cass City implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-based Information Technology Arrangements*. 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 of the payout of employee compensated absences upon their retirement is based on an expected payout. We evaluated the key factors and assumptions used by management to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management estimates the lives of capital assets. We evaluated the key factors and assumptions 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.

Estimates have been used to calculate the total other postemployment benefit liability. The estimate is derived from a calculation including factors such as life expectancy, historical insurance costs, and the applicable federal interest rates in effect at the time of the calculation. We evaluated the key factors and assumptions 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.

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 11, 2024.

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.

Village of Cass City
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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 11, 2024