



**VILLAGE OF CALUMET, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED FEBRUARY 28, 2022**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
<hr/>	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds	
Balance Sheet	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balance	18
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with Statement of Activities	19
Notes to the Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	
<hr/>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	35
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Major Streets	36
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Municipal Streets	37
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Public Improvement	38
OTHER SUPPLEMENTARY INFORMATION	
<hr/>	
Combining and Individual Fund Statements - Nonmajor Governmental Funds	
Combining Balance Sheet	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	41

INDEPENDENT AUDITOR'S REPORT

To the Members of the Village Council
Village of Calumet, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Calumet (the "Village") as of and for the year ended February 28, 2022, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of February 28, 2022, and the respective changes in financial position 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

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

Gabridge & Company, PLC
Grand Rapids, Michigan
August 15, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Village of Calumet
Management's Discussion and Analysis
February 28, 2022

As management of the Village of Calumet, Michigan (The "Village" or "government") we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$3,022,145 (net position). Of this amount, \$50,532 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total revenues were \$829,283 and total expenses were \$973,985 leading to a decrease in net position of \$144,702 during the year.
- At the close of the current fiscal year, the Village's governmental funds reported combined fund balances of \$397,099, an increase of \$8,593 in comparison with the prior year. Approximately 7.7% of this amount, or \$30,456, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$30,456, or approximately 3.8% of total general fund expenditures and transfers out.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus,

revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., depreciation of capital assets).

Governmental activities of the Village are principally supported by taxes and intergovernmental revenues. The governmental activities of the Village include general government, public safety, streets, community and economic development, and recreation and culture.

The government-wide financial statements include not only the Village itself (known as the primary government), but also a legally separate Downtown Development Authority for which the Village is financially accountable (see Note 1 in the financial statement footnotes for more information). Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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

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

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

The Village maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the major streets fund, the municipal streets fund, and the public improvement fund, which are considered to be major funds. Data from all other Village funds are aggregated and presented in a separate column as they are considered nonmajor funds. The Village adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Village's budgetary comparison schedules.

This report also presents other supplementary information which includes the combining and individual fund financial statements for the nonmajor governmental funds. The combining statements are presented immediately following the required supplementary information on budgets.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$3,022,145 at the close of the most recent fiscal year.

Village of Calumet's Net Position

ASSETS	2022	2020
<i>Current Assets</i>		
Cash and investments	\$ 463,274	\$ 252,325
Accounts receivable	-	13,882
Intergovernmental receivables	82,657	374,436
Inventory	-	16,397
Total Current Assets	545,931	657,040
<i>Noncurrent Assets</i>		
Capital assets, net	2,677,284	2,747,233
Total Assets	3,223,215	3,404,273
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	30,843	247,544
Payroll and other accrued liabilities	42,093	36,973
Accrued interest payable	91	140
Due to component unit	27,077	33,491
Unearned revenue	48,819	-
Current portion of long-term debt	10,712	10,231
Total Current Liabilities	159,635	328,379
<i>Noncurrent Liabilities</i>		
Long-term debt	41,435	61,754
Total Liabilities	201,070	390,133
NET POSITION		
Net investment in capital assets	2,625,137	2,675,248
Restricted	346,476	146,489
Unrestricted	50,532	192,403
Total Net Position	\$ 3,022,145	\$ 3,014,140

The largest portion of the Village's net position (\$2,625,137, or 86.9%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Village uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position (\$346,476, or 11.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$50,532, or 1.6%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Cash and cash equivalents increased by \$210,949, being similar to the increase in fund balance over the prior two fiscal years. Intergovernmental receivables decreased by \$291,779 as the Village did not have as many grant receivables compared to 2020. Accounts payable decreased \$216,701 in comparison to 2020 due to not having as many grant-related payables outstanding at year end.

Village of Calumet's Changes in Net Position

Revenues	2022	2020
Program Revenues		
Charges for services	\$ 283,205	\$ 116,213
Operating grants and contributions	198,580	275,054
Capital grants and contributions	66,558	1,413,687
Total Program Revenues	548,343	1,804,954
General Revenues		
Property taxes	153,398	161,923
Intergovernmental	127,525	108,422
Interest income	17	14
Total General Revenues	280,940	270,359
Total Revenues	829,283	2,075,313
Expenses		
General government	98,374	155,896
Public safety	56,822	69,626
Public works	689,856	344,779
Community and economic development	109,388	-
Recreation and culture	18,211	11,806
Interest on long-term debt	1,334	1,744
Total Expenses	973,985	583,851
Change in Net Position	(144,702)	1,491,462
Net Position at the Beginning of Period	3,166,847	1,522,678
Net Position at the End of Period	\$ 3,022,145	\$ 3,014,140

Charges for services increased by \$166,992 as a result of increased equipment rental activity and a large insurance reimbursement received during the fiscal year. Capital grants and contributions saw a decrease of \$1,347,129 in comparison to 2020 due to not receiving any CBDG grants for road related capital projects. Community and economic development expenditures increased by \$109,388 this year due to receiving a Façade grant which helped restore and improve the downtown area.

Financial Analysis of Governmental Funds

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

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

At February 28, 2022, the Village's governmental funds reported combined fund balances of \$397,099, an increase of \$8,593 in comparison with the prior year. Approximately 7.7% of this amount (\$30,456) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *restricted* or *committed* to indicate that it is: 1) restricted for particular purposes (\$346,476, or 87.3%) or 2) committed for particular purposes (\$20,167, or 5.1%).

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$30,456. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 3.8% of total general fund expenditures and transfers out.

The fund balance of the Village's general fund decreased by \$56,333 during the current fiscal year for an ending balance of \$30,456. The Village Council monitors the expenditures of the general fund closely to ensure that spending does not exceed the Village's available resources.

The major streets fund, a major fund, had a \$6,003 decrease in fund balance during the current fiscal year which put the overall fund balance at \$149,591.

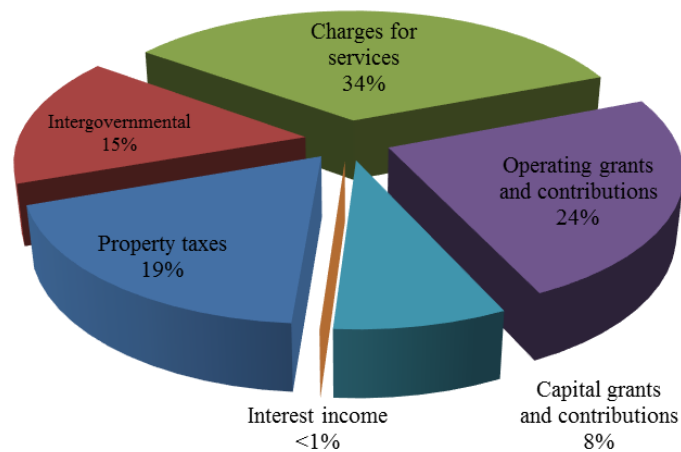
The municipal streets fund, a major fund, had a \$32,773 increase in fund balance during the current fiscal year which put the overall fund balance at \$106,077.

The public improvement fund, a major fund, had a \$173 decrease in fund balance during the current fiscal year which put the overall fund balance at \$1,015.

Governmental Activities

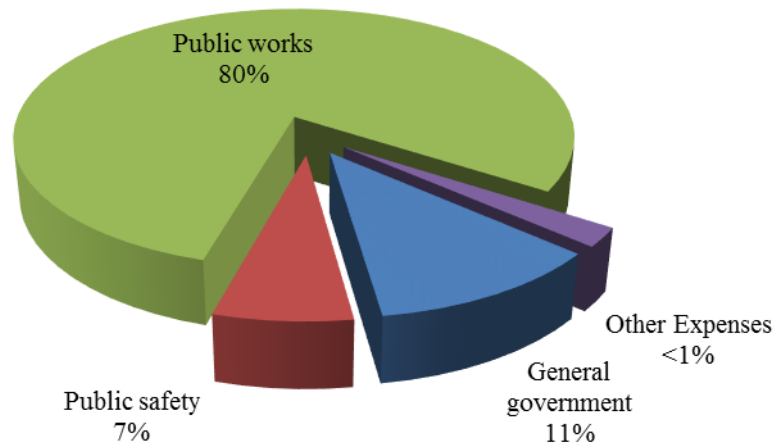
The following chart summarizes the revenue sources for the governmental activities of the Village for the most recent fiscal year-end:

Governmental Activities Revenues



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

Governmental Activities Expenses



General Fund Budgetary Highlights

Original budget compared to final budget. There were no significant adjustments made to either the original estimated revenues or original budgeted appropriations made during the year. Minor adjustments were made to properly allocate expenditures to appropriate departments within the general fund.

Final budget compared to actual results. The Village had the following expenditures in excess of the amounts appropriated during the year ended February 28, 2022:

	Final Budgeted Amount	Actual Amount	Negative Variance
General fund			
General government	\$ 197,000	\$ 302,835	\$ (105,835)
Public works	241,000	418,957	(177,957)
Transfers out	22,328	26,760	(4,432)

Capital Assets and Debt Administration

Capital Assets

The Village's investment in capital assets for its governmental activities as of February 28, 2022 amounts to \$2,677,284 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, sidewalks, and infrastructure. Net capital assets decreased by \$69,949, or 2.5%, compared to 2020.

More detailed information about the Village's capital assets can be found in Note 4.

Long-term Debt

As described in Note 6 to the financial statements, the Village had \$52,147 in long-term debt at the end of the fiscal year. Long-term debt decreased by \$10,471, or 16.7%, during the year as the Village continues to meet all debt service payments as they come due.

Economic Condition and Outlook

Management initially estimated that \$500,453 of revenues will be available for appropriation in the general fund in the upcoming year. The Village continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2023, the Village plans again to use current revenues to provide essential services and to maintain the Village's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting stable property values.

Contacting the Village

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

The Village of Calumet
340 Sixth Street
Calumet, MI 49913

BASIC FINANCIAL STATEMENTS

Village of Calumet
Statement of Net Position
February 28, 2022

	Primary Government		Component Unit - DDA
	Governmental Activities		
ASSETS			
<i>Current Assets</i>			
Cash and investments	\$ 463,274	\$	64,654
Taxes receivable	--		6,549
Intergovernmental receivables	82,657		--
Due from primary government	--		27,077
Inventory	--		10,002
Total Current Assets	545,931		108,282
<i>Noncurrent Assets</i>			
Capital assets not being depreciated	133,115		--
Capital assets being depreciated, net	2,544,169		--
Total Assets	3,223,215		108,282
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable	30,843		--
Payroll liabilities	15,425		--
Other accrued liabilities	26,668		--
Accrued interest payable	91		--
Due to component unit	27,077		--
Unearned revenue	48,819		--
Current portion of long-term debt	10,712		--
Total Current Liabilities	159,635		--
<i>Noncurrent Liabilities</i>			
Long-term debt	41,435		--
Total Liabilities	201,070		--
NET POSITION			
Net investment in capital assets	2,625,137		--
<i>Restricted for:</i>			
Historic preservation	7,288		--
Highways and streets	290,245		--
Debt service	74		--
Water	43,303		--
Sanitation	5,566		--
<i>Unrestricted</i>	50,532		108,282
Total Net Position	\$ 3,022,145	\$	108,282

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

**Village of Calumet
Statement of Activities
For the Year Ended February 28, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	Component Unit - DDA
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	
Primary Government						
Governmental Activities:						
General government	\$ 98,374	\$ 73,060	\$ --	\$ --	\$ (25,314)	\$ --
Public safety	56,822	--	33	--	(56,789)	--
Public works	689,856	210,080	187,547	2,500	(289,729)	--
Community and economic development	109,388	--	--	64,058	(45,330)	--
Recreation and culture	18,211	65	11,000	--	(7,146)	--
Interest on Long-term Debt	1,334	--	--	--	(1,334)	--
Total Primary Government	\$ 973,985	\$ 283,205	\$ 198,580	\$ 66,558	(425,642)	--
Component Unit						
Downtown Development Authority	\$ 19,819	\$ --	\$ --	\$ --	--	(19,819)
Total Component Unit	\$ 19,819	\$ --	\$ --	\$ --	--	(19,819)
General Purpose Revenues:						
Property taxes					153,398	50,044
Unrestricted state aid					127,525	--
Interest income					17	--
Total General Revenues					280,940	50,044
Change in Net Position					(144,702)	30,225
<i>Net Position at Beginning of Period</i>					3,166,847	78,057
Net Position at End of Period					\$ 3,022,145	\$ 108,282

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

**Village of Calumet
Balance Sheet
Governmental Funds
February 28, 2022**

	<u>Special Revenue</u>			<u>Capital Projects</u>		
	<u>General</u>	<u>Major Streets</u>	<u>Municipal Streets</u>	<u>Public Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and investments	\$ 113,516	\$ 132,914	\$ 49,734	\$ 37,113	\$ 129,997	\$ 463,274
Intergovernmental receivables	17,665	43,736	--	--	21,256	82,657
Due from component unit	4,215	--	1,310	--	530	6,055
Due from other funds	96,535	--	62,182	--	26,074	184,791
Total Assets	\$ 231,931	\$ 176,650	\$ 113,226	\$ 37,113	\$ 177,857	\$ 736,777
LIABILITIES						
Accounts payable	\$ 15,917	\$ --	\$ --	\$ --	\$ 14,926	\$ 30,843
Payroll liabilities	9,491	5,342	--	--	592	15,425
Other accrued liabilities	26,668	--	--	--	--	26,668
Due to component unit	22,995	--	7,149	--	2,988	33,132
Unearned revenue	38,148	--	--	--	10,671	48,819
Due to other funds	88,256	21,717	--	36,098	38,720	184,791
Total Liabilities	201,475	27,059	7,149	36,098	67,897	339,678
FUND BALANCE						
Restricted	--	149,591	106,077	--	90,808	346,476
Committed	--	--	--	1,015	19,152	20,167
Unassigned	30,456	--	--	--	--	30,456
Total Fund Balance	30,456	149,591	106,077	1,015	109,960	397,099
Total Liabilities and Fund Balance	\$ 231,931	\$ 176,650	\$ 113,226	\$ 37,113	\$ 177,857	\$ 736,777

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

Village of Calumet
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
February 28, 2022

Total Fund Balance - Governmental Funds	\$ 397,099
General government capital assets of \$4,029,518, net of accumulated depreciation of \$1,352,234 are not financial resources and, accordingly, are not reported in the funds.	2,677,284
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(52,147)
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(91)
Total Net Position - Governmental Activities	\$ <u>3,022,145</u>

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

Village of Calumet
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended February 28, 2022

	<u>Special Revenue</u>			<u>Capital Projects</u>	<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Major Streets</u>	<u>Municipal Streets</u>	<u>Public Improvement</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Revenues						
Property taxes	\$ 112,943	\$ --	\$ 28,468	\$ --	\$ 11,987	\$ 153,398
Licenses and permits	9,247	--	--	--	60	9,307
Intergovernmental revenues	130,025	136,323	10,701	--	115,581	392,630
Charges for services	44,314	--	--	--	19,479	63,793
Fines and forfeits	2,108	--	--	--	--	2,108
Reimbursements	388,802	--	--	--	--	388,802
Other revenue	61,743	--	--	--	--	61,743
Interest income	1	--	--	--	16	17
Total Revenues	749,183	136,323	39,169	--	147,123	1,071,798
Expenditures						
General government	302,835	--	--	--	42	302,877
Public safety	40,613	--	--	--	--	40,613
Public works	418,957	142,326	6,396	173	43,106	610,958
Community and economic development	7,461	--	--	--	--	7,461
Recreation and culture	8,890	--	--	--	8,655	17,545
Debt service - principal	--	--	--	--	10,471	10,471
Debt service - interest	--	--	--	--	1,353	1,353
Capital outlay	--	--	--	--	71,927	71,927
Total Expenditures	778,756	142,326	6,396	173	135,554	1,063,205
Excess of Revenues Over						
(Under) Expenditures	(29,573)	(6,003)	32,773	(173)	11,569	8,593
Other Financing Sources (Uses)						
Transfers in	--	--	--	--	26,760	26,760
Transfers out	(26,760)	--	--	--	--	(26,760)
Net Other Financing Sources (Uses)	(26,760)	--	--	--	26,760	--
Net Change in Fund Balance	(56,333)	(6,003)	32,773	(173)	38,329	8,593
<i>Fund Balance at Beginning of Period</i>	<i>86,789</i>	<i>155,594</i>	<i>73,304</i>	<i>1,188</i>	<i>71,631</i>	<i>388,506</i>
Fund Balance at End of Period	\$ 30,456	\$ 149,591	\$ 106,077	\$ 1,015	\$ 109,960	\$ 397,099

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

Village of Calumet
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended February 28, 2022

Total Net Change in Fund Balances - Governmental Funds	\$	8,593
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Governmental fund report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$36,995 exceeds depreciation expense of \$167,450 and a loss on disposal of capital asset of \$33,330.		(163,785)
--	--	-----------

Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.		10,490
--	--	--------

Changes in Net Position - Governmental Activities	\$	<u>(144,702)</u>
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NOTES TO THE FINANCIAL STATEMENTS

Village of Calumet

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The Village of Calumet, Michigan (the “Village” or “government”) was incorporated in 1875. The Village is governed by an elected seven-member governing Council consisting of a president and six trustees. The Village provides services to its residents in many areas including; law enforcement, fire protection, street maintenance, sanitation, recreation and community enrichment. The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

Reporting Entity

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

Discretely Presented Component Unit

Downtown Development Authority

The Downtown Development Authority (the “DDA”) was formed in 1992 under the auspices of Public Act 197 of 1975, as amended (MCL 125.1651) to enhance the Village's business district by preservation, creation, and implementation of the development plans in the district to be financed by taxes from properties within its district. The members of the nine-member governing board of the DDA are appointed by the Village Council. The budgets and expenditures of the DDA must be approved by the Village Council. The Village Council also has the ability to significantly influence the operations of the DDA. The DDA is not separately audited. A complete financial statement of the DDA can be obtained from the Village Manager.

Jointly Governed Organization

North Houghton County Water and Sewage Authority

The North Houghton County Water and Sewage Authority (the “Authority”) was formed in 1983 for the purpose of constructing and making improvements to wastewater collection, transmission, and treatment facilities within the service area of the Authority. It operates under a seven-member board consisting of two members from the Village of Laurium, one member from Osceola Township, one member from the Village of Calumet and three members from the Charter Township of Calumet. The Authority’s board has control over its own budgeting and financing obligations. All of the financial operations of the Authority are recorded in the records of the Authority. It is expected that the revenues generated from the authority system users will be

Village of Calumet

Notes to the Financial Statements

adequate to operate the sewage system and pay back any related construction debt and interest of the Authority. The Authority is separately audited and separately audited financial statements are available from the Authority at the following contact:

Mr. Paul Lehto, Chairman
25880 Red Jacket Road
Calumet, MI 49913

Related Organization

Calumet Housing Commission

The Calumet Housing Commission (the “Commission”) is a related organization formed by the Village of Calumet under Public Act 18 of 1933 of the State of Michigan. The Commission operates under a Board of Commissioners appointed by the Village. The Commission is excluded from the financial statements as the Village’s accountability does not extend beyond making board appointments. The Village has no other influence over management, budget, or policies of the Commission. The Commission manages 98 units of low-rent public housing units. The Commission is separately audited and separately audited financial statements are available from the Commission at the following contact:

Gail Perala, Executive Director
1 Park Avenue
Calumet, MI 49913

Or phone at (906) 337-0005.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues. The primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

Village of Calumet

Notes to the Financial Statements

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Property taxes, intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

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

The ***major streets fund*** accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.

The ***municipal streets fund*** accounts for the resources of property taxes and other revenues earmarked for use on municipal streets.

The ***public improvement fund*** accounts for the resources received to help improve the Village and its facilities.

Village of Calumet

Notes to the Financial Statements

Additionally, the government reports the following fund types:

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

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Assets, Liabilities, and Equity

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and certificates of deposit.

State law limits investments to specific government securities, certificates of deposit, and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The Village's investment policy does not have specific limits in excess of state law pertaining to investment credit risk.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts outstanding at year-end were identified by as being uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities columns in the

Village of Calumet

Notes to the Financial Statements

government-wide financial statements. Capital assets are defined by the Village as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost if purchased or constructed. For infrastructure assets, the same estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$50,000 are reported as capital assets. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

	<u>Years</u>
Buildings and Site Improvements	40 - 60
Water Lines	35 - 80
Infrastructure	15 - 30
Machinery and Equipment	5 - 25
Vehicles	5 - 25
Office Equipment and Furnishings	10 - 15

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

Unearned Revenues

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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 expensed in the period incurred.

Village of Calumet

Notes to the Financial Statements

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Net Position Flow Assumption

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

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Village Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once

Village of Calumet

Notes to the Financial Statements

adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

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

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

Property Tax Revenue Recognition

The Village's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 15; at which time penalties and interest are assessed and unpaid real property taxes are turned over to Houghton County.

The 2021 taxable valuation of the Village was \$9,012,907. The Village's tax rates for the fiscal year was 10.0939 mills and 2.8919 mills for general operating, 1.7000 for waste collection, and 4.0371 for municipal streets. These amounts are recognized in the respected general and special revenue funds as tax revenue.

No tax abatements were provided to property taxpayers which would require disclosure in accordance with GASB Statement No. 77, *Tax Abatement Disclosures*.

Interfund Transactions

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

Village of Calumet

Notes to the Financial Statements

Use of Estimates

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

Budgetary and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the grant fund. The grant fund does not have an appropriated budget since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e. The level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrance accounting is not utilized by the Village.

Note 2 - Excess of Expenditures over Budget

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. The Village had the following expenditures in excess of the amounts appropriated during the year ended February 28, 2022:

	Final Budgeted Amount	Actual Amount	Negative Variance
General fund			
General government	\$ 197,000	\$ 302,835	\$ (105,835)
Public works	241,000	418,957	(177,957)
Transfers out	22,328	26,760	(4,432)

Village of Calumet

Notes to the Financial Statements

Note 3 - Cash and Cash Equivalents

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

	Primary Government	Component Unit - DDA	Total
Statement of Net Position			
Cash and investments	\$ 463,274	\$ 64,654	\$ 527,928
Cash on Hand			\$ 184
Checking Accounts			466,357
Money Market / Savings			61,387
Total Cash and Investments			\$ 527,928

These deposits are held in two financial institutions located in Michigan. All accounts are in the name of the Village and a specific fund or common account. Deposits and investments are recorded in Village records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits might not be returned. State law does not require, and the Village does not have, a policy for deposit custodial credit risk. As of year-end, \$219,037 of the Villages bank balance of \$529,753 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Village believes it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Village of Calumet

Notes to the Financial Statements

Note 4 - Capital Assets

Capital asset activities for governmental activities for the year ended February 28, 2022 were as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not Being Depreciated:				
Land	\$ 115,115	\$ -	\$ (30,000)	\$ 85,115
Historical Treasure	48,000	-	-	48,000
<i>Subtotal</i>	<u>163,115</u>	<u>-</u>	<u>(30,000)</u>	<u>133,115</u>
Capital Assets Being Depreciated:				
Buildings and Site Improvements	235,027	-	-	235,027
Machinery and Equipment	661,468	36,995	(127,670)	570,793
Vehicles	210,397	-	-	210,397
Water Lines	360,402	-	-	360,402
Infrastructure	2,519,784	-	-	2,519,784
<i>Subtotal</i>	<u>3,987,078</u>	<u>36,995</u>	<u>(127,670)</u>	<u>3,896,403</u>
Less Accumulated Depreciation for:				
Buildings and Site Improvements	(134,395)	(4,350)	-	(138,745)
Machinery and Equipment	(447,690)	(21,851)	124,340	(345,201)
Vehicles	(52,121)	(17,719)	-	(69,840)
Water Lines	(172,707)	(7,208)	-	(179,915)
Infrastructure	(502,211)	(116,322)	-	(618,533)
<i>Subtotal</i>	<u>(1,309,124)</u>	<u>(167,450)</u>	<u>124,340</u>	<u>(1,352,234)</u>
Capital Assets Being Depreciated, Net	<u>2,677,954</u>	<u>(130,455)</u>	<u>(3,330)</u>	<u>2,544,169</u>
Capital Assets, Net	<u>\$ 2,841,069</u>	<u>\$ (130,455)</u>	<u>\$ (33,330)</u>	<u>\$ 2,677,284</u>

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

General Government	\$ 1,770
Public Safety	16,209
Public Works	145,805
Recreation and Culture	3,666
Total	<u>\$ 167,450</u>

Village of Calumet

Notes to the Financial Statements

Capital asset activities for the discretely-presented component unit, the Downtown Development Authority, for the year ended February 28, 2022 were as follows:

Component Unit - DDA	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not Being Depreciated:				
Land/Historical Treasure	\$ 30,000	\$ -	\$ (30,000)	\$ -

Note 5 - Interfund and Inter-governmental Activity

Interfund Activity

The composition of interfund transfers for the year ended February 28, 2022 was as follows:

Transfer In	Transfer Out	Amount
Nonmajor governmental funds	General fund	\$ 26,760

Interfund transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The composition of interfund balances for the year ended February 28, 2022 were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 38,720
General Fund	Major Streets	21,717
General Fund	Public Improvement	36,098
Municipal Streets	General Fund	62,182
Nonmajor governmental funds	General Fund	26,074

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.

Inter-governmental Activity

In addition, the Village has \$27,077 due to the Downtown Development Authority, a discretely-presented component unit.

Village of Calumet

Notes to the Financial Statements

Note 6 - Long-term Obligations

Long-term obligations activity for the year ended February 28, 2022 was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Installment Loan - Direct Placement - Used to purchase a grader with monthly installments of \$982 at 2.25%, maturity in October 2026.	\$ 62,618	\$ -	\$ (10,471)	\$ 52,147	\$ 10,712

The annual requirements, excluding accrued employee benefits and unamortized discounts, to maturity on the primary government's long-term debt obligations outstanding at February 28, 2022 are as follows:

Governmental Activities			
	Principal	Interest	Total
2023	\$ 10,712	\$ 1,078	\$ 11,790
2024	10,960	830	11,790
2025	11,210	580	11,790
2026	11,471	319	11,790
2027	7,794	66	7,860
Totals	\$ 52,147	\$ 2,873	\$ 55,020

Note 7 - Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees (workers' compensation); and natural disasters. During the year ended February 28, 2022, the Village carried commercial insurance to cover all risks of loss. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. There was no significant change in coverage during the year.

Note 8 - Leases

The water line lease and operating agreement between the Village of Calumet, Michigan and Michigan-American Water Company is dated October 1, 1983. Annual rental is based on 10% of the net revenue generated by Michigan-American Water Company from the government's residents. This rental income is recorded in the general fund and amounts to \$19,479 for the year ended February 28, 2022.

Village of Calumet

Notes to the Financial Statements

Note 9 - Subsequent Events

The Village's upcoming revenues and expenditures include an estimated \$71,907 of American Rescue Plan Act funds which are available to the Village for expenditure for general government and infrastructure projects through 2024.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Calumet
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended February 28, 2022

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property taxes	\$ 110,000	\$ 110,000	\$ 112,943	\$ 2,943
Licenses and permits	11,000	11,000	9,247	(1,753)
Intergovernmental revenues	105,200	105,200	130,025	24,825
Charges for services	51,000	51,000	44,314	(6,686)
Fines and forfeits	200	200	2,108	1,908
Reimbursements	225,000	225,000	388,802	163,802
Other revenue	31,400	31,400	61,743	30,343
Interest income	1	1	1	--
Total Revenues	533,801	533,801	749,183	215,382
Expenditures				
General government	171,000	197,000	302,835	(105,835)
Public safety	66,500	66,500	40,613	25,887
Public works	205,000	241,000	418,957	(177,957)
Community and economic development	--	12,000	7,461	4,539
Recreation and culture	5,000	42,000	8,890	33,110
Total Expenditures	447,500	558,500	778,756	(220,256)
Other Financing Uses				
Transfers out	--	22,328	26,760	(4,432)
Total Expenditures and Other Financing Uses	447,500	580,828	805,516	(224,688)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	86,301	(47,027)	(56,333)	(9,306)
Net Change in Fund Balance	86,301	(47,027)	(56,333)	(9,306)
Fund Balance at Beginning of Period	86,789	86,789	86,789	--
Fund Balance at End of Period	\$ 173,090	\$ 39,762	\$ 30,456	\$ (9,306)

Village of Calumet
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Major Streets
For the Year Ended February 28, 2022

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Intergovernmental revenues	\$ 151,500	\$ 151,500	\$ 136,323	\$ (15,177)
Total Revenues	151,500	151,500	136,323	(15,177)
Other Financing Sources				
Transfers in	20,000	20,000	--	(20,000)
Total Revenues and Other Financing Sources	171,500	171,500	136,323	(35,177)
Expenditures				
Public works	229,700	239,300	142,326	96,974
Total Expenditures	229,700	239,300	142,326	96,974
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(58,200)	(67,800)	(6,003)	61,797
Net Change in Fund Balance	(58,200)	(67,800)	(6,003)	61,797
<i>Fund Balance at Beginning of Period</i>	155,594	155,594	155,594	--
Fund Balance at End of Period	\$ 97,394	\$ 87,794	\$ 149,591	\$ 61,797

Village of Calumet
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Municipal Streets
For the Year Ended February 28, 2022

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property taxes	\$ 28,000	\$ 28,000	\$ 28,468	\$ 468
Intergovernmental revenues	15,000	15,000	10,701	(4,299)
Charges for services	6,800	6,800	--	(6,800)
Total Revenues	49,800	49,800	39,169	(10,631)
Expenditures				
Public works	7,150	10,650	6,396	4,254
Community and economic development	--	8,000	--	8,000
Total Expenditures	7,150	18,650	6,396	12,254
Other Financing Uses				
Transfers out	20,000	20,000	--	20,000
Total Expenditures and Other Financing Uses	27,150	38,650	6,396	32,254
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	22,650	11,150	32,773	21,623
Net Change in Fund Balance	22,650	11,150	32,773	21,623
Fund Balance at Beginning of Period	73,304	73,304	73,304	--
Fund Balance at End of Period	\$ 95,954	\$ 84,454	\$ 106,077	\$ 21,623

Village of Calumet
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Public Improvement
For the Year Ended February 28, 2022

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
<i>Total Revenues</i>	--	--	--	--
Expenditures				
Public works	\$ 200	\$ 200	\$ 173	\$ 27
<i>Total Expenditures</i>	200	200	173	27
<i>Excess (Deficiency) of Revenues Over Expenditures</i>	(200)	(200)	(173)	27
<i>Net Change in Fund Balance</i>	(200)	(200)	(173)	27
<i>Fund Balance at Beginning of Period</i>	1,188	1,188	1,188	--
<i>Fund Balance at End of Period</i>	\$ 988	\$ 988	\$ 1,015	\$ 27

Other Supplementary Information

**Village of Calumet
Combining Balance Sheet
Nonmajor Governmental Funds
February 28, 2022**

	Special Revenue						Debt Service	Capital Projects	Total Nonmajor Governmental Funds
	Historic District	Local Streets	Revolving Loan Fund	Sanitation Fund	Fire Museum	Water Fund	Debt Service	Grant Fund	
ASSETS									
Cash and investments	\$ 7,286	\$ 38,932	\$ 6,790	\$ 10,577	\$ 10,673	\$ 43,303	\$ 74	\$ 12,362	\$ 129,997
Intergovernmental receivables	--	6,330	--	--	--	--	--	14,926	21,256
Due from component unit	--	--	--	530	--	--	--	--	530
Due from other funds	--	--	--	26,074	--	--	--	--	26,074
Total Assets	\$ 7,286	\$ 45,262	\$ 6,790	\$ 37,181	\$ 10,673	\$ 43,303	\$ 74	\$ 27,288	\$ 177,857
LIABILITIES									
Accounts payable	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 14,926	\$ 14,926
Payroll liabilities	--	592	--	--	--	--	--	--	592
Due to component unit	--	--	--	2,988	--	--	--	--	2,988
Unearned revenue	--	--	--	--	10,671	--	--	--	10,671
Due to other funds	--	10,093	--	28,627	--	--	--	--	38,720
Total Liabilities	--	10,685	--	31,615	10,671	--	--	14,926	67,897
FUND BALANCE									
Restricted	7,286	34,577	--	5,566	2	43,303	74	--	90,808
Committed	--	--	6,790	--	--	--	--	12,362	19,152
Total Fund Balance	7,286	34,577	6,790	5,566	2	43,303	74	12,362	109,960
Total Liabilities and Fund Balance	\$ 7,286	\$ 45,262	\$ 6,790	\$ 37,181	\$ 10,673	\$ 43,303	\$ 74	\$ 27,288	\$ 177,857

Village of Calumet
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended February 28, 2022

	Special Revenue						Debt Service	Capital Projects	Total Nonmajor Governmental
	Historic District	Local Streets	Revolving Loan Fund	Sanitation Fund	Fire Museum	Water Fund	Debt Service	Grant Fund	Funds
Revenues									
Property taxes	\$ --	\$ --	\$ --	\$ 11,987	\$ --	\$ --	\$ --	\$ --	\$ 11,987
Licenses and permits	60	--	--	--	--	--	--	--	60
Intergovernmental revenues	11,000	31,681	--	--	--	--	8,842	64,058	115,581
Charges for services	--	--	--	--	--	19,479	--	--	19,479
Interest income	--	--	3	--	2	11	--	--	16
Total Revenues	11,060	31,681	3	11,987	2	19,490	8,842	64,058	147,123
Expenditures									
General government	--	--	42	--	--	--	--	--	42
Public works	--	33,608	--	9,498	--	--	--	--	43,106
Recreation and culture	8,655	--	--	--	--	--	--	--	8,655
Debt service - principal	--	--	--	--	--	--	10,471	--	10,471
Debt service - interest	--	--	--	--	--	--	1,353	--	1,353
Capital outlay	--	--	--	--	--	--	--	71,927	71,927
Total Expenditures	8,655	33,608	42	9,498	--	--	11,824	71,927	135,554
Excess of Revenues Over (Under) Expenditures	2,405	(1,927)	(39)	2,489	2	19,490	(2,982)	(7,869)	11,569
Other Financing Sources (Uses)									
Transfers in	--	--	--	--	--	23,813	2,947	--	26,760
Net Other Financing Sources (Uses)	--	--	--	--	--	23,813	2,947	--	26,760
Net Change in Fund Balance	2,405	(1,927)	(39)	2,489	2	43,303	(35)	(7,869)	38,329
Fund Balance at Beginning of Period	4,881	36,504	6,829	3,077	--	--	109	20,231	71,631
Fund Balance at End of Period	\$ 7,286	\$ 34,577	\$ 6,790	\$ 5,566	\$ 2	\$ 43,303	\$ 74	\$ 12,362	\$ 109,960

August 15, 2022

To the Members of the Village Council
Village of Calumet, Michigan

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Calumet (the “Village”) for the year ended February 28, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing 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 May 27, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

Management’s estimate of the useful lives of depreciable assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors and assumptions used to develop the management’s estimate of the useful lives of depreciable assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 15, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 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 management's discussion and analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we

obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village as of and for the year ended February 28, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we have identified a deficiency in internal control that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis.

We consider the following deficiency to be a material weakness:

Preparation of Governmental Financial Statements and Material Audit Adjustments

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of

financial statements in accordance with GAAP requires internal controls over both 1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records), and 2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition/Finding: As is the case with many smaller and medium sized entities, the Village has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Village's internal controls. Additionally, we identified and proposed several material audit adjustments that management reviewed and approved.

Cause: This condition was caused by the Village's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Village to perform this task internally.

Effect: As a result of this condition, the Village lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, at least in part, on its external auditors for assistance with this task.

View of Responsible Officials: The Village Board has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interest of the Village to outsource this task to its external auditors and to carefully review, approve, and accept responsibility for all nonattest work performed by the external auditors.

We consider the following deficiencies to be significant deficiencies:

Lack of Segregation of Incompatible Duties

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the Village. A key element of internal control is the segregation of incompatible duties within the accounting function.

Condition/Finding: The Village has accounting functions which are performed by the same individual and are not subject to a documented independent review and

approval. These areas include payroll, cash receipts, and accounts payable transactions.

Cause: This condition is a result of the limited size of the Village's accounting staff.

Effect: As a result of this condition, the Village is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected and corrected by management on a timely basis.

Recommendation: While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

Response: The Village concurs with this finding. The Village will require appropriate sign-offs of a second responsible person for key accounting functions.

Restriction on Use

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

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, Michigan

Village of Calumet
Comments and Recommendations
For the February 28, 2022 Audit

During our audit, we became aware of certain other matters that are opportunities for strengthening internal control and/or improving operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. This memorandum does not affect our report dated August 15, 2022 on the financial statements of the Village of Calumet (the “Village”).

The following items represent our recommendations and considerations for further improvement:

Accounting Software

The Village uses an “off-the-shelf” accounting software which isn’t capable of handling the reporting nuances of local units of government with multiple funds. We recommend the Village look into utilizing a more appropriate accounting software that is suited to their needs. Advantages of utilizing an accounting software package designed for local units of government include:

- Pooling of cash, allowing the Village to reduce the number of it’s bank accounts from 14 to one, simplifying the Village’s banking relationship.
- Expenditures can be posted directly to the funds (in particular for payroll) eliminating the need for the general fund to pay an inordinately large share of the Village’s total expenditures and then be reimbursed from the underlying funds receiving the benefit.
- Revenues can be recorded into the correct fund, rather than being posted into the general fund and then transferred to the proper fund intended to receive the revenue.
- Bank account reconciliations would be simplified.
 - The Village’s bank balances could be combined into one single bank account which would require one monthly reconciliation, rather than 14 monthly reconciliations.
 - Fewer (perhaps none) interfund reimbursements and transfers would be required on a monthly basis reducing the number of transactions to reconcile.
- Journal entries required to record interfund transfers, reimbursements, and other allocations of activities would no longer be required.
- Financial statements would be available to provide better monitoring of the Village’s financial position during interim reporting periods. Available reports include:
 - Budget to actual reports by fund and department
 - Fund balance sheets

- One database would be required for all funds, rather than navigating through the 12 data files (one for each fund) currently in place.
- Compliance is more efficiently achieved.
 - Chart of accounts can be standardized across all funds in a manner consistent with Treasury’s Uniform Chart of Accounts.
 - Budget to actual reports are more informative (sorted by department) allowing for improved monitoring and adherence to the Uniform Budget Act.

Budget Reporting

The Village currently reports the expenditures in their general fund budget at the activity level, however, multiple activities are grouped into the general government function. The Uniform Budget Manual requires that the general fund adopt an annual budget at the activity (department) level and that all other special revenue funds adopt annual budgets at the functional level. We recommend that the Village review its charts of accounts to ensure that all activities are broken out into their respective “departments” and that the budget reflect the amounts appropriated per activity within its general fund.

Uniform Chart of Accounts

The Village’s chart of accounts does not align with the current version of the Michigan Department of Treasury’s (“Treasury”) Uniform Chart of Accounts. Treasury has released a new Uniform Chart of and the Village will need to be in compliance with the new version when the effective date becomes official. The Village must be in compliance by their fiscal year end 2/28/2023. We recommend the Village to begin the process of updating its chart of accounts to comply with what will eventually be required by Treasury.