

FINANCIAL STATEMENTS
VILLAGE OF CALUMET, MICHIGAN
HOUGHTON COUNTY
February 28, 2018

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FINANCIAL STATEMENTS

VILLAGE OF CALUMET, MICHIGAN
Houghton County

February 28, 2018

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August 29, 2018

To the Village Council
Village of Calumet, Michigan

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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, Michigan as of and for the year ended February 28, 2018, and the related notes to the financial statements, which collectively comprise the Village of Calumet's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Governmental Activities

Management has not included the Volunteer Firemen's Fund in the Village of Calumet, Michigan's financial statements. Accounting principles generally accepted in the United States of America require that the Volunteer Firemen's Fund be presented as a special revenue fund and financial information about the Volunteer Firemen's Fund be a part of the government-type activities, thus increasing that activity's assets, liabilities, revenues, expenditures, and changing its net position. The amount by which this departure would affect the assets, liabilities, net position, revenues, and expenditures of the government-type activities has not been determined.

Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Calumet, Michigan, as of February 28, 2018 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information as identified in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Calumet's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2018 on our consideration of the Village of Calumet, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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 Calumet, Michigan's internal control over financial reporting and compliance.



Certified Public Accountant, PLC
Houghton, Michigan

VILLAGE OF CALUMET, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
For the year ended February 28, 2018

As management of the Village of Calumet, Michigan (Village), 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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$1,528,066 (*net position*). Of this amount, \$261,143 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total net position increased \$66,387.
- At the close of the current fiscal year, the Village's governmental funds reported combined fund balances of \$359,261, an increase of \$82,505 in comparison with the prior year. Approximately 69.3% of this amount (\$248,825) is available for spending at the Village's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned, and unassigned* components of fund balance) for the general fund was \$248,825, or approximately 49.6% of total general fund expenditures.
- The Village's total outstanding long-term debt decreased by \$9,564 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are 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, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government, public safety, public works, highways and streets, sanitation, recreation and culture, and community projects. The Village has no business-type activities.

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The government-wide financial statements include not only the Village of Calumet, Michigan itself (known as the *primary government*), but also a legally separate Downtown Development Authority for which the Village is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 10 and 11 of this report.

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, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village are 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 requirement.

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 ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund, the major street fund, the local street fund, the sanitation fund and the water fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining fund statements section of this report.

The Village adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

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. The notes to the financial statements can be found on pages 16-26 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that explains and supports the information presented in the financial statements. This information can be found on pages 28-31 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 33 and 34 of this report.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, over time, net position may serve as a useful indicator of a government's financial position. In the case of the Village, assets exceed liabilities by \$1,528,066 at the close of the most recent fiscal year.

Table 1

Village of Calumet Michigan's Net Position

	Governmental Activities	
	February 28, 2018	February 29, 2016
Current and other assets	\$ 424,555	\$ 318,608
Capital assets	<u>1,266,346</u>	<u>1,305,731</u>
Total assets	<u>\$ 1,690,901</u>	<u>\$ 1,624,339</u>
Long-term liabilities	\$ 93,408	\$ 109,225
Other liabilities	<u>69,427</u>	<u>75,942</u>
Total liabilities	<u>\$ 162,835</u>	<u>\$ 185,167</u>
Net position:		
Invested in capital assets, net of related debt	\$ 1,173,738	\$ 1,208,528
Restricted	93,185	47,624
Unrestricted	<u>261,143</u>	<u>183,020</u>
Total net position	<u>\$ 1,528,066</u>	<u>\$ 1,439,172</u>

A large portion of the Village's net position (76.8%) reflects its investment in capital assets (e.g. land, historic treasure, buildings, machinery and equipment, vehicles, water lines and infrastructure), less any related outstanding debt used to acquire those assets. The Village uses these capital assets to provide 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. Comparative information is shown for February 29, 2016 as the Village did not prepare government-wide financial statements for February 28, 2017.

Table 2
Village of Calumet's Changes in Net Position
February 28, 2018

	Governmental Activities	
	February 28, 2018	February 29, 2016
Revenues:		
Program revenues:		
Charges for services	\$ 92,171	\$ 92,250
Operating grants and contributions	221,023	198,650
Capital grants and contributions	133,456	154,987
General revenues:		
Property taxes	162,398	159,168
State-shared revenues	116,644	96,670
Unrestricted investment earnings	67	155
Transfers with component unit	29,542	54,873
Total revenues	\$ 755,301	\$ 756,753
Expenses:		
General government	\$ 114,456	\$ 185,560
Public safety	130,503	118,134
Public works	172,903	122,428
Highway & streets	85,324	80,153
Sanitation	65,719	51,007
Parks & recreation	31,955	56,536
Community projects	85,838	3,065
Interest	2,216	3,925
Total expenses	\$ 688,914	\$ 620,808
Change in net position	\$ 66,387	\$ 135,945
Net position - beginning of year	1,461,679	1,303,227
Net position - end of year	\$ 1,528,066	\$ 1,439,172

GOVERNMENTAL ACTIVITIES

Property taxes are a major source of revenue. The Village's operating millage in FY 2018 was 20.109.

A significant portion of the revenues for all governmental activities of the Village comes from Operating Grants & Contributions. This figure includes Michigan Transportation Fund (Act 51) money for the Major and Local Street Funds. The FY 2018 Act 51 funding was up 11.3% from FY 2016 due to an increase in Extra Snowfall funds received.

State shared revenue is collected by the State of Michigan and distributed to local governments formula allocation of portions of the state sales tax. In FY 2018, the amount of state shared revenue was up 20.7% compared to FY 2016.

Highways and streets and public works account for a significant portion of the Village's activities. This is due to heavy snow removal activities, and includes maintenance support activities for snow removal operations. The general government portion represents village hall activities. Public safety expenses include police and fire department operations.

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 spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balance of \$359,261. Approximately 69.3% of this total amount (\$248,825) constitutes unassigned fund balance, which is available for spending at the Village's discretion. The remainder of fund balance is either *non-spendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form (\$17,251), 2) legally required to be maintained intact, 3) restricted for particular purposes (\$84,776), 4) committed for particular purposes (\$8,409), or 5) assigned for particular purposes.

The general fund is the chief operating fund of the Village. At the end of the fiscal year, unassigned fund balance of the general fund was \$248,825, while total fund balance was \$258,489. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance is 49.6% of total general fund expenditures, while total fund balance represents 51.5% of that same amount.

The fund balance of the Village's general fund did decrease by \$40,284 during the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year there was a \$229,700 change in appropriations between the original and final amended budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The Village had \$1,266,346 invested in capital assets including police and fire equipment, buildings, park facilities, roads, and water. The decrease in capital assets is due to depreciation.

Table 3

Capital Assets at Year-end
Net of Accumulated Depreciation
February 28,

	Total	
	2018	2016
Land and Historical Treasure	\$ 129,115	\$ 126,115
Buildings and Improvements	73,569	44,985
Improvements	208,217	220,430
Equipment	295,623	300,010
Infrastructure	559,822	614,191
	<u>\$ 1,266,346</u>	<u>\$ 1,305,731</u>

Debt - On February 28, 2018, the Village had \$102,173 in bonds, notes, and contracts outstanding.

Table 4

Outstanding Debt at Year End
Bonds and Notes Payable
February 28,

	Total	
	2018	2016
Revenue bonds	\$ -	\$ 15,000
Installment purchase contracts	<u>102,173</u>	<u>82,203</u>
Total	<u>\$ 102,173</u>	<u>\$ 97,203</u>

CONTACTING THE VILLAGE OF CALUMET, MICHIGAN MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have questions regarding this report or need additional information regarding the money entrusted to the Village, please feel free to contact the Village of Calumet, MI 49913.

BASIC FINANCIAL STATEMENTS

VILLAGE OF CALUMET, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET POSITION
February 28, 2018

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>DDA</u>
<u>ASSETS</u>		
Cash	\$ 237,962	\$ 37,916
Accounts receivable	50,237	5
Intergovernmental receivable	119,105	-
Due from primary government	-	34,536
Inventories & assets held for resale	16,068	10,002
Prepaid items	1,183	-
Capital assets not being depreciated	129,115	30,000
Capital assets net of accumulated depreciation	<u>1,137,231</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,690,901</u>	<u>\$ 112,459</u>
<u>LIABILITIES</u>		
Accounts payable & other accrued liabilities	\$ 24,955	\$ -
Accrued interest payable	148	-
Due to component unit	34,536	-
Unearned revenues	-	5
Noncurrent liabilities:		
Due within one year	9,788	-
Due in more than one year	<u>93,408</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 162,835</u>	<u>\$ 5</u>
<u>NET POSITION</u>		
Investment in capital assets, net of related debt	\$ 1,173,738	\$ 30,000
Restricted:		
Historic preservation	12,619	-
Highways & streets	63,214	-
Debt service	59	-
Sanitation	8,884	-
Community projects	8,409	82,454
Unrestricted	<u>261,143</u>	<u>-</u>
TOTAL NET POSITION	<u>\$ 1,528,066</u>	<u>\$ 112,454</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF CALUMET, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended February 28, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Primary Government:				
Governmental activities:				
General government	\$ 114,456	\$ 9,361	\$ 12,500	\$ -
Public safety	130,503	9,321	3,450	-
Public works	172,903	47,538	-	-
Highway & streets	85,324	-	205,073	-
Sanitation	65,719	25,951	-	-
Parks & recreation	31,955	-	-	47,618
Community projects	85,838	-	-	85,838
Interest	2,216	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 688,914	\$ 92,171	\$ 221,023	\$ 133,456
Component Unit - DDA	\$ 51,405	\$ -	\$ 40,947	\$ -
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Transfers with component units				
Total general revenues and transfers				
Change in net position				
Net position - beginning of year				
Net position - end of year				

Net (Expense) Revenue and Changes in Net Position

<u>Primary Government Government Activities</u>	<u>Component Unit DDA</u>
(\$ 92,595)	
(117,732)	
(125,365)	
119,749	
(39,768)	
15,663	
-	
(2,216)	
(\$ 242,264)	
\$ -	(\$ 10,458)
\$ 162,398	\$ 57,346
116,644	-
67	7
29,542	(29,542)
\$ 308,651	\$ 27,811
\$ 66,387	\$ 17,353
\$ 1,461,679	\$ 95,101
\$ 1,528,066	\$ 112,454

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF CALUMET, MICHIGAN

GOVERNMENTAL FUNDS
BALANCE SHEET
February 28, 2018

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Sanitation</u>	<u>Grant</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>ASSETS</u>							
Cash	\$ 79,474	\$ 69,617	\$ 19,277	\$ 43,313	\$ 3	\$ 26,278	\$ 237,962
Taxes receivable	85	-	-	16	-	26	127
Accounts receivable	33,739	-	-	16,371	-	-	50,110
Due from other funds	189,287	-	-	-	-	12,000	201,287
Intergovernmental receivables	8,397	97,243	13,465	-	-	-	119,105
Inventories	-	-	-	-	-	16,068	16,068
Prepaid items	1,183	-	-	-	-	-	1,183
TOTAL ASSETS	<u>\$ 312,165</u>	<u>\$166,860</u>	<u>\$ 32,742</u>	<u>\$ 59,700</u>	<u>\$ 3</u>	<u>\$ 54,372</u>	<u>\$ 625,842</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>							
<u>LIABILITIES</u>							
Accounts payable	\$ 12,684	\$ -	\$ -	\$ 3,851	\$ -	\$ 250	\$ 16,785
Accrued liabilities	5,843	2,136	191	-	-	-	8,170
Due to other funds	12,000	129,191	23,125	36,971	-	-	201,287
Due to component unit	23,064	-	-	4,302	-	7,170	34,536
TOTAL LIABILITIES	<u>\$ 53,591</u>	<u>\$131,327</u>	<u>\$ 23,316</u>	<u>\$ 45,124</u>	<u>\$ -</u>	<u>\$ 7,420</u>	<u>\$ 260,778</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Unavailable revenue - property taxes and other	\$ 85	\$ -	\$ -	\$ 5,692	\$ -	\$ 26	\$ 5,803
<u>FUND BALANCES</u>							
Nonspendable:							
Inventories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,068	\$ 16,068
Prepaid items	1,183	-	-	-	-	-	1,183
Restricted:							
Historic preservation	8,481	-	-	-	-	4,138	12,619
Highways & street	-	35,533	9,426	-	-	18,255	63,214
Sanitation	-	-	-	8,884	-	-	8,884
Debt service	-	-	-	-	-	59	59
Committed:							
Public improvement	-	-	-	-	3	8,406	8,409
Unassigned	248,825	-	-	-	-	-	248,825
TOTAL FUND BALANCES	<u>\$ 258,489</u>	<u>\$ 35,533</u>	<u>\$ 9,426</u>	<u>\$ 8,884</u>	<u>\$ 3</u>	<u>\$ 46,926</u>	<u>\$ 359,261</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 312,165</u>	<u>\$166,860</u>	<u>\$ 32,742</u>	<u>\$ 59,700</u>	<u>\$ 3</u>	<u>\$ 54,372</u>	<u>\$ 625,842</u>

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF CALUMET, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
February 28, 2018

Total fund balance - total governmental funds		\$ 359,261
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		1,266,346
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		5,803
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds & loan payable	\$ 92,608	
Accrued interest	148	
Compensated absences	<u>10,588</u>	(<u>103,344</u>)
Net position of governmental activities		<u>\$ 1,528,066</u>

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF CALUMET, MICHIGAN

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year ended February 28, 2018

	General	Major Street	Local Street	Sanitation	Grant	Nonmajor Governmental Funds	Total
<u>REVENUES</u>							
Property taxes	\$ 114,672	\$ -	\$ -	\$ 17,898	\$ -	\$ 29,837	\$ 162,407
Licenses & permits	9,588	-	-	-	-	-	9,588
Intergovernmental:							
Federal	37,500	-	-	-	85,838	-	123,338
State	116,644	163,895	29,036	-	-	-	309,575
County	-	-	-	-	-	10,142	10,142
Charges for services	56,552	-	-	25,935	-	80	82,567
Fines & forfeits	346	-	-	-	-	-	346
Interest & rents	171,063	49	5	7	-	13	171,137
Other revenue	54,363	2,000	-	-	-	4,701	61,064
TOTAL REVENUES	\$ 560,728	\$165,944	\$ 29,041	\$ 43,840	\$ 85,838	\$ 44,773	\$ 930,164
<u>EXPENDITURES</u>							
Current:							
General government	\$ 94,631	\$ -	\$ -	\$ -	\$ -	\$ 2,595	\$ 97,226
Public safety	114,334	-	-	-	-	-	114,334
Highways & streets	-	168,227	34,651	-	-	6,312	209,190
Public works	153,149	-	-	-	-	-	153,149
Sanitation	-	-	-	65,719	-	-	65,719
Parks and recreation	30,019	-	-	-	-	-	30,019
Community projects	-	-	-	-	85,838	-	85,838
Other	71,013	-	-	-	-	-	71,013
Debt service:							
Principal	-	-	-	-	-	9,564	9,564
Interest	-	-	-	-	-	2,225	2,225
Capital outlay	38,924	-	-	-	-	-	38,924
TOTAL EXPENDITURES	\$ 502,070	\$168,227	\$ 34,651	\$ 65,719	\$ 85,838	\$ 20,696	\$ 877,201
Excess (deficiency) of revenues over expenditures	\$ 58,658	(\$ 2,283)	(\$ 5,610)	(\$ 21,879)	\$ -	\$ 24,077	\$ 52,963
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers in	\$ 7,200	\$ 98,000	\$ 19,100	\$ 35,000	\$ -	\$ 16,384	\$ 175,684
Transfers out	106,142	-	-	-	-	40,000	146,142
TOTAL OTHER FINANCING SOURCES (USES)	(\$ 98,942)	\$ 98,000	\$ 19,100	\$ 35,000	\$ -	(\$ 23,616)	\$ 29,542
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(\$ 40,284)	\$ 95,717	\$ 13,490	\$ 13,121	\$ -	\$ 461	\$ 82,505
Fund balances, beginning of year	\$ 298,773	(\$ 60,184)	(\$ 4,064)	(\$ 4,237)	\$ 3	\$ 46,465	\$ 276,756
Fund balances, end of year	\$ 258,489	\$ 35,533	\$ 9,426	\$ 8,884	\$ 3	\$ 46,926	\$ 359,261

The accompanying notes to financial statements
are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
February 28, 2018

Net change in fund balances - total governmental funds		\$ 82,505
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		(27,132)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		9,564
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	\$ 1,434	
Accrued interest	<u>9</u>	1,443
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		<u>7</u>
Change in net position of governmental activities.		<u>\$ 66,387</u>

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF CALUMET, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
For the year ended February 28, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Calumet conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

1. Description of Government-Wide 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 unit. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is financially accountable. The government has no business-type activities to report.

2. Reporting Entity

The Village of Calumet, Michigan (government) was incorporated in 1875. The government is governed by an elected seven-member governing council (council) consisting of a president and six trustees. The government provides services to its residents in many areas including law enforcement, fire protection, street maintenance, sanitation, recreation and community enrichment. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the financial data of the Downtown Development Authority (DDA) established in 1992 by the government under provisions of Act 197, P.A. of 1975 as amended (MCL 125.1651). It is governed by a nine member board appointed by the government's governing council. The DDA adopted a development and tax increment financing plan in 1992 to provide tax increment revenues to pay for improvements within the DDA district. The DDA is presented as a governmental fund type. Complete financial statements of the component unit may be obtained from the government's office.

Other

An association which meets certain criteria for including its financial activity in the government's basic financial statements is the Volunteer Firemen's Fund. Since the Volunteer Firemen's Fund is not a separate legal entity, and money raised thereof is done in the name of the government, the financial activity of the fund should be a part of the government reporting entity.

3. 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. Separate financial statements are provided for the governmental funds.

As discussed earlier, the government has one discretely presented component unit. While it is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED4. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

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

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

The Local Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

The Sanitation Fund accounts for the activities of the government's garbage operations.

Additionally, the government reports the following nonmajor governmental funds: Grant, Municipal Street, Revolving Loan, Historic District Commission, Public Improvement and Debt Service.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from 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 (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental 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, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

5. 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

The 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, when applicable, 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 leases are reported as other financing sources.

Property taxes, state-shared revenue, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

6. Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all the 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 government.

Excess of Expenditures Over Appropriations

For the year ended February 28, 2018, expenditures did not exceed appropriations in any funds.

7. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The government did not have any short-term investments at February 28, 2018.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED
ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES,
AND NET POSITION/FUND BALANCE (CONTINUED)

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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.

Prior to March 1, 2004, governmental funds' infrastructure assets were not capitalized. As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. 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 increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	40 to 60 years
Site Improvements	10 to 15 years
Water Lines	35 to 80 years
Infrastructure	15 to 30 years
Vehicles	5 to 25 years
Office Equipment & Furnishings	10 to 15 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

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 government has only one of this type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and user fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED
ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES,
AND NET POSITION/FUND BALANCE (CONTINUED)

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. 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 governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) 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 governing council assigns 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.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated and classified any subsequent events as recognized or nonrecognized through the date of this financial statement. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this financial statement that would require adjustment to or disclosure in the financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED
ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES,
AND NET POSITION/FUND BALANCE (CONTINUED)

8. Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 15, at which time penalties and interest are assessed.

The 2017 taxable valuation of the government totaled \$8,867,906, on which taxes levied consisted of 10.4386 mills for operating purposes, 2.5047 mills for garbage removal, 4.1750 mills for street maintenance, and 2.9907 mills for additional operating purposes. This resulted in \$119,090 for operating, \$22,209 for garbage removal, and \$37,022 for street maintenance. These amounts are recognized in the respective general and special revenue fund financial statements as tax revenue.

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 \$18,884 for the year ended February 28, 2018.

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused sick pay and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE B - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

1. Cash Deposits with Financial Institutions

Michigan Compiled Laws Section 129.91 authorizes the government to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations. The government is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The government has designated four banks for the deposit of its funds. The government's deposits and investment policy are in accordance with statutory authority.

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of February 28, 2018, the government's bank balance (checking and savings accounts) was \$237,962, all of which is covered by federal depository insurance.

Interest rate risk. The government does not have a formal investment policy for managing its exposure to declines in fair values.

Concentration of credit risk. The government does not have a formal investment policy for managing its concentration of credit risk.

VILLAGE OF CALUMET, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

2. Capital Assets

Capital asset activity for the year ended February 28, 2018, was as follows:

	Balance March 1	Additions	Reductions	Balance February 28
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 81,115	\$ -	\$ -	\$ 81,115
Historical treasure	48,000	-	-	48,000
Total capital assets not being depreciated	\$ 129,115	\$ -	\$ -	\$ 129,115
Capital assets being depreciated:				
Buildings & site improvements	\$ 164,453	\$ 32,124	\$ -	\$ 196,577
Machinery & equipment	710,730	6,799	67,620	649,909
Vehicles	44,612	-	-	44,612
Water lines	360,402	-	-	360,402
Infrastructure	887,462	-	-	887,462
Total capital assets being depreciated	\$ 2,167,659	\$ 38,923	\$ 67,620	\$ 2,138,962
Less accumulated depreciation for:				
Buildings & site improvements	\$ 121,072	\$ 1,936	\$ -	\$ 123,008
Machinery & equipment	414,879	23,820	67,620	371,079
Vehicles	20,811	7,008	-	27,819
Water lines	146,078	6,107	-	152,185
Infrastructure	300,455	27,185	-	327,640
Total accumulated depreciation	\$ 1,003,295	\$ 66,056	\$ 67,620	\$ 1,001,731
Total capital assets being depreciated, net	\$ 1,164,364	(\$ 27,133)	\$ -	\$ 1,137,231
Governmental activities capital assets, net	\$ 1,293,479	(\$ 27,133)	\$ -	\$ 1,266,346

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 1,012
Public safety	16,169
Public works	19,754
Highways & streets, including depreciation of general infrastructure assets	27,185
Parks & recreation	1,936
Total depreciation expense - governmental activities	\$ 66,056

NOTE B - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

3. Employee Retirement System
The government funds a simplified employee pension plan for one employee, which is a defined contribution pension plan.

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 and the returns earned on investments of those contributions.

The government contributes to the individual retirement account of the eligible employee one percent of their gross compensation. Contributions vest 100% immediately. Pension costs amounted to \$446 for the year ended February 28, 2018.

4. Risk Management
The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. All risk of loss is covered by commercial insurance. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

5. Long-term Liabilities
The government issues general obligation bonds to provide funds for the acquisition and construction of infrastructure or major equipment purchases.

General obligation bonds and loans are direct obligations and pledge the full faith and credit of the government. Contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual activity can be summarized as follows:

Governmental Activities					
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loan - grader	\$ 102,172	\$ -	\$ 9,564	\$ 92,608	\$ 9,788
Other long-term obligations -					
Compensated absences	<u>12,022</u>	<u>-</u>	<u>1,434</u>	<u>10,588</u>	<u>-</u>
Total governmental activities	<u>\$ 114,194</u>	<u>\$ -</u>	<u>\$ 10,998</u>	<u>\$ 103,196</u>	<u>\$ 9,788</u>

NOTE B - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)
LONG-TERM LIABILITIES (CONTINUED)

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

Year Ending February 28,	Governmental Activities	
	Principal	Interest
2019	\$ 9,788	\$ 1,983
2020	10,010	1,761
2021	10,238	1,533
2022	10,471	1,300
2023-2027	52,101	2,832
Total	\$ 92,608	\$ 9,409

6. Interfund Receivables and Payables
Interfund receivable and payable balances at February 28, 2018 consisted of:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ 189,287	Major Street	\$ 129,191
		Local Street	23,125
		Sanitation	36,971
Subtotal	\$ 189,287	Subtotal	\$ 189,287
Municipal Street	\$ 12,000	General	\$ 12,000
Total	\$ 201,287	Total	\$ 201,287

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.

7. Interfund Transfers
The composition of interfund transfers as of February 28, 2018 is as follows:

	Transfers In					Nonmajor Govern- mental	Total
	General	Major Street	Local Street	Sanitation			
Transfers Out:							
Governmental Funds							
General	\$ -	\$ 61,000	\$ 4,100	\$ 35,000	\$ 6,042	\$	106,142
Nonmajor Governmental Funds	-	25,000	15,000	-	-		40,000
Total Primary Government	\$ -	\$ 86,000	\$ 19,100	\$ 35,000	\$ 6,042	\$	146,142
Component Unit - DDA	7,200	12,000	-	-	10,342		29,542
Total	\$ 7,200	\$ 98,000	\$ 19,100	\$ 35,000	\$ 16,384	\$	175,684

During the year, transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, and 2) move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs.

NOTE B - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

8. Discretely Presented Component Unit
Activity for the Downtown Development Authority for the year ended February 28, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land/building/historic treasure	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,000</u>

9. Related Organizations
The Calumet Housing Commission (Commission) is a related organization which is excluded from the financial reporting entity because the government's accountability does not extend beyond making appointments. The Commission provides low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development. The government has no influence over the management, budget or policies of the Commission. The Commission reports independently and a copy of its audited financial statement is available from them.
10. Jointly Governed Organization
The government, in conjunction with three other governmental entities, created the North Houghton County Water & Sewage Authority (Authority) to provide wastewater collection, transmission and treatment. The Authority's board is comprised of seven members, two of which are from the government. 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 adequate to operate the sewage system and pay back the related construction debt and interest of the Authority. Separately issued financial statements are available from the Authority.

NOTE C - OTHER INFORMATION

1. Contingencies
The government participates in various federal and state grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF CALUMET, MICHIGAN
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the year ended February 28, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$100,000	\$100,000	\$114,672	\$ 14,672
Licenses & permits	250	250	9,588	9,338
Intergovernmental:				
Federal	37,500	37,500	37,500	-
State	82,500	82,500	116,644	34,144
Charges for services	36,000	36,000	56,552	20,552
Fines & forfeits	3,000	3,000	346	(2,654)
Interest & rents	174,010	174,010	171,063	(2,947)
Other revenues	<u>30,600</u>	<u>30,600</u>	<u>54,363</u>	<u>23,763</u>
TOTAL REVENUES	<u>\$463,860</u>	<u>\$463,860</u>	<u>\$560,728</u>	<u>\$ 96,868</u>
EXPENDITURES				
General government	\$ 83,900	\$103,900	\$ 94,631	\$ 9,269
Public safety	128,000	130,000	114,334	15,666
Public works	113,000	173,000	153,149	19,851
Parks & recreation	20,200	80,200	30,019	50,181
Other	90,000	90,000	71,013	18,987
Capital outlay	-	-	38,924	(38,924)
TOTAL EXPENDITURES	<u>\$435,100</u>	<u>\$577,100</u>	<u>\$502,070</u>	<u>\$ 75,030</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 28,760</u>	<u>(\$113,240)</u>	<u>\$ 58,658</u>	<u>\$ 171,898</u>
Other financing sources (uses):				
Transfers in	\$ 7,200	\$ 7,200	\$ 7,200	\$ -
Transfers out	<u>39,850</u>	<u>125,850</u>	<u>106,142</u>	<u>19,708</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 32,650)</u>	<u>(\$118,650)</u>	<u>(\$ 98,942)</u>	<u>\$ 19,708</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>(\$ 3,890)</u>	<u>(\$231,890)</u>	<u>(\$ 40,284)</u>	<u>\$ 191,606</u>
Fund balance, beginning of year	<u>298,773</u>	<u>298,773</u>	<u>298,773</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$294,883</u>	<u>\$ 66,883</u>	<u>\$258,489</u>	<u>\$ 191,606</u>

VILLAGE OF CALUMET, MICHIGAN
 MAJOR STREET FUND
 BUDGETARY COMPARISON SCHEDULE
 For the year ended February 28, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - State	\$ 109,000	\$ 109,000	\$163,895	\$ 54,895
Interest	50	50	49	(1)
Other	<u>1,500</u>	<u>1,500</u>	<u>2,000</u>	<u>500</u>
TOTAL REVENUES	<u>\$ 110,550</u>	<u>\$ 110,550</u>	<u>\$165,944</u>	<u>\$ 55,394</u>
EXPENDITURES				
Highways & Streets	<u>\$ 165,900</u>	<u>\$ 183,000</u>	<u>\$168,227</u>	<u>\$ 14,773</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 55,350)	(\$ 72,450)	(\$ 2,283)	\$ 70,167
Other financing sources (uses)				
Transfers in	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 98,000</u>	<u>\$ 38,000</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ 4,650	(\$ 12,450)	\$ 95,717	\$ 108,167
Fund balance, beginning of year	(<u>60,184</u>)	(<u>60,184</u>)	(<u>60,184</u>)	<u>-</u>
FUND BALANCE, END OF YEAR	<u>(\$ 59,484)</u>	<u>(\$ 72,634)</u>	<u>\$ 35,533</u>	<u>\$ 108,167</u>

VILLAGE OF CALUMET, MICHIGAN
 LOCAL STREET FUND
 BUDGETARY COMPARISON SCHEDULE
 For the year ended February 28, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - State	\$ 18,000	\$ 18,000	\$ 29,036	\$ 11,036
Interest	25	25	5	(20)
Other	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
TOTAL REVENUES	<u>\$ 19,025</u>	<u>\$ 19,025</u>	<u>\$ 29,041</u>	<u>\$ 10,016</u>
EXPENDITURES				
Highways & Streets	<u>\$ 30,600</u>	<u>\$ 39,100</u>	<u>\$ 34,651</u>	<u>\$ 4,449</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 11,575)	(\$ 20,075)	(\$ 5,610)	\$ 14,465
Other financing sources (uses)				
Transfers in	<u>\$ 10,000</u>	<u>\$ 20,000</u>	<u>\$ 19,100</u>	<u>(\$ 900)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 1,575)	(\$ 75)	\$ 13,490	\$ 13,565
Fund balance, beginning of year	<u>(4,064)</u>	<u>(4,064)</u>	<u>(4,064)</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>(\$ 5,639)</u>	<u>(\$ 4,139)</u>	<u>\$ 9,426</u>	<u>\$ 13,565</u>

VILLAGE OF CALUMET, MICHIGAN
SANITATION FUND
BUDGETARY COMPARISON SCHEDULE
For the year ended February 28, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 20,000	\$ 20,000	\$ 17,898	(\$ 2,102)
Charges for services	29,000	29,000	25,935	(3,065)
Interest	10	10	7	(3)
TOTAL REVENUES	<u>\$ 49,010</u>	<u>\$ 49,010</u>	<u>\$ 43,840</u>	<u>(\$ 5,170)</u>
EXPENDITURES				
Sanitation	<u>\$ 53,500</u>	<u>\$ 72,250</u>	<u>\$ 65,719</u>	<u>\$ 6,531</u>
EXCESS OF REVENUES (EXPENDITURES)	(\$ 4,490)	(\$ 23,240)	(\$ 21,879)	\$ 1,361
Other financing sources (uses)				
Transfers in	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 35,000</u>	<u>\$ 10,000</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 4,490)	\$ 1,760	\$ 13,121	\$ 11,361
Fund balance, beginning of year	(<u>4,237</u>)	(<u>4,237</u>)	(<u>4,237</u>)	-
FUND BALANCE, END OF YEAR	<u>(\$ 8,727)</u>	<u>(\$ 2,477)</u>	<u>\$ 8,884</u>	<u>\$ 11,361</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF CALUMET, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
February 28, 2018

	Special Revenue Funds		
	Municipal Street	Revolving Loan	Historic District Commission
<u>ASSETS</u>			
Cash	\$ 13,425	\$ 6,968	\$ 4,388
Receivables, net-			
property taxes	26	-	-
Due from other funds	12,000	-	-
Inventories	16,068	-	-
TOTAL ASSETS	\$ 41,519	\$ 6,968	\$ 4,388
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ 250
Due to component unit	7,170	-	-
TOTAL LIABILITIES	\$ 7,170	\$ -	\$ 250
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue -			
property taxes	\$ 26	\$ -	\$ -
<u>FUND BALANCES</u>			
Nonspendable -			
Inventories	\$ 16,068	\$ -	\$ -
Restricted:			
Highways & streets	18,255	-	-
Historic preservation	-	-	4,138
Debt service	-	-	-
Committed -			
Public improvement	-	6,968	-
Total Fund Balances	\$ 34,323	\$ 6,968	\$ 4,138
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 41,519	\$ 6,968	\$ 4,388

Capital Project Fund	Debt Service Fund	Total Nonmajor Funds
\$ 1,438	\$ 59	\$ 26,278
-	-	26
-	-	12,000
-	-	16,068
\$ 1,438	\$ 59	\$ 54,372
\$ -	\$ -	\$ 250
-	-	7,170
\$ -	\$ -	\$ 7,420
\$ -	\$ -	\$ 26
\$ -	\$ -	\$ 16,068
-	-	18,255
-	-	4,138
-	59	59
1,438	-	8,406
\$ 1,438	\$ 59	\$ 46,926
\$ 1,438	\$ 59	\$ 54,372

The accompanying notes to financial statements
are an integral part of this statement.

VILLAGE OF CALUMET, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended February 28, 2018

	Special Revenue Funds		
	Municipal Street	Revolving Loan	Historic District Commission
REVENUES			
Property taxes	\$ 29,837	\$ -	\$ -
Intergovernmental - County	10,142	-	-
Charges for services	-	-	80
Interest	9	3	-
Other revenues	4,701	-	-
TOTAL REVENUES	\$ 44,689	\$ 3	\$ 80
EXPENDITURES			
Current:			
General government	\$ 250	\$ -	\$ 2,120
Highways & streets	6,312	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
TOTAL EXPENDITURES	\$ 6,562	\$ -	\$ 2,120
EXCESS OF REVENUES (EXPENDITURES)	\$ 38,127	\$ 3	(\$ 2,040)
Other financing sources (uses):			
Transfers in	\$ -	\$ -	\$ 4,500
Transfers out	40,000	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(\$ 40,000)	\$ -	\$ 4,500
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	(\$ 1,873)	\$ 3	\$ 2,460
Fund balance (deficit), beginning of year	36,196	6,965	1,678
FUND BALANCE (DEFICIT), END OF YEAR	\$ 34,323	\$ 6,968	\$ 4,138

Public Improvement	Debt Service Fund	Total Nonmajor Funds
\$ -	\$ -	\$ 29,837
-	-	10,142
-	-	80
1	-	13
-	-	4,701
\$ 1	\$ -	\$ 44,773
\$ 130	\$ 95	\$ 2,595
-	-	6,312
-	9,564	9,564
-	2,225	2,225
\$ 130	\$ 11,884	\$ 20,696
(\$ 129)	(\$ 11,884)	\$ 24,077
\$ -	\$ 11,884	\$ 16,384
-	-	40,000
\$ -	\$ 11,884	(\$ 23,616)
(\$ 129)	\$ -	\$ 461
1,567	59	46,465
\$ 1,438	\$ 59	\$ 46,926

The accompanying notes to financial statements
are an integral part of this statement.

JOSEPH M. DAAVETILA
CERTIFIED PUBLIC ACCOUNTANT, PLC
417 Sheldon Avenue, P.O. Box 488
Houghton, MI 49931

August 29, 2018

To the Village Council
Village of Calumet, Michigan

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each fund, and the aggregate remaining fund information of the Village of Calumet, Michigan as of and for the year ended February 28, 2018, and the related notes to the financial statements, which collectively comprise the Village of Calumet's basic financial statements and have issued our report thereon dated August 29, 2018. In our report on the financial statements, our opinion on the financial statements was qualified because, as discussed in the "Basis for Qualified Opinion on Governmental Activities" paragraph in the report on the financial statements, the Village of Calumet did not include the Volunteer Firemen's Fund, which should be included to conform to accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Calumet, Michigan'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 of Calumet's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Calumet'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-001, 2018-002, and 2018-003, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Calumet, Michigan's financial statements are free of 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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village of Calumet, Michigan's Response to Findings

The Village of Calumet, Michigan's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village of Calumet, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.



Certified Public Accountant, PLC
Houghton, Michigan

VILLAGE OF CALUMET, MICHIGAN
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended February 28, 2018

2018-001 - LACK OF SEGREGATION OF DUTIES (REPEAT COMMENT)

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

Condition: The government has several transaction cycles that are performed by the same individual or are not subject to written independent review and approval, including generating customer utility bills, reconciling subsidiary detail to the general ledger control accounts, and posting billing and payment adjustments.

Cause: This condition is the result of staffing constraints typical of smaller governments.

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

Response of Governing Board: The government acknowledges the risk associated with internal controls and issues with the segregation of the duties listed above. While the governing board is always looking for ways to introduce more checks and balances to all of the accounting functions, limited staffing will always make total separation of duties a challenge.

2018-002 - PREPARATION OF GOVERNMENTAL FINANCIAL STATEMENTS (REPEAT COMMENT)

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 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: As is the case with many smaller-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditor, who cannot by definition be considered a part of the government's internal controls.

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

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

Recommendation: No further corrective action is required at this time.

Response: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditor, and to carefully review the draft financial statement and notes prior to approving them and accepting responsibility for their content and presentation.

VILLAGE OF CALUMET, MICHIGAN
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year Ended February 28, 2018

2018-003 BUDGET DEFICITS

Statement of Condition/Criteria: Budget appropriations need to be balanced with anticipated revenues. If the appropriations exceed these revenues there needs to be sufficient fund balance to offset this excess. If there is an existing fund deficit, appropriations should be less than projected revenues as a means to eliminate the deficit. For the year ended February 28, 2018, the Village adopted budgets for several funds in which there were insufficient resources to fund the appropriations.

Effect: The Village runs the risk of increasing deficits in several funds.

Cause: Budgets were adopted in which appropriations exceeded anticipated revenues.

Recommendation: Appropriations should not be approved unless there are anticipated revenues, or existing fund balance, adequate to fund these appropriations.