CALUMET VILLAGE COUNCIL SPECIAL MEETING AGENDA
TUESDAY, FEBRUARY 4, 2025 @ 6:00PM
CALUMET VILLAGE TOWNHALL, 340 SIXTH STREET
Public viewing available via ZOOM - Meeting ID: 869 9877 4486 Passcode: 699798
https://us02web.zoom.us/j/86998774486 or via phone: 1-312-626-6799

I. Call to Order

II. Petitions from the Public *(members of the public have 5 minutes to speak)*

III. Approval of Agenda

IV. Unfinished Business

1. Audit / F-65 Report
2. FY 26 Budget Process & Timeline

V. New Business

1. Employee Contracts

VI. Announcements – Other Council Business

VII. Comments from the Public *(members of the public have 5 minutes to speak)*

VIII. Adjourn

Village of Calumet

340 Sixth Street
Calumet, Michigan 49913

Phone: 906 337-1713

January 15, 2025

Susan D. Sanford, CPA PLLC
3303 Silver Lake Road
Traverse City, Michigan 49624

This representation letter is provided in connection with your audit of the financial statements of Village of Calumet (the "Village") which comprise the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information as of February 29, 2024, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of January 15, 2025:

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 24, 2024, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.

2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

3) We acknowledge our responsibility 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. With respect to any assistance you provided in drafting the financial statements and related notes, we have performed the following:

   a) Made all management decisions and performed all management functions;
   b) Assigned a competent individual to oversee the services;
   c) Evaluated the adequacy of the services performed;
   d) Evaluated and accepted responsibility for the result of the service performed; and
   e) Established and maintained internal controls, including ongoing activities.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6) There have been no related party relationships and transactions.

7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Village's accounts.

9) There are no known actual or possible litigation, claims, and assessments.

10) Guarantees, whether written or oral, under which the Village is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11) We have provided you with:

   a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

   b) Additional information that you have requested from us for the purpose of the audit.

   c) Unrestricted access to persons within the Village from whom you determined it necessary to obtain audit evidence.

   d) Minutes of the meetings of the Village or summaries of actions of recent meetings for which minutes have not yet been prepared.

12) All material transactions have been recorded, except as made known to you, in the accounting records and are reflected in the financial statements.

13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14) We have no knowledge of any fraud or suspected fraud that affects the Village and involves:

   - Management,
   - Employees who have significant roles in internal control, or
   - Others where the fraud could have a material effect on the financial statements.

15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Village's financial statements communicated by employees, former employees, regulators, or others.

16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or Village of Calumet agreements, or abuse, whose effects should be considered when preparing financial statements, except as made known to you.

17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

18) There are no Village's related party relationships and transactions of which we are aware.

Government—specific

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have a process to track the status of audit findings and recommendations.

21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented, if possible.

22) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

23) The Village has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

24) We are responsible for compliance with the laws, regulations, and provisions of contracts and Village of Calumet agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.

25) We are unaware of instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

26) We are unaware of instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and Village of Calumet agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

27) We are unaware of instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

28) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), except those made known to you. There are no violations or possible violations of provisions of contracts and Village of Calumet agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

29) The Village has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

30) The Village has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

31) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

32) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 , as amended, and GASBS No. 84 .

33) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

34) Components of net position (net investment in capital assets; restricted; and unrestricted), and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

35) We believe that the actuarial assumptions and methods used to measure pension benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.

36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

39) Deposits and investments are properly classified as to risk and are properly disclosed.

40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

41) Management's estimate of the discount rate used for leases, the lease term and lease payments/receipts is based on the incremental borrowing rate and consideration of the noncancelable period of the lease and reasonably certain lease option.

42) We have appropriately disclosed the Village's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

Required Supplemental Information

44) With respect to the required supplemental information (RSI) accompanying the financial statements:

a) We acknowledge our responsibility for the required supplementary information (RSI) in accordance with accounting principles generally accepted in the United States of America.

b) We believe the RSI, including its form and content, is measured in accordance with accounting principles generally accepted in the United States of America.

c) The methods of measurement or presentation have not changed from those used in the prior period.

d) We believe the significant assumptions or interpretations underling the measurement or presentation of the RSI, and the basis for our assumptions and interpretations, are reasonable and appropriate and appropriate in the circumstances.

Supplementary Information in Relation to the Financial Statements as a Whole

45) With respect to the supplemental information accompanying the financial statements:

a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.

b) We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.

c) The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

d) If the general fund individual schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signature: _____

Title: _____

VILLAGE OF CALUMET

CALUMET, MICHIGAN

Houghton County

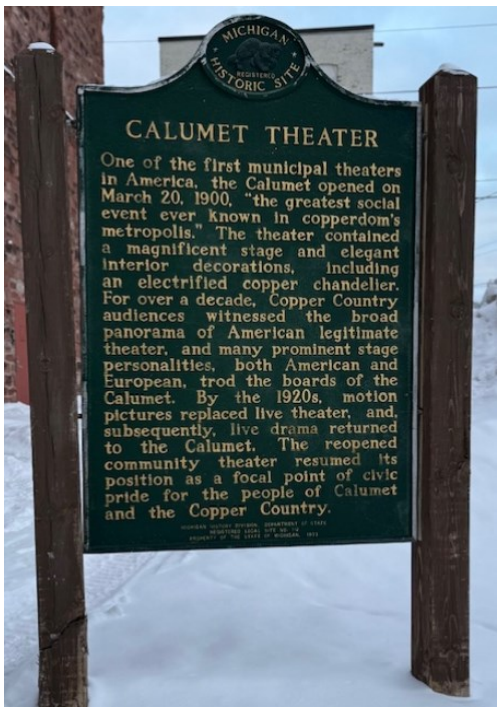
FINANCIAL REPORT

Year ended February 29, 2024

VILLAGE OF CALUMET
Village Council

Rob Tarvis
President

Pamela Que
President Pro-Tem



Virginia Dwyer
Trustee

Peggy Germain
Trustee

Andrew Ranville
Trustee

Bernice Smith
Trustee

Lori Weir
Trustee

Patricia Pressel
Clerk

Debra Aubin
Treasurer

Megan Haselden
Village Manager

Coreen Balbough
Office Clerk

Village of Calumet
340 Sixth Street
Calumet, Michigan 49913
Website: https://villageofcalumet.com

Phone: (906) 337-1713

VILLAGE OF CALUMET,
HOUGHTON COUNTY

TABLE OF CONTENTS

Page

Independent Auditor's Report 1-3

Management's Discussion and Analysis 4-10

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements
Statement of Net Position 11
Statement of Activities 12

Governmental Fund Financial Statements
Balance Sheet and Reconciliation of the Fund Balance of Governmental Funds to Net Position 13
Statement of Revenues, Expenditures and Changes in Fund Balances 14
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities 15

NOTES TO FINANCIAL STATEMENTS 16-27

REQUIRED SUPPLEMENTAL INFORMATION

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual—General Fund 28

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual—Major Street Fund 29

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual—Local Street Fund 30

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual—Municipal Street Fund 31

OTHER SUPPLEMENTAL INFORMATION

Combining Fund Statements—Nonmajor Governmental Funds

Combining Balance Sheet 32
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance 33

Susan D. Sanford, CPA PLLC
3303 Silver Lake Road, Traverse City, MI 49684
Phone: (231) 357-5092
Email: susan.sanford@cpa.com

Member of:
-American Association of Certified Public Accountants
-Certified Fraud Examiners Association
-Michigan Association of Certified Public Accountants

Independent Auditor's Report

To the Village Council
Village of Calumet, Michigan

Opinions

I have audited the financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Village of Calumet, Michigan (the "Village) as of and for the year ended February 29, 2024 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 my opinion, based on my audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Village, as of February 29, 2024, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am required to be independent of the Village and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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.

Independent Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 GAAS 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 GAAS, I:

- 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 my 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.

I am 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 I identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplemental 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

my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose 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 my opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Very truly yours,

Susan D Sanford, CPA PLLC

Susan D Sanford, CPA PLLC
Certified Public Accountant

January 15, 2025

VILLAGE OF CALUMET, HOUGHTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended February 29, 2024

Using this Annual Report

The following is a discussion and analysis of Village of Calumet's ("the Village") financial performance and position, providing an overview of the activities for the year ending February 29, 2024. This analysis should be read in conjunction with the Independent Auditor's Report, this report, and with the Village's financial statements, which follow this section.

Financial Highlights

- The assets of the Village exceeded its liabilities and deferred inflow at the close of this fiscal year by $3,275,183 (net position). Of this amount, $227,767 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 $253,038.
- At the close of the current fiscal year, the Village's governmental funds reported combined fund balances of $604,128 an increase of $78,459 in comparison with 2022. Approximately 31% of this amount ($186,556) is available for spending at the government's discretion (unassigned fund balance).
- The Village's total outstanding long-term debt decreased by $10,960 during the current fiscal year.

Overview of the Financial Statements

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

Government-wide Financial Statements (Reporting the Village as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Position and the Statement of Activities, which report information about the Village as a whole, and about its activities. Their purpose is to assist in answering the question, is the Village, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all nonfiduciary assets and liabilities, are reported on the accrual basis of accounting, similar to a private business. This means revenues are accounted for when they are earned and expenses are accounted for when incurred, regardless of when the actual cash is received or disbursed.

The *Statement of Net Position* presents all of the Village's assets, deferred outflows and inflows of resources and liabilities, recording the difference between these as "net position". Over time, increases or decreases in net position measure whether the Village's financial position is improving or deteriorating.

The *Statement of Activities* presents information showing how the Village's net position changed during the fiscal year. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes, etc..

Both statements report the following activities:

Governmental Activities - Most of the Village's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the Village's general government departments, public safety, public works, community and economic development, and recreation are reported under these activities.

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.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however, depreciation expense is reported on the government-wide statements.

Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.

Long-term liabilities, such as bonds payable, appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.

In addition, it should be noted that the government-wide financial statements include the net value of the Village's general capital assets such as buildings, land, equipment etc. These values are not included in the fund financial statements.

The government-wide financial statements can be found on page 11 and 12 of this report.

Fund Financial Statements (Reporting the Village's Major Funds)

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.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined.

The major funds for the Village include the General Fund, Major Street, Local Street and Muncipal Street Fund. There are eight nonmajor funds (Fire Museum, Sanitation, Water, Revolving Loan, Historical District, Debt Service, Grant Fund and Public Improvement Fund).

Governmental Funds - Most of the Village's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets can be readily converted to cash flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Village's programs.

Because the focus of governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *government 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 four 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 major funds. The basic governmental fund financial statements can be found on pages 13-15 of this report.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The notes to the financial statement can be found on pages 16-27 of this report.

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 fund financial statements for the nonmajor governmental funds. The combining statements are presented immediately following the required supplementary information on budgets.

Government-Wide Financial Analysis

The assets of the Village exceeded its liabilities at the close of fiscal year 2024 by $3,275,183 (net position). Of this amount, unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors, is $227,767.

Governmental Activities

At the end of the current fiscal year, the Village is able to report positive balances in all three categories (net investment in capital assets, restricted and unrestricted) of net position.

At the close of the fiscal year, the Village's governmental activities reported combined ending net position of $3,275,183, an increase of $253,038 from 2022. Approximately 6.95% of this amount, $227,766 is available for spending at the government's discretion (unrestricted net position).

A large portion of the Village's governmental activities' net position, $2,649,104 (80.88%), reflects its investment in capital assets (i.e., land, buildings, vehicles, and equipment), less depreciation and any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported as net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The following condensed financial information was derived from the government-wide Statement of Net Position and reflects the Village's financial position for the years ended February 28, 2022 and February 29, 2024:

	Governmental Activities 2024	Governmental Activities 2022	Variance Increase (Decrease)	Percentage of Change
Assets				
Current and other assets	$ 746,874	$ 545,931	$ 200,943	36.81%
Capital assets, net of depreciation	2,679,579	2,677,284	2,295	0.09%
Total assets	3,426,453	3,223,215	203,238	6.31%
Liabilities				
Current liabilities	120,795	148,923	(28,128)	-18.89%
Long-term liabilities	30,475	52,147	(21,672)	-41.56%
Total liabilities	151,270	201,070	(49,800)	-24.77%
Net position				
Net investment in capital assets	2,649,104	2,625,137	23,967	0.91%
Restricted	398,312	346,476	51,836	14.96%
Unrestricted	227,767	50,532	177,235	350.74%
Total net position	$ 3,275,183	$ 3,022,145	$ 253,038	8.37%

Cash and cash equivalents increased by $93,575, receivables increased by 34,660, inventories and prepaid expense increased by $19,260, and accrued liabilities decreased by $34,777, with the net differences being similar to the increase in unrestricted fund balance over the prior two fiscal years.

The following table shows the changes of the net position as of the February 28, 2022 and February 29, 2024:

	Governmental Activities 2024	Governmental Activities 2022	Variance Increase (Decrease)	Percentage of Change
Program revenues				
Charges for services	$ 73,770	$ 283,205	$ (209,435)	-73.95%
Operating grants and contributions	343,255	198,580	144,675	72.85%
Capital grants and contributions	236,029	66,558	169,471	254.62%
General revenue				
Property taxes	179,802	153,398	26,404	17.21%
State-shared revenue	128,775	127,525	1,250	0.98%
Interest	724	17	707	4158.82%
Total revenues	962,355	829,283	133,072	16.05%
Program expenses				
General government	187,433	98,374	89,059	52.48%
Public safety	80,861	56,822	24,039	70.27%
Public works	138,373	689,856	(551,483)	498.55%
Highway and streets	261,437	-	261,437	0.00%
Community and economic development	37,813	109,388	(71,575)	289.29%
Recreation and culture	14,868	18,211	(3,343)	122.48%
Interest on long-term debt	830	1,334	(504)	160.72%
Total expenses	721,615	973,985	(252,370)	134.97%
Income (loss) before transfers	240,740	(144,702)	(385,442)	266.37%
Ending net position	$ 1,658,077	$ 3,022,145	$ 1,364,068	45.14%

The Governmental Fund activities realized an increase in revenues in the amount of $133,072 primarily due to an increase in state and federal grants of $314,146 and in property taxes of $26,404.

The expenses were $252,370 less than 2022, primarily due to infrastructure improvements projects and comunity and economic development expenses (facade restoration project) that occurred in 2022. There was an increase in general government and public safety expenses (firefighter equipment) during the current year, as compared to 2022. There were increases in salaries and fringes in all departments during the current year.

The Village's Funds

The General Fund is the chief operating fund of the Village. Unless otherwise required by statute, contractual agreement, or board policy, all Village revenues and expenditures are recorded in the General Fund. The most significant functions in the General Fund are: general government, public works and capital outlay which incurred expenditures of $134,921, $159,322, and $37,861 respectively, during 2024. The Fire Department had $77,596 in public safety expenditures during 2024.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended February 29, 2024

The following condensed financial information was derived from the governmental fund financial Statement of Revenues, Expenditures and Changes in Fund Balances for the years ended February 28, 2022 and 2024.

	Governmental Activities		Variance Increase	Percentage
	2024	2022	(Decrease)	Difference
Revenues				
Taxes	$ 179,802	$ 153,398	$ 26,404	17.21%
Licenses and permits	8,331	9,307	(976)	-10.49%
Federal grants	257,918	-	257,918	100.00%
State grants	382,561	392,630	(10,069)	-2.56%
Charges for services	63,389	63,793	(404)	-0.63%
Fines and forfeits	879	2,108	(1,229)	-58.30%
Interest and rentals	20,438	17	20,421	120124%
Other revenue	147,071	450,545	(303,474)	-67.36%
Total revenues	1,060,389	1,071,798	(11,409)	-1.06%
Expenditures				
General government	186,057	302,877	(116,820)	-38.57%
Public safety	79,595	40,613	38,982	95.98%
Public works	215,745	158,393	57,352	36.21%
Highway and streets	408,867	452,565	(43,698)	-9.66%
Community and economic development	37,813	7,461	30,352	406.81%
Recreation and cultural	9,452	17,545	(8,093)	-46.13%
Capital outlay	32,611	71,927	(39,316)	-54.66%
Debt Service				
Principal	10,960	10,471	489	4.67%
Interest and Fiscal Fees	830	11,824	(10,994)	-92.98%
Total expenditures	981,930	1,063,205	(81,275)	-7.64%
Excess of revenues over (under) expenditures	78,459	8,593	69,866	813.06%
Other financing sources (uses)				
Transfer in	63,160	26,760	36,400	136.02%
Transfer (out)	(63,160)	(26,760)	(36,400)	-136.02%
Total other financing sources (uses)	-	-	-	-
Beginning fund balance, restated	525,669	388,506	137,163	35.31%
Ending fund balance	$ 604,128	$ 397,099	$ 207,029	52.14%

At the close of the fiscal year, the Village's governmental funds reported combined ending fund balances of $604,128, an increase of $207,029 from the 2022. Approximately 31% of this amount, $186,556, is available for spending at the government's discretion (unassigned fund balance).

The Village's total governmental revenues decreased by approximately 1.06% or $11,409. There were increases in federal grants during 2024 of $257,918 (fire equipment grant and infrastructure project), and decrease in other revenues of $303,474, as listed above.

Expenditures decreased by 7.64% ($81,275). The majority of the decrease is related to general government ($116,820), highway and streets (43,698) and capital outlay (39,316). There were also increases in public safety ($38,982), public works ($57,352), and community and economic development (30,352). There were increases in salaries and fringes in all departments during the current year.

General Fund Budgetary Highlights

During the year the original revenue budget was $424,793, the final amended budget was $541,035. The more significant amendments were made federal grants, state grants and charges for services. The actual revenues were $536,363, which was $4,672 less than the budget. The original expenditure budget was $442,090 and was amended during the year to $574,835. The more significant amendments were made to general government and public safety. The actual expenditures were $492,373, which is $82,462 less than the final amended budget.

Capital Asset and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental activities as of February 29, 2024 amounts to $2,679,579 (net of accumulated depreciation). This investment in capital assets includes land, buildings and site improvements, machinery, equipment, vehicles, park facilities, sidewalks, and infrastructure. During 2024, additions to capital assets included new accounting software of $32,611 and road infrastructure of $263,752 totalling $296,363. There was $166,993 in depreciation expense. Additional information on the Village's capital assets can be found starting on page 24 of this report.

Long-term debt. At the end of the current fiscal year, the Village had total of debt of $30,475. The Village's total debt decreased by $10,475 during 2024 as the Village continues to meet all debt service payments as they come due. Additional information on the Village's long-term debt can be found on page 26 of this report.

Economic Factors and Next Year's Budgets and Rates

The Village has considered the following factor in preparing the 2025 fiscal year budget:

Increase in property tax revenue due to increased transfers in property ownership.

Increase in charges for services to offset increased expenses.

All revenues were budgeted conservatively, not knowing the availability of grant funds.

Projected increases in staff wages, software fees, legal fees, ordinance enforcement costs, fuel, utilities, and supplies.

Consideration on beautification projects and use of using current staff in lieu of contracted serivices for smaller projects.

Capital improvements outlay and equipment purchases for current and future needs were considered.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact Village of Calumet at 340 Sixth Street, Calumet, Michigan 49913.

VILLAGE OF CALUMET
GOVERNMENT-WIDE STATEMENT OF NET POSITION
February 29, 2024

	PRIMARY GOVERNMENT	COMPONENT UNIT	
	Governmental Activities	DDA	Total
Assets			
Current assets			
Cash and cash equivalents	$ 556,849	$ 116,451	$ 673,300
Receivables, net	156,997	7,008	164,005
Internal Balances	13,768	(13,768)	-
Inventories	18,253	10,002	28,255
Prepaid expenses	1,007	-	1,007
Total current assets	746,874	119,693	866,567
Noncurrent assets			
Capital assets not being depreciated	164,634	-	164,634
Capital assets being depreciated, net	2,514,945	-	2,514,945
Total noncurrent assets	2,679,579	-	2,679,579
Total assets	3,426,453	119,693	3,546,146
Liabilities			
Accounts payable	31,016	736	31,752
Accrued and other liabilities	7,316	-	7,316
Unearned revenue	82,463	10,000	92,463
Noncurrent Liabilities			
Due within one year	11,210	-	11,210
Due in more than one year	19,265	-	19,265
Total liabilities	151,270	10,736	162,006
Net position			
Net investment in capital assets	2,649,104	-	2,649,104
Restricted	398,312	-	398,312
Unrestricted	227,767	108,957	336,724
Total net position	$ 3,275,183	$ 108,957	$ 3,384,140

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF CALUMET
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended February 29, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Component Unit: DDA
Primary Government						
Governmental activities						
General government	$ 187,433	$ 2,181	$ 26,165	$ 32,611	$ (126,476)	$ -
Public safety	80,861	8,200	66,686		(5,975)	-
Public works	138,373	60,483	20,368	-	(57,522)	-
Highway and streets	261,437	2,866	188,495	203,418	133,342	-
Community and economic development	37,813	-	37,037	-	(776)	
Recreation and culture	14,868	40	4,504	-	(10,324)	-
Interest on long-term debt	830	-	-	-	(830)	-
Total Primary Government	721,615	73,770	343,255	236,029	(68,561)	-
Component Unit						
Downtown Development Authority	55,596	320	-	-		(55,276)
Total Component Unit	$ 55,596	$ 85,386	$ -	$ -	$ (68,561)	$ (55,276)

	Primary Government: Governmental Activities	Component Unit: DDA
General Revenues		
Property taxes	$ 179,802	$ 57,833
Grants and contributions not restricted to specific programs	128,775	-
Unrestricted investment earnings	724	-
Total general revenues	309,301	57,833
Change in net position	240,740	2,557
Net position--beginning	3,034,443	106,400
Net position--ending	$ 3,275,183	$ 108,957

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF CALUMET
BALANCE SHEET AND RECONCILATION OF THE FUND BALANCE OF GOVERNMENTAL FUNDS TO NET POSITION
GOVERNMENTAL FUNDS
February 29, 2024

		MAJOR SPECIAL REVENUE FUNDS			Non-Major	Total
	General	Major Street	Local Street	Municipal Street	Governmental Funds	Governmental Funds
Assets						
Cash	$ 170,319	$ 132,436	$ 41,729	$ 72,841	$ 139,524	$ 556,849
Receivables						
Accounts	24,025	-	-	-	-	24,025
Due from Federal	-	-	-	-	2,000	2,000
Due from State	50,708	69,660	10,604	-	-	130,972
Due from other funds	431	-	-	-	2,750	3,181
Due from component unit	3,000	-	-	-	10,768	13,768
Inventories	-	-	-	18,253	-	18,253
Prepaid expense	1,007	-	-	-	-	1,007
Total Current Assets	$ 249,490	$ 202,096	$ 52,333	$ 91,094	$ 155,042	$ 750,055
Liabilities						
Accounts payable	$ 30,596	$ 420	$ -	$ -	$ -	$ 31,016
Due to other funds	2,750	-	-	-	431	3,181
Accrued liabilities	6,630	551	135	-	-	7,316
Unearned revenue	-	-	-	-	82,463	82,463
Total liabilities	39,976	971	135	-	82,894	123,976
Deferred inflows of resources						
Unavailable revenues-receivables	21,951	-	-	-	-	21,951
Total deferred inflows of resources	21,951	-	-	-	-	21,951
Fund balances						
Nonspendable	1,007	-	-	18,253	-	19,260
Restricted	-	201,125	52,198	72,841	72,148	398,312
Unassigned	186,556	-	-	-	-	186,556
Total fund balances	187,563	201,125	52,198	91,094	72,148	604,128
Total liabilities, deferred inflows of and fund balances	$ 249,490	$ 202,096	$ 52,333	$ 91,094	$ 155,042	$ 750,055

Reconciliation of fund balances on the balance sheet for governmental funds to net position of governmental activities on the statement of net position

Fund balance--total governmental funds	$ 604,128
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and not included in the funds	2,679,579
Revenues that do not provide current financial resources are not reported as revenue in the funds.	21,951
Certain liabilities, such as compensated absences, deferred outflows related to net pension liability, and net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and loan payable	(30,475)
Total net position	$ 3,275,183

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF CALUMET
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended February 28, 2024

		MAJOR SPECIAL REVENUE FUNDS				
	General	Major Street	Local Street	Municipal Street	Non-Major Governmental	Total Governmental Funds
Revenues						
Taxes and penalties	$ 121,347	$ -	$ -	$ 44,280	$ 14,175	$ 179,802
Licenses and permits	8,331	-	-	-	-	8,331
Federal grants	52,500	203,418	-	-	2,000	257,918
State grants	156,371	154,908	32,047	1,540	37,695	382,561
Charges for services	60,483	-	-	2,866	40	63,389
Fines and forfeits	879	-	-	-	-	879
Interest and rentals	724	-	-	-	19,714	20,438
Other revenue	135,728	-	-	-	11,343	147,071
Total Revenues	536,363	358,326	32,047	48,686	84,967	1,060,389
Expenditures						
Current						
General government	186,057	-	-	-	-	186,057
Public safety	79,595	-	-	-	-	79,595
Public works	186,977				28,768	215,745
Highway and streets	-	386,702	19,299	2,866		408,867
Community and economic development	776	-	-	-	37,037	37,813
Recreation and culture	6,357	-	-	-	3,095	9,452
Capital outlay	32,611	-	-	-	-	32,611
Debt Service						
Principal	-	-	-	-	10,960	10,960
Interest	-	-	-	-	830	830
Total expenditures	492,373	386,702	19,299	2,866	80,690	981,930
Excess of revenues over (under) expenditures	43,990	(28,376)	12,748	45,820	4,277	78,459
Other financing sources (uses)						
Operating transfer in-Primary	-	60,213	-	-	2,947	63,160
Operating transfer (out)	(2,947)	-	-	(60,213)	-	(63,160)
Total other financing sources (uses)	(2,947)	60,213	-	(60,213)	2,947	-
Fund balances--Beginning	117,267	169,288	39,450	105,487	179,924	611,416
Restatement to fund balance	29,253	-	-	-	(115,000)	(85,747)
Restated fund balance	146,520	169,288	39,450	105,487	64,924	525,669
Net change in fund balance	41,043	31,837	12,748	(14,393)	7,224	78,459
Fund balances--Ending	$ 187,563	$ 201,125	$ 52,198	$ 91,094	$ 72,148	$ 604,128

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF CALUMET
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended February 28, 2024

NET CHANGE IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS	$ 78,459
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and is reported as depreciation expense.	
Add--capital outlay	32,611
Add--additional infrastructure	263,752
Deduct--depreciation expense	(166,993)
Revenues earned, but not available for current resources, are not reported in the funds.	
Net (decrease) increase in deferred revenue- receivables	21,951
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Add--principal payments on long-term liabilities	10,960
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 240,740

The Notes to Financial Statements are an integral part of this statement.

I. 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; fire protection, street maintenance, 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

A. 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 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. Mark Bonenfant, 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.

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

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

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.

B. 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."

Inventories

All inventories are valued at the lower of cost or market, 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 expenditures/expenses when consumed rather than when purchased.

Capital assets

Capital assets, include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the applicable 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. Computers, printers, and certain other peripheral technology equipment is capitalized at a lower limit of $500. 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. Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. During the current fiscal year, no interest was capitalized in the enterprise funds.

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:

Capital asset classes	Lives
Buildings	40 to 60 years
Site improvements	20 years
Water lines	35 to 80 years
Infrastructure	15 to 30 years
Vehicles	5 to 25 years
Office equipment	8 to 10 years
Computer equipment	5 years
Office furnishings	10 to 15 years

Unearned Revenues

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

Deferred outflows/inflows of resources

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 one item that qualifies for reporting in this category. The item arises only under a modified accrual basis of accounting, and is therefore only reported in the governmental fund balance sheet. The governmental fund reports unavailable revenue from

receivables which are not collected during the period of availability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

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

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 and proprietary 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 – 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). 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 (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.

3. 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 and unpaid real property taxes are turned over to Houghton County.

The 2023 taxable valuation of the government totaled $10,392,357, on which taxes levied consisted of 9.8689 mills and 2.9931 mills for operating purposes, 1.7000 mills for waste collection, and 3.9470 mills for municipal streets. These amounts are recognized in the respective 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.

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.

II. Budgetary information

Budgetary basis of accounting

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

III. Detailed noes on all activities and funds

A. 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 two financial institutions located in Michigan for the deposit of its funds. The government's deposits and investment policy are in accordance with statutory authority.

The book balance at February 29, 2024 is as follows:

	Primary Government	Component Unit-DDA	Total
Cash and cash equivalents	$ 556,849	$ 116,451	$ 673,300
Total	$ 556,849	$ 116,451	$ 673,300

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. As of February 29, 2024, $268,345 of the bank balance of was $566,444 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. The DDA was fully insured.

B. Capital assets

Capital asset activity for the year ended February 29, 2024, was as follows:

Governmental-type activities	Account Beginning Balance	Additions	Deductions	Ending Balance
Capital assets not being depreciated				
Land	$ 85,115	$ -	$ -	$ 85,115
Historical treasure	48,000	-	-	48,000
Construction in progress	31,519	-	-	31,519
Subtotal	164,634	-	-	164,634
Capital assets being depreciated				
Building and site improvements	235,027	-	-	235,027
Machinery and equipment	579,453	32,611	-	612,064
Vehicles	210,397	-	-	210,397
Water lines	360,402	-	-	360,402
Infrastructure	2,519,784	263,752	-	2,783,536
Total capital assets being depreciated	3,905,063	296,363	-	4,201,426
Land improvements				
Building and site improvements	143,095	4,350	-	147,445
Machinery and equipment	366,856	22,644	-	389,500
Vehicles	87,559	16,469	-	104,028
Water lines	187,123	7,208	-	194,331
Infrastructure	734,855	116,322	-	851,177
Total accumulated depreciation	1,519,488	166,993	-	1,686,481
Net capital assets being depreciated	2,385,575	129,370	-	2,514,945
Total net capital assets governmental activities	$ 2,550,209	$ 296,363	$ 166,993	$ 2,679,579

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

Governmental activities	
General government	$ 1,376
Public safety	1,266
Public works	42,613
Infrastructure	116,322
Parks and recreation	5,416
Total depreciation expense-	$ 166,993

C. Interfund and Inter-Governmental Activity

Interfund Activity

The composition of interfund transfers for the year ended February 29, 2024 was as follows:

Primary Government	**Transfer In**		
Transfers Out:	Major Street	Non-Major	Total
Muncipal Street Fund	$ 60,213	$ -	$ 60,213
General fund	-	2,947	2,947
Total	$ 60,213	$ 2,947	$ 63,160

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 29, 2024 were as follows:

Primary Government	**Receivable Fund**		
Payable Fund	General	Non-Major	Total
Non-major	$ 431	$ -	$ 431
General fund	-	2,750	2,750
Total	$ 431	$ 2,750	$ 3,181

Component Unit-DDA	**Receivable Fund**		
Payable Fund	General	Non-Major	Total
DDA	$ 3,000	$ 10,768	$ 13,768
Total	$ 3,000	$ 10,768	$ 13,768

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.

D. Long-term liabilities

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.

Long-term obligations activity for the year ended February 29, 2024 was as follows:

Governmental Activities	Beginning Balance	Addition	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	$ 41,435	$ -	$ (10,960)	$ 30,475	$ 11,210

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

	Governmental Activities		
Year End February 28	Principal	Interest	Total
2025	$ 11,210	$ 580	$ 11,790
2026	11,471	319	11,790
2027	7,794	66	7,860
	$ 30,475	$ 965	$ 31,440

E. Restatements to Fund Balance/Net Position

The following restatements to fund balance were made to the general fund and the grant fund:

General Fund

	Debit	Credit
Cash-unreconciled	11,331.93	
Payroll Cash-not reported	2,368.25	
Escrow Cash-not reported	39,234.55	
Payroll liabilities payable-overstated	17,008.89	
Escrow payable-not reported		39,234.55
Other revenue		1,455.87
	69,943.62	40,690.42
Adjustment to fund balance at February 28, 2023		**29,253.20**
	69,943.62	69,943.62

Grant Fund

2023 Revenue recorded for an advance received on a grant		$ 125,000.00
2023 Revenue earned on the advance		(10,000.00)
Advance remaining at February 28, 2023		$ 115,000.00

Adjustment to fund balance as follows:	Debit	Credit
Fund Balance	$ 115,000.00	
Unearned revenue		$ 115,000.00

F - 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 water fund and amounts to $19,707 for the year ended February 28, 2024. The lease has expired and is on a year-to-year basis.

G. 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 29, 2024, 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.

H. 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.

VILLAGE OF CALUMET
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended February 29, 2024

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes and penalties	$ 117,162	$ 113,000	$ 121,347	$ 8,347
Licenses and permits	9,500	9,500	8,331	(1,169)
Federal grants	2,000	54,500	52,500	(2,000)
State grants	118,000	153,000	156,371	3,371
Charges for services	38,000	60,000	60,483	483
Fines and forfeits	30	1,700	879	(821)
Interest and rentals	1	600	724	124
Other revenue	140,100	148,735	135,728	(13,007)
Total revenues	424,793	541,035	536,363	(4,672)
Expenditures				
General government	170,440	202,345	186,057	16,288
Public safety	31,400	81,500	79,595	1,905
Public works	222,500	236,990	186,977	50,013
Community and economic development	6,000	6,000	776	5,224
Recreation and culture	6,750	10,000	6,357	3,643
Total expenditures	442,090	574,835	492,373	82,462
Excess of revenues over (under) expenditures	(17,297)	(33,800)	43,990	77,790
Other financing sources (uses)				
Interfund transfers (out)	(2,947)	(2,947)	(2,947)	-
Total other financing sources (uses)	(2,947)	(2,947)	(2,947)	-
Fund balance--beginning	117,267	117,267	117,267	-
Restatement to beginning fund balance	-	29,253	29,253	-
Restated beginning fund balance	-	146,520	146,520	-
Net change in fund balance	(20,244)	(36,747)	41,043	77,790
Fund balance--ending	$ 117,267	$ 109,773	$ 187,563	$ 77,790

VILLAGE OF CALUMET
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND--MAJOR SPECIAL REVENUE FUND
For the Fiscal Year Ended February 29, 2024

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Federal grants	$ -	$ 203,000	$ 203,418	$ 418
State grants	153,947	157,547	154,908	(2,639)
Total revenues	153,947	360,547	358,326	(2,221)
Expenditures				
Public works	252,033	430,783	386,702	44,081
Total expenditures	252,033	430,783	386,702	44,081
Excess of revenues over (under) expenditures	(98,086)	(70,236)	(28,376)	41,860
Total other financing sources (uses)				
Operating transfers in	-	60,213	60,213	-
Total other financing sources (uses)	-	60,213	60,213	-
Net change in fund balance	(98,086)	(10,023)	31,837	41,860
Fund balance--beginning	175,130	169,288	169,288	-
Fund balance--ending	$ 77,044	$ 159,265	$ 201,125	$ 41,860

VILLAGE OF CALUMET
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND--MAJOR SPECIAL REVENUE FUND
For the Fiscal Year Ended February 29, 2024

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State grants	$ 28,748	$ 32,000	$ 32,047	$ 47
Total revenues	28,748	32,000	32,047	47
Expenditures				
Public Works	34,800	34,000	19,299	14,701
Total expenditures	34,800	34,000	19,299	14,701
Excess of revenues over (under) expenditures	(6,052)	(2,000)	12,748	14,748
Net change in fund balance	(6,052)	(2,000)	12,748	14,748
Fund balance--Beginning	7,757	39,450	39,450	-
Fund balance--Ending	$ 1,705	$ 37,450	$ 52,198	$ 14,748

VILLAGE OF CALUMET
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MUNICIPAL STREET FUND--MAJOR SPECIAL REVENUE FUND
For the Fiscal Year Ended February 29, 2024

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property taxes	$ 39,827	$ 39,827	$ 32,912	$ (6,915)
State	-	-	1,540	1,540
County tax	11,368	11,368	11,368	-
Charges for services	6,800	6,800	2,866	(3,934)
Total revenues	57,995	57,995	48,686	(9,309)
Expenditures				
Public works	5,000	5,000	2,866	2,134
Total expenditures	5,000	5,000	2,866	2,134
Excess of revenues over (under) expenditures	52,995	52,995	45,820	(7,175)
Other financing sources (uses)				
Operating transfers (out)	(61,000)	(61,000)	(60,213)	787
Total other financing sources (uses)	(61,000)	(61,000)	(60,213)	787
Net change in fund balance	(8,005)	(8,005)	(14,393)	(6,388)
Fund balance--Beginning	105,487	105,487	105,487	-
Fund balance--Ending	$ 97,482	$ 97,482	$ 91,094	$ (6,388)

VILLAGE OF CALUMET
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended February 29, 2024

	Special Revenue					Debt Service	Capital Projects		Total Nonmajor Governmental Funds
	Fire Museum	Sanitation	Water	Revolving Loan	Historical District	Debt Service	Grant Fund	Public Improvement	
Revenues									
Taxes	$ -	$ 14,175	$ -	$ -	$ -	$ -	$ -	$ -	$ 14,175
Federal grants	-	-	-	-	2,000	-	-	-	2,000
State grants	-	658	-	-	-	-	37,037	-	37,695
Charges for services	-	-		-	40	-	-	-	40
Interest and rents	4	-	19,707	3	-	-	-	-	19,714
Other	-	-	-	-	2,500	8,843	-	-	11,343
Total revenues	4	14,833	19,707	3	4,540	8,843	37,037	-	84,967
Expenditures									
Public works	-	13,849	14,919	-	-	-	-	-	28,768
Community and Economic Development	-	-	-	-	-	-	37,037	-	37,037
Recreation and cultural	-	-	-	-	3,095	-	-	-	3,095
Debt Service									
Principal	-	-	-	-	-	10,960	-	-	10,960
Interest	-	-	-	-	-	830	-	-	830
Total expenditures	-	13,849	14,919	-	3,095	11,790	37,037	-	80,690
Excess of revenues over (under) expenditures	4	984	4,788	3	1,445	(2,947)	-	-	4,277
Other Financing Sources (Uses)									
Operating transfers in	-	-	-	-	-	2,947	-	-	2,947
Total other financing sources (uses)	-	-	-	-	-	2,947	-	-	2,947
Excess of revenues and other sources over (under) expenditures and other uses	4	984	4,788	3	1,445	-	-	-	7,224
Fund balances--Beginning	676	3,830	43,311	6,742	8,027	74	116,360	904	179,924
Restatement to beginning fund balance	-	-	-	-	-	-	(115,000)	-	(115,000)
Restated beginning fund balance	676	3,830	43,311	6,742	8,027	74	1,360	904	64,924
Fund balances--Ending	$ 680	$ 4,814	$ 48,099	$ 6,745	$ 9,472	$ 74	$ 1,360	$ 904	$ 72,148

Susan D. Sanford, CPA PLLC
3303 Silver Lake Road, Traverse City, MI 49684
Cell: (231) 357-5092
Email: susan.sanford@cpa.com

Member of:
-American Association of Certified Public Accountants
-Certified Fraud Examiners Association
-Michigan Association of Certified Public Accountants

January 15, 2025

To the Village Council
Village of Calumet, Michigan

I have audited the financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Village of Calumet, Michigan, for the year ended February 29, 2024. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated March 24, 2024. Professional standards also require that I communicate to you the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated March 24, 2024, my responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. My audit of the financial statements does not relieve you or management of your responsibilities. My responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the that the financial statements are free of material misstatement.

As part of my audit, I considered the internal control of the Village. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

I am responsible for communicating significant matters related to the audit that are, in my professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, I am not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 29, 2024.

Compliance with All Ethics Requirements Regarding Independence

I and others in my network firms have complied with all relevant ethical requirements regarding independence. Management has reviewed and approved all journal entries proposed as a result of our audit engagement. Furthermore, an individual with suitable skill, knowledge and experience from management has reviewed the financial statements prepared by the auditor to ensure compliance with all statutory and regulatory guidance.

Significant Risks Identified

I have identified the following significant risks:

1. Improper Revenue Recognition – the risk that the Village will not record the revenues in the correct period creating either overstated or understated revenues.
2. Management Override – the risk that management will override the internal controls set in place.

To Village of Calumet Council
Calumet, Michigan

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 of Calumet, Michigan are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing was not changed during the February 29, 2024 fiscal year. I noted no transactions entered into by the Village of Calumet, Michigan 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, except for two funds, which had restatements to the beginning fund balance-see note E of the notes to the financial statements for details.

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(s) affecting the financial statements were:

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

I evaluated the key factors and assumptions used to develop these estimates 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

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Except for the restatement made above, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated January 15, 2025.

To Village of Calumet Council
Calumet, Michigan

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 governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my 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 governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Other Matters

I applied certain limited procedures to management's discussion and analysis, budgetary comparison schedules, and pension schedules, which are required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

I was engaged to report on the combining and individuals fund schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, I 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 my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Susan D Sanford, CPA PLLC

Susan D Sanford, CPA PLLC
Certified Public Accountant

VILLAGE OF CALUMET, MICHIGAN

Schedule of Findings and Responses

For the year ended February 29, 2024

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 Village's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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.

Finding 2024-001 Preparation of Financial Statements in Accordance with GAAP

Finding Type: Significant deficiency in internal control over financial reporting

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Village'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: The Village has relied on its independent external auditors to assist in preparing 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, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: The Village has determined 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 government to perform this task internally at this time.

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

Recommendation: The Village's decision to rely, in part, on its auditors, for the preparation of external financial statements is allowable provided the Village accepts responsibility for the financial statements. Therefore, no specific corrective action is required at this time.

Management's Response- Corrective Action Plan: 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 interest of the Village to outsource this task to its external auditor, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation

VILLAGE OF CALUMET, MICHIGAN

Schedule of Findings and Responses

For the year ended February 29, 2024

Finding 2024-002 Lack of Appropriate Segregation of Accounting Duties

Finding Type: Significant Deficiency in Internal Control over Financial Reporting

Criteria: Management is responsible for establishing effective internal controls to safeguard the Village's assets, and to prevent or detect misstatements to the financial statements. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the Village's unique circumstances.

Condition: As is the case with many organizations of similar size, the Village lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Cause: This condition is a result of the Village's limited resources, and the small size of its 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 by management in a timely manner.

Recommendation: 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. As noted above, due to the small size of the government and the limited funds of the Village, management is unable to employ the number of accounting personnel to attain an adequate segregation of duties between management functions, account functions and custody of the government's assets. To the extent possible, duties are allocated between accounting personnel to mitigate risk of material misappropriation of assets. In addition, the Village Board assumes a higher level or oversight responsibilities to mitigate risks relate to this lack of segregation of duties.

Management's Response- Corrective Action Plan: We acknowledge the risk associated with internal control issues with the segregation of the duties listed above. We have compensating controls in place where possible and will continue to monitor and mitigate risks periodically. Limited and small staffing in the office is ultimately the largest challenge we face with total and complete segregation of duties but with the new Village manager, and utilization of Council members we will do what we can to separate and create a series of checks and balances in accounting duties where appropriate and needed.

VILLAGE OF CALUMET, MICHIGAN

Schedule of Findings and Responses

For the year ended February 29, 2024

Finding 2024-003 Failure to File F-65 Reports, Act 51 Reports and Annual Audit Reports

Finding Type: Compliance

Condition: For fiscal year 2024, the Village failed to file the annual audit reports and Annual Local Unit Fiscal Report (F-65 Report) with the Michigan Department of Treasury. The Village also did not file Act 51 reports with the Michigan Department of Transportation (MDOT) on a timely basis. An extension was requested and granted for the annual audit, F-65 Report and Act 51 Report.

Criteria: MCL 141.427 Every county, city, village, and township must file an Annual Local Unit Fiscal Report (Form F-65) with the State Treasurer in accordance with PA (PA) 71 of 1919, PA 2 of 1968 and PA 275 of 1980. The Form F-65 must be received by the Michigan Department of Treasury within 6 (six) months after the end of the local unit's fiscal year and must be filed annually regardless of the filing requirements for an audit. Failure to timely file Form F-65 may cause the unit's State Revenue Sharing money to be withheld (MCL 141.921).

According to MCL 247.665, the Village shall file with the director of the State Transportation Department, not more than 120 days after the end of its fiscal year, on forms provided by the director, a report showing the disposition of funds appropriated, apportioned, or allocated under this act to the Village (Act 51 Report).

Cause: This condition is a result of the Village conversion of accounting software package in December and a change in auditors. There is also a shortage of auditors in the area, which caused a backlog of issuing audits.

Effect: The effect of this finding is that the Village is out of compliance with Treasury and MDOT requirements and is subject to withholding of State Revenue Sharing money.

Recommendation: I recommend the Village request that the audit be started in June to ensure that the required reports are filed timely.

Management's Response--Corrective Action Plan: The Village plans on implementing all recommendations so that this does not happen again. The Council will receive a copy of the F 65 in their Council Packet at the time of the audit being due. The Village now has a manager who is knowledgeable in accounting which will assist in getting the records in good shape for the audit and compliance with the Department of Treasury and Department of Transportation deadlines.