



**VILLAGE OF CALUMET, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED FEBRUARY 29, 2020**

GABRIDGE & CO

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## INDEPENDENT AUDITOR'S REPORT

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

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Calumet, Michigan (the "Village") as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of February 29, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2020 on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Gabridge & Company, PLC  
Grand Rapids, Michigan  
August 25, 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Village of Calumet  
Management's Discussion and Analysis  
February 29, 2020**

As management of the Village of Calumet, Michigan (The "Village" or "government") we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 29, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements.

**Financial Highlights**

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$3,014,140 (net position). Of this amount, \$192,403 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The Village's total revenues were \$2,075,313 and total expenses were \$583,851 leading to an increase in net position of \$1,491,462 during the year.
- At the close of the current fiscal year, the Village's governmental funds reported combined fund balances of \$348,129, an increase of \$11,036 in comparison with the prior year. Approximately 55.6% of this amount, or \$193,623, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$193,623, or approximately 25.7% of total general fund expenditures and transfers out.

**Overview of the Financial Statements**

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

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

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

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

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

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

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

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

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

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

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



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

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

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

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$3,014,140 at the close of the most recent fiscal year.

## Village of Calumet's Net Position

	2020	2019 - (Unaudited)
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 252,325	\$ 237,962
Accounts receivable	13,882	50,237
Intergovernmental receivables	374,436	119,105
Inventory	16,397	17,251
<b>Total Current Assets</b>	<b>657,040</b>	<b>424,555</b>
<i>Noncurrent Assets</i>		
Capital assets, net	2,747,233	1,266,346
<b>Total Assets</b>	<b>3,404,273</b>	<b>1,690,901</b>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts payable	247,544	16,785
Payroll and other accrued liabilities	27,876	8,170
Accrued interest payable	140	148
Due to component unit	33,491	34,536
Current portion of long-term debt	10,231	9,788
Current portion of compensated absences	2,274	2,647
<b>Total Current Liabilities</b>	<b>321,556</b>	<b>72,074</b>
<i>Noncurrent Liabilities</i>		
Long-term debt	61,754	82,820
Compensated absences	6,823	7,941
<b>Total Liabilities</b>	<b>390,133</b>	<b>162,835</b>
<b>NET POSITION</b>		
Net investment in capital assets	2,675,248	1,173,738
Restricted	146,489	93,185
Unrestricted	192,403	261,143
<b>Total Net Position</b>	<b>\$ 3,014,140</b>	<b>\$ 1,528,066</b>

The largest portion of the Village's net position (\$2,675,248, or 88.8%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Village uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Village's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position (\$146,489, or 4.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$192,403, or 6.4%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Cash and cash equivalents increased by \$14,363, being similar to the increase in fund balance of \$11,036. Accounts receivable decreased by \$36,355 as the Village had a snow removal receivable in the prior year of \$33,739 that was no longer reported as of February 29, 2020. The Village has a \$229,485 grant receivable from the State of Michigan for Elm Street Improvements contributing to the overall increase in intergovernmental receivables of \$255,331. Capital assets increased by \$1,480,887 as a result of the Elm Street improvement project that included \$1,544,910 of construction in progress at year-end. The timing of construction payables related to the project caused an increase in accounts payable of \$230,759. The Village had \$12,262 in fire insurance liability in escrow, being a major contributor to the \$19,706 increase in payroll and other accrued liabilities.

**Village of Calumet's Changes in Net Position**

	<b>2020</b>	<b>2019 - (Unaudited)</b>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for services	\$ 116,213	\$ 92,171
Operating grants and contributions	275,054	221,023
Capital grants and contributions	1,413,687	133,456
<b>Total Program Revenues</b>	<u>1,804,954</u>	<u>446,650</u>
<b>General Revenues</b>		
Property taxes	161,923	162,398
Intergovernmental	108,422	116,644
Interest income	14	67
<b>Total General Revenues</b>	<u>270,359</u>	<u>279,109</u>
<b>Total Revenues</b>	<u>2,075,313</u>	<u>725,759</u>
<b>Expenses</b>		
General government	155,896	166,632
Public safety	69,626	130,503
Public works	344,779	328,066
Recreation and culture	11,806	31,955
Interest on long-term debt	1,744	2,216
<b>Total Expenses</b>	<u>583,851</u>	<u>659,372</u>
<b>Change in Net Position</b>	<u>1,491,462</u>	<u>66,387</u>
Net Position at the Beginning of Period	<u>1,522,678</u>	<u>1,461,679</u>
<b>Net Position at the End of Period</b>	<u>\$ 3,014,140</u>	<u>\$ 1,528,066</u>

Charges for services increased by \$24,042 as snow removal contracts had a slight increase of \$7,515 netted against a decrease of \$10,000 in police patrol fees collected. Operating grants and contributions saw a \$12,000 reduction in local funds from the Downtown Development Authority in 2020 and another \$25,000 reduction from a \$25,000 Americana Grant received during 2019 that didn't recur in 2020. The Village received \$1,413,687 of capital grant revenues associated with the Elm Street improvements project. Intergovernmental revenues decrease by \$8,222 as the Village had a decrease in funding received from the Local Community Stabilization Authority. A reduction in professional fees contributed to a \$11,011 decrease in general government expenses.

A \$58,000 reduction in police salaries caused public safety expenses to decrease by \$60,877. More funds were spent on major and local streets in the current year causing an uptick of \$20,833 in public works expenses while recreation and culture expenses decreased by \$20,149 due to a one-time expense in the prior year for the replacement of the Fire Hall roof.

### **Financial Analysis of Governmental Funds**

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

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

At February 29, 2020, the Village's governmental funds reported combined fund balances of \$348,129, an increase of \$11,036 in comparison with the prior year. Approximately 55.6% of this amount (\$193,623) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *restricted* or *committed* to indicate that it is: 1) nonspendable for inventory (\$16,397, or 4.7%), 2) restricted for particular purposes (\$130,092, or 37.4%), or 3) committed for particular purposes (\$8,017, or 2.3%).

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$193,623. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 25.7% of total general fund expenditures and transfers out.

The fund balance of the Village's general fund decreased by \$70,347 during the current fiscal year for an ending balance of \$193,623. The Village Council monitors the expenditures of the general fund closely to ensure that spending does not exceed the Village's available resources.

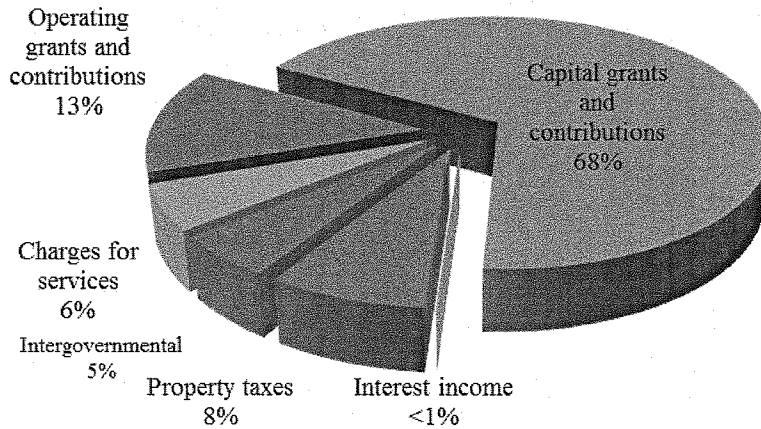
The major streets fund, a major fund, had a \$59,866 increase in fund balance during the current fiscal year which put the overall fund balance at \$70,913.

The grant fund, a major fund, had a \$1 increase in fund balance during the current fiscal year which put the overall fund balance at \$4.

## Governmental Activities

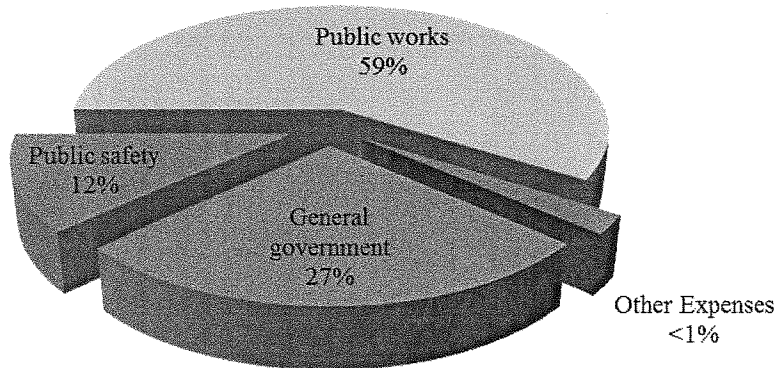
The following chart summarizes the revenue sources for the governmental activities of the Village for the most recent fiscal year-end:

### Governmental Activities Revenues



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

### Governmental Activities Expenses



## General Fund Budgetary Highlights

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

*Final budget compared to actual results.* The Village had the following expenditures in excess of the amounts appropriated during the year ended February 29, 2020:

	<b>Final Budgeted Amount</b>	<b>Actual Amount</b>	<b>Negative Variance</b>
<b>General fund</b>			
General government	\$ 163,792	\$ 171,958	\$ (8,166)
Public safety	66,229	67,682	(1,453)
Public works	260,486	263,292	(2,806)

## Capital Assets and Debt Administration

### *Capital Assets*

The Village's investment in capital assets for its governmental activities as of February 29, 2020 amounts to \$2,747,233 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, sidewalks, and infrastructure. Net capital assets increased by \$1,480,887, or 116.9%, from the previous year.

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

### *Long-term Debt*

As described in Note 6 to the financial statements, the Village had \$71,985 in long-term debt at the end of the fiscal year. Long-term debt decreased by \$20,623, or 22.3%, during the year as the Village continues to meet all debt service payments as they come due.

## Economic Condition and Outlook

Management initially estimated that \$554,610 of revenues will be available for appropriation in the general fund in the upcoming year. The Village continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2021, the Village plans again to use current revenues to provide essential services and to maintain the Village's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting stable property values. Additionally, management and the Village Council are currently working to determine the significance that the COVID-19 Pandemic will have on the Village's upcoming revenues.

## **Contacting the Village**

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

The Village of Calumet  
340 Sixth Street  
Calumet, MI 49913

**BASIC FINANCIAL STATEMENTS**



**Village of Calumet  
Statement of Net Position  
February 29, 2020**

	<b>Primary Governmental Activities</b>	<b>Component Unit - DDA</b>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 252,325	\$ 19,569
Taxes receivable	--	6,669
Accounts receivable	13,882	--
Intergovernmental receivables	374,436	--
Due from primary government	--	33,491
Inventory	16,397	10,002
<b>Total Current Assets</b>	<b>657,040</b>	<b>69,731</b>
<i>Noncurrent Assets</i>		
Capital assets not being depreciated	1,678,024	30,000
Capital assets being depreciated, net	1,069,209	--
<b>Total Assets</b>	<b>3,404,273</b>	<b>99,731</b>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts payable	247,544	--
Payroll liabilities	15,614	--
Other accrued liabilities	12,262	--
Accrued interest payable	140	--
Due to component unit	33,491	--
Current portion of long-term debt	10,231	--
Current portion of compensated absences	2,274	--
<b>Total Current Liabilities</b>	<b>321,556</b>	<b>--</b>
<i>Noncurrent Liabilities</i>		
Long-term debt	61,754	--
Compensated absences	6,823	--
<b>Total Liabilities</b>	<b>390,133</b>	<b>--</b>
<b>NET POSITION</b>		
Net investment in capital assets	2,675,248	30,000
<i>Restricted for:</i>		
Historic preservation	5,141	--
Highways and streets	138,755	--
Debt service	109	--
Sanitation	2,484	--
<i>Unrestricted</i>	192,403	69,731
<b>Total Net Position</b>	<b>\$ 3,014,140</b>	<b>\$ 99,731</b>

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

**Village of Calumet  
Statement of Activities  
For the Year Ended February 29, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue	Component Unit - DDA
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Primary Government</b>						
<b>Governmental Activities:</b>						
General government	\$ 155,896	\$ 59,338	\$ 10,737	\$ --	\$ (85,851)	\$ --
Public safety	69,626	5,332	6,630	--	(57,664)	--
Public works	344,779	51,483	253,687	1,413,687	1,374,078	--
Recreation and culture	11,806	60	4,000	--	(7,746)	--
Interest on long-term debt	1,744	--	--	--	(1,744)	--
<b>Total Primary Government</b>	<b>\$ 583,851</b>	<b>\$ 116,213</b>	<b>\$ 275,054</b>	<b>\$ 1,413,687</b>	<b>1,221,103</b>	<b>--</b>
<b>Component Unit</b>						
Downtown Development Authority	\$ 60,902	--	\$ 5,000	--	--	(55,902)
<b>Total Component Unit</b>	<b>\$ 60,902</b>	<b>\$ --</b>	<b>\$ 5,000</b>	<b>\$ --</b>	<b>--</b>	<b>(55,902)</b>
<b>General Purpose Revenues:</b>						
Property taxes					161,923	51,917
Intergovernmental revenues					108,422	--
Interest income					14	--
<b>Total General Revenues</b>					<b>270,359</b>	<b>51,917</b>
<b>Change in Net Position</b>					<b>1,491,462</b>	<b>(3,985)</b>
<i>Net Position at Beginning of Period</i>					<i>1,522,678</i>	<i>103,716</i>
<b>Net Position at End of Period</b>					<b>\$ 3,014,140</b>	<b>\$ 99,731</b>

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

**Village of Calumet  
Balance Sheet  
Governmental Funds  
February 29, 2020**

	Special Revenue		Capital Projects		Other Governmental Funds	Total Governmental Funds
	General	Major Streets	Grant Fund			
<b>ASSETS</b>						
Cash and cash equivalents	\$ 71,245	\$ 135,954	\$ 3	\$ 45,123	\$ 252,325	
Accounts receivable	8,543	--	--	5,339	13,882	
Intergovernmental receivables	17,764	112,567	229,485	14,620	374,436	
Inventory	--	--	--	16,397	16,397	
Due from other funds	195,195	--	--	42,417	237,612	
<b>Total Assets</b>	<b>\$ 292,747</b>	<b>\$ 248,521</b>	<b>\$ 229,488</b>	<b>\$ 123,896</b>	<b>\$ 894,652</b>	
<b>LIABILITIES</b>						
Accounts payable	\$ 18,060	--	\$ 229,484	--	\$ 247,544	
Payroll liabilities	9,680	5,342	--	592	15,614	
Other accrued liabilities	12,262	--	--	--	12,262	
Due to component unit	23,296	--	--	10,195	33,491	
Due to other funds	35,826	172,266	--	29,520	237,612	
<b>Total Liabilities</b>	<b>\$ 99,124</b>	<b>\$ 177,608</b>	<b>\$ 229,484</b>	<b>\$ 40,307</b>	<b>\$ 546,523</b>	
<b>FUND BALANCE</b>						
Nonspendable	--	--	--	16,397	16,397	
Restricted	--	70,913	--	59,179	130,092	
Committed	--	--	4	8,013	8,017	
Unassigned	193,623	--	--	--	193,623	
<b>Total Fund Balance</b>	<b>\$ 193,623</b>	<b>\$ 70,913</b>	<b>\$ 4</b>	<b>\$ 83,589</b>	<b>\$ 348,129</b>	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 292,747</b>	<b>\$ 248,521</b>	<b>\$ 229,488</b>	<b>\$ 123,896</b>	<b>\$ 894,652</b>	

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

**Village of Calumet**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**February 29, 2020**

Total Fund Balance - Governmental Funds	\$ 348,129
General government capital assets of \$3,893,252, net of accumulated depreciation of \$1,146,019, are not financial resources and, accordingly, are not reported in the funds.	2,747,233
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(71,985)
Compensated absences and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.	(9,237)
<b>Total Net Position - Governmental Activities</b>	<b>\$ <u>3,014,140</u></b>

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

**Village of Calumet**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended February 29, 2020**

	<u>Special Revenue</u>			<u>Capital Projects</u>		<b>Total Governmental Funds</b>
	<u>General</u>	<u>Major Streets</u>	<u>Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>	
<b>Revenues</b>						
Property taxes	\$ 109,791	\$ --	\$ --	\$ 52,132	\$ 161,923	\$ 161,923
Licenses and permits	11,307	--	--	60	11,367	11,367
Intergovernmental revenues	123,789	198,797	1,413,687	58,890	1,795,163	1,795,163
Charges for services	52,015	--	--	6,591	58,606	58,606
Fines and forfeits	175	--	--	--	175	175
Reimbursements	332,689	--	--	--	332,689	332,689
Other revenue	52,856	1,800	--	--	54,656	54,656
Interest income	11	--	--	3	14	14
<b>Total Revenues</b>	<b>682,633</b>	<b>200,597</b>	<b>1,413,687</b>	<b>117,676</b>	<b>2,414,593</b>	<b>2,414,593</b>
<b>Expenditures</b>						
General government	171,958	--	--	--	171,958	171,958
Public safety	67,682	--	--	--	67,682	67,682
Public works	263,292	263,731	--	76,584	603,607	603,607
Recreation and culture	15,988	--	--	3,717	19,705	19,705
Other	18,500	--	--	--	18,500	18,500
Debt service - principal	--	--	--	10,018	10,018	10,018
Debt service - interest	--	--	--	1,771	1,771	1,771
Capital outlay	--	--	1,510,316	--	1,510,316	1,510,316
<b>Total Expenditures</b>	<b>537,420</b>	<b>263,731</b>	<b>1,510,316</b>	<b>92,090</b>	<b>2,403,557</b>	<b>2,403,557</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>145,213</b>	<b>(63,134)</b>	<b>(96,629)</b>	<b>25,586</b>	<b>11,036</b>	<b>11,036</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	--	123,000	96,630	28,930	248,560	248,560
Transfers out	(215,560)	--	--	(33,000)	(248,560)	(248,560)
<b>Net Other Financing Sources (Uses)</b>	<b>(215,560)</b>	<b>123,000</b>	<b>96,630</b>	<b>(4,070)</b>	<b>--</b>	<b>--</b>
<b>Net Change in Fund Balance</b>	<b>(70,347)</b>	<b>59,866</b>	<b>1</b>	<b>21,516</b>	<b>11,036</b>	<b>11,036</b>
<b>Fund Balance at Beginning of Period</b>	<b>263,970</b>	<b>11,047</b>	<b>3</b>	<b>62,073</b>	<b>337,093</b>	<b>337,093</b>
<b>Fund Balance at End of Period</b>	<b>\$ 193,623</b>	<b>\$ 70,913</b>	<b>\$ 4</b>	<b>\$ 83,589</b>	<b>\$ 348,129</b>	<b>\$ 348,129</b>

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

**Village of Calumet**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended February 29, 2020**

Total Net Change in Fund Balances - Governmental Funds	\$	11,036
<p>Governmental fund report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$1,549,948 exceeds depreciation expense of \$78,212.</p>		
		1,471,736
<p>Current year long-term debt principal payments on long-term debt are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.</p>		
		10,018
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This represents the current year change in the accrual of compensated absences and accrued interest.</p>		
		(1,328)
<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>1,491,462</u></b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

# Village of Calumet

## Notes to the Financial Statements

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### **Note 1 - Summary of Significant Accounting Policies**

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

#### **Reporting Entity**

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

#### **Discretely Presented Component Unit**

##### ***Downtown Development Authority***

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

#### **Jointly Governed Organization**

##### ***North Houghton County Water and Sewage Authority***

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



## Village of Calumet

### Notes to the Financial Statements

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

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

#### **Related Organization**

##### *Calumet Housing Commission*

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

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

Or phone at (906) 337-0005.

#### **Government-wide and Fund Financial Statements**

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

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

## Village of Calumet

### Notes to the Financial Statements

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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 ***grant fund*** accounts for the resources of federal and state grants that are used for capital projects and community development within the Village.

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.

## Village of Calumet

### Notes to the Financial Statements

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

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

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

#### **Assets, Liabilities, and Equity**

##### *Cash and Cash Equivalents*

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

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

##### *Receivables*

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

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

##### *Inventories*

Inventories consist of sand and salt for the municipal streets fund and are valued at cost on the first-in/first-out (FIFO) method. Inventories are recorded as expenses when consumed rather than when purchased.

##### *Capital Assets*

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

## Village of Calumet

### Notes to the Financial Statements

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

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

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

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

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

#### *Compensated Absences*

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

#### *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

## Village of Calumet

### Notes to the Financial Statements

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In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### ***Net Position Flow Assumption***

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

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

#### ***Fund Balance Flow Assumptions***

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

#### ***Fund Balance Policies***

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

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

## Village of Calumet

### Notes to the Financial Statements

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

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

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

#### ***Property Tax Revenue Recognition***

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

The 2019 taxable valuation of the Village was \$9,012,989. The Village's tax rates for the fiscal year was 10.4386 mills and 2.9907 mills for general operating, 1.7000 for waste collection, and 4.1750 for municipal streets. These amounts are recognized in the respected general and special revenue funds as tax revenue.

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

#### ***Interfund Transactions***

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

Village of Calumet

Notes to the Financial Statements

*Use of Estimates*

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

*Budgetary and Budgetary Accounting*

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

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

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

**Note 2 - Excess of Expenditures over Budget**

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. The Village had the following expenditures in excess of the amounts appropriated during the year ended February 29, 2020:

	<b>Final Budgeted Amount</b>	<b>Actual Amount</b>	<b>Negative Variance</b>
<b>General fund</b>			
General government	\$ 163,792	\$ 171,958	\$ (8,166)
Public safety	66,229	67,682	(1,453)
Public works	260,486	263,292	(2,806)

Village of Calumet

Notes to the Financial Statements

**Note 3 - Cash and Cash Equivalents**

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

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
<b>Statement of Net Position</b>			
Cash and Cash Equivalents	\$ 252,325	\$ 19,569	\$ 271,894
			\$ 129
			258,656
			13,109
			<u>\$ 271,894</u>
			<i><b>Total Deposits and Investments</b></i>

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

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits might not be returned. State law does not require, and the Village does not have, a policy for deposit custodial credit risk. As of year-end, \$13,152 of the Villages bank balance of \$276,311 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Village believes it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.



**Village of Calumet**

Notes to the Financial Statements

**Note 4 - Capital Assets**

Capital asset activities for governmental activities for the year ended February 29, 2020 were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital Assets not Being Depreciated:				
Land	\$ 81,115	\$ 4,000	\$ -	\$ 85,115
Construction in Progress	34,593	1,510,316	-	1,544,909
Historical Treasure	48,000	-	-	48,000
<i>Subtotal</i>	<u>163,708</u>	<u>1,514,316</u>	<u>-</u>	<u>1,678,024</u>
Capital Assets Being Depreciated:				
Buildings and Site Improvements	224,712	10,315	-	235,027
Machinery and Equipment	661,468	-	-	661,468
Vehicles	45,552	25,317	-	70,869
Water Lines	360,402	-	-	360,402
Infrastructure	887,462	-	-	887,462
<i>Subtotal</i>	<u>2,179,596</u>	<u>35,632</u>	<u>-</u>	<u>2,215,228</u>
Less Accumulated Depreciation for:				
Buildings and Site Improvements	(125,867)	(4,178)	-	(130,045)
Machinery and Equipment	(404,099)	(22,669)	-	(426,768)
Vehicles	(24,726)	(9,451)	-	(34,177)
Water Lines	(158,291)	(7,208)	-	(165,499)
Infrastructure	(354,824)	(34,706)	-	(389,530)
<i>Subtotal</i>	<u>(1,067,807)</u>	<u>(78,212)</u>	<u>-</u>	<u>(1,146,019)</u>
Capital Assets Being Depreciated, Net	<u>1,111,789</u>	<u>(42,580)</u>	<u>-</u>	<u>1,069,209</u>
<i>Capital Assets, Net</i>	<u>\$ 1,275,497</u>	<u>\$ 1,471,736</u>	<u>\$ -</u>	<u>\$ 2,747,233</u>

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

General Government	\$ 29,645
Public Safety	1,944
Public Works	43,707
Recreation and Culture	2,916
<b>Total</b>	<u>\$ 78,212</u>

Village of Calumet

Notes to the Financial Statements

Capital asset activities for the discretely-presented component unit, the Downtown Development Authority, for the year ended February 29, 2020 were as follows:

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

**Note 5 - Interfund and Inter-governmental Activity**

*Interfund Activity*

The composition of interfund transfers for the year ended February 29, 2020 was as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Major streets	General fund	\$ 90,000
Major streets	Nonmajor governmental funds	33,000
Nonmajor governmental funds	General fund	28,930
Grant fund	General fund	96,630

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, 2020 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Major streets	\$ 167,564
General fund	Nonmajor governmental funds	27,631
Nonmajor governmental funds	Major streets	4,702
Nonmajor governmental funds	General fund	35,826
Nonmajor governmental funds	Nonmajor governmental funds	1,889

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.

**Village of Calumet**

Notes to the Financial Statements

*Inter-governmental Activity*

In addition, the Village has \$33,491 due to the Downtown Development Authority, a discretely-presented component unit.

**Note 6 - Long-term Obligations**

Long-term obligations activity for the year ended February 29, 2020 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 7,742	\$ 1,355	\$ -	\$ 9,097	\$ 2,274
Installment Loan - Grader	82,003	-	(10,018)	71,985	10,231
<b>Total Long-term Obligations</b>	<b>\$ 89,745</b>	<b>\$ 1,355</b>	<b>\$ (10,018)</b>	<b>\$ 81,082</b>	<b>\$ 12,505</b>

The annual requirements, excluding accrued employee benefits and unamortized discounts, to maturity on the primary government's long-term debt obligations outstanding at February 29, 2020 are as follows:

	<b>Governmental Activities</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 10,231	\$ 1,559	\$ 11,790
2022	10,471	1,319	11,790
2023	10,712	1,078	11,790
2024	10,960	830	11,790
2025	11,210	580	11,790
2026-2027	18,401	385	18,786
<b>Totals</b>	<b>\$ 71,985</b>	<b>\$ 5,751</b>	<b>\$ 77,736</b>

Compensated absences attributable to the governmental activities will generally be liquidated by the general fund.

**Note 7 - Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees (workers' compensation); and natural disasters. During the year ended February 29, 2020, 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.

## Village of Calumet

### Notes to the Financial Statements

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#### **Note 8 - Leases**

The water line lease and operating agreement between the Village of Calumet, Michigan and Michigan-American Water Company is dated October 1, 1983. Annual rental is based on 10% of the net revenue generated by Michigan-American Water Company from the government's residents. This rental income is recorded in the general fund and amounts to \$19,771 for the year ended February 29, 2020.

#### **Note 9 - Subsequent Events**

The Village may be affected by the recent and ongoing outbreak of the Coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. COVID-19 has caused significant government and business disruptions through mandated and voluntary closings and stay at home orders. Management is in the process of determining if this outbreak will have a significant financial impact on the Village's financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Village of Calumet**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended February 29, 2020**

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
<b>Revenues</b>				
Property taxes	\$ 118,000	\$ 114,463	\$ 109,791	\$ (4,672)
Licenses and permits	11,000	11,307	11,307	--
State sources	100,000	89,797	113,052	23,255
Intergovernmental revenues	7,200	9,155	10,737	1,582
Charges for services	55,000	59,362	52,015	(7,347)
Fines and forfeits	400	340	175	(165)
Interest income	25	16	11	(5)
Reimbursements	200,000	267,096	332,689	65,593
Other revenue	30,000	95,181	52,856	(42,325)
<b>Total Revenues</b>	<u>521,625</u>	<u>646,717</u>	<u>682,633</u>	<u>35,916</u>
<b>Expenditures</b>				
General government	149,000	163,792	171,958	(8,166)
Public safety	159,000	66,229	67,682	(1,453)
Public works	165,000	260,486	263,292	(2,806)
Recreation and culture	5,000	22,602	15,988	6,614
Other	24,000	19,576	18,500	1,076
<b>Total Expenditures</b>	<u>502,000</u>	<u>532,685</u>	<u>537,420</u>	<u>(4,735)</u>
<b>Other Financing Uses</b>				
Transfers out	74,300	131,965	215,560	(83,595)
<b>Total Expenditures and Other Financing Uses</b>	<u>576,300</u>	<u>664,650</u>	<u>752,980</u>	<u>(88,330)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Uses</b>	<u>(54,675)</u>	<u>(17,933)</u>	<u>(70,347)</u>	<u>(52,414)</u>
<b>Net Change in Fund Balance</b>	<u>(54,675)</u>	<u>(17,933)</u>	<u>(70,347)</u>	<u>(52,414)</u>
<b>Fund Balance at Beginning of Period</b>	263,970	263,970	263,970	--
<b>Fund Balance at End of Period</b>	<u>\$ 209,295</u>	<u>\$ 246,037</u>	<u>\$ 193,623</u>	<u>\$ (52,414)</u>

**Village of Calumet**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Major Streets**  
**For the Year Ended February 29, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Intergovernmental revenues	\$ 136,000	\$ 153,519	\$ 198,797	\$ 45,278
Other revenue	1,500	1,800	1,800	--
<b>Total Revenues</b>	<u>137,500</u>	<u>155,319</u>	<u>200,597</u>	<u>45,278</u>
<b>Other Financing Sources</b>				
Transfers in	85,000	153,000	123,000	(30,000)
<b>Total Revenues and Other Financing Sources</b>	<u>222,500</u>	<u>308,319</u>	<u>323,597</u>	<u>15,278</u>
<b>Expenditures</b>				
Public works	211,500	309,468	263,731	45,737
<b>Total Expenditures</b>	<u>211,500</u>	<u>309,468</u>	<u>263,731</u>	<u>45,737</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures</b>	<u>11,000</u>	<u>(1,149)</u>	<u>59,866</u>	<u>61,015</u>
<b>Net Change in Fund Balance</b>	<b>11,000</b>	<b>(1,149)</b>	<b>59,866</b>	<b>61,015</b>
<i>Fund Balance at Beginning of Period</i>	11,047	11,047	11,047	--
<b>Fund Balance at End of Period</b>	<u><b>\$ 22,047</b></u>	<u><b>\$ 9,898</b></u>	<u><b>\$ 70,913</b></u>	<u><b>\$ 61,015</b></u>

## **Other Supplementary Information**



Village of Calumet  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 February 29, 2020

	Special Revenue				Revolving Loan Fund	Sanitation Fund	Debt Service		Capital Projects		Total Nonmajor Governmental Funds
	Historic District	Local Streets	Municipal Streets				Debt Service	Public Improvement			
<b>ASSETS</b>											
Cash and cash equivalents	5,141	28,428	187	6,825	3,245	109	1,188			45,123	
Accounts receivable	--	--	--	--	5,339	--	--			5,339	
Intergovernmental receivables	--	14,620	--	--	--	--	--			14,620	
Inventory	--	--	16,397	--	--	--	--			16,397	
Due from other funds	--	--	42,417	--	--	--	--			42,417	
<b>Total Assets</b>	<b>5,141</b>	<b>43,048</b>	<b>59,001</b>	<b>6,825</b>	<b>8,584</b>	<b>109</b>	<b>1,188</b>			<b>123,896</b>	
<b>LIABILITIES</b>											
Payroll liabilities	--	592	--	--	--	--	--			592	
Due to component unit	--	--	7,245	--	2,950	--	--			10,195	
Due to other funds	--	26,370	--	--	3,150	--	--			29,520	
<b>Total Liabilities</b>	<b>--</b>	<b>26,962</b>	<b>7,245</b>	<b>--</b>	<b>6,100</b>	<b>--</b>	<b>--</b>			<b>40,307</b>	
<b>FUND BALANCE</b>											
Nonspendable	--	--	16,397	--	--	--	--			16,397	
Restricted	5,141	16,086	35,359	--	2,484	109	--			59,179	
Committed	--	--	--	6,825	--	--	1,188			8,013	
Unassigned	--	--	--	--	--	--	--			--	
<b>Total Fund Balance</b>	<b>5,141</b>	<b>16,086</b>	<b>51,756</b>	<b>6,825</b>	<b>2,484</b>	<b>109</b>	<b>1,188</b>			<b>83,589</b>	
<b>Total Liabilities and Fund Balance</b>	<b>5,141</b>	<b>43,048</b>	<b>59,001</b>	<b>6,825</b>	<b>8,584</b>	<b>109</b>	<b>1,188</b>			<b>123,896</b>	

**Village of Calumet**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended February 29, 2020**

	Special Revenue					Debt Service		Capital Projects		Total Nonmajor Governmental Funds
	Historic District	Local Streets	Municipal Streets	Revolving Loan Fund	Sanitation Fund	Debt Service	Public Improvement			
<b>Revenues</b>										
Property taxes	--	\$ --	\$ 36,769	\$ --	\$ 15,363	\$ --	\$ --	\$ --	\$ 52,132	
Licenses and permits	60	--	--	--	--	--	--	--	60	
Intergovernmental revenues	4,000	36,654	10,377	--	--	7,859	--	--	58,890	
Charges for services	--	--	6,591	--	--	--	--	--	6,591	
Interest income	--	--	--	3	--	--	--	--	3	
<b>Total Revenues</b>	<b>4,060</b>	<b>36,654</b>	<b>53,737</b>	<b>3</b>	<b>15,363</b>	<b>7,859</b>	<b>--</b>	<b>--</b>	<b>117,676</b>	
<b>Expenditures</b>										
Public works	--	51,715	6,696	--	18,073	--	100	--	76,584	
Recreation and culture	3,717	--	--	--	--	--	--	--	3,717	
Debt service - principal	--	--	--	--	--	10,018	--	--	10,018	
Debt service - interest	--	--	--	--	--	1,771	--	--	1,771	
<b>Total Expenditures</b>	<b>3,717</b>	<b>51,715</b>	<b>6,696</b>	<b>--</b>	<b>18,073</b>	<b>11,789</b>	<b>100</b>	<b>--</b>	<b>92,090</b>	
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>343</b>	<b>(15,061)</b>	<b>47,041</b>	<b>3</b>	<b>(2,710)</b>	<b>(3,930)</b>	<b>(100)</b>	<b>--</b>	<b>25,586</b>	
<b>Other Financing Sources (Uses)</b>										
Transfers in	--	25,000	--	--	--	3,930	--	--	28,930	
Transfers out	--	--	(33,000)	--	--	--	--	--	(33,000)	
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>25,000</b>	<b>(33,000)</b>	<b>--</b>	<b>--</b>	<b>3,930</b>	<b>--</b>	<b>--</b>	<b>(4,070)</b>	
<b>Net Change in Fund Balance</b>	<b>343</b>	<b>9,939</b>	<b>14,041</b>	<b>3</b>	<b>(2,710)</b>	<b>--</b>	<b>(100)</b>	<b>--</b>	<b>21,516</b>	
<b>Fund Balance at Beginning of Period</b>	<b>4,798</b>	<b>6,147</b>	<b>37,715</b>	<b>6,822</b>	<b>5,194</b>	<b>109</b>	<b>1,288</b>	<b>--</b>	<b>62,073</b>	
<b>Fund Balance at End of Period</b>	<b>\$ 5,141</b>	<b>\$ 16,086</b>	<b>\$ 51,756</b>	<b>\$ 6,825</b>	<b>\$ 2,484</b>	<b>\$ 109</b>	<b>\$ 1,188</b>	<b>\$ --</b>	<b>\$ 83,589</b>	



**VILLAGE OF CALUMET, MICHIGAN  
SINGLE AUDIT ACT COMPLIANCE  
YEAR ENDED FEBRUARY 29, 2020**

GABRIDGE & CO

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INDEPENDENT AUDITOR'S REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *Village of Calumet, Michigan* (the "Village") as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements. We issued our report thereon dated August 25, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Gabridge & Company, PLC  
Grand Rapids, MI  
August 25, 2020

**Village of Calumet  
Schedule of Expenditures of Federal Awards  
For the Year Ended February 29, 2020**

Federal/Pass-through Grantor Program Title	CFDA Number	Federal/Pass-through Grantor Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the Michigan Economic Development Corporation: Village of Calumet, Elm Street Improvements Project	14.228	MSC 217042-FRZ	\$ 1,413,687
<b>Total U.S. Department of Housing and Urban Development</b>			<u>1,413,687</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,413,687</u>

## Village of Calumet

### Notes to the Schedule of Expenditures of Federal Awards

#### NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the *Village of Calumet* (the "Village") under programs of the federal government for the year ended February 29, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village.

The Village's reporting entity is defined in Note 1 of the Village's audited financial statements.

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Village's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the Village has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

#### NOTE C - RECONCILIATION TO FINANCIAL STATEMENTS

A reconciliation of the amounts presented in the Schedule to the amounts presented in the financial statements is as follows:

Intergovernmental revenues reported in the financial statements:	
General fund	\$ 123,789
Major streets	198,797
Grant fund	1,413,687
Nonmajor governmental funds	<u>58,890</u>
Total intergovernmental revenue:	<u>1,795,163</u>
Subtract state and local sources:	<u>381,476</u>
<b>Total expenditures of federal awards:</b>	<b><u>\$ 1,413,687</u></b>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *Village of Calumet, Michigan* (the "Village"), as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated August 25, 2020.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 that we consider to be a material weakness.



### *Compliance and Other Matters*

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

### *Village of Calumet's Responses to Findings*

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### *Purpose of this Report*

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



Gabridge & Company, PLC  
Grand Rapids, MI  
August 25, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE

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

***Report on Compliance for Each Major Federal Program***

We have audited the *Village of Calumet, Michigan's* (the "Village") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended February 29, 2020. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Independent Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Village's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village's compliance.

***Opinion on its Major Federal Program***

In our opinion, the Village complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended February 29, 2020.

### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and is described in the accompanying schedule of findings and questioned costs as item 2020-003. Our opinion on each major federal program is not modified with respect to this matter.

The Village's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Village's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### *Report on Internal Control over Compliance*

Management of the Village is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Purpose of this Report*

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Gabridge & Company*

Gabridge & Company, PLC  
Grand Rapids, MI  
August 25, 2020

**Village of Calumet  
 Schedule of Findings and Questioned Costs  
 For the Year Ended February 29, 2020**

<b>SECTION I - SUMMARY OF AUDITOR'S RESULTS</b>
-------------------------------------------------

Financial Statements

Type of auditor's report issued	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number
Community Development Block Grant / State's Program	14.228
Dollar threshold used to distinguish between Type A and B programs?	\$ 750,000
Auditee qualified as a low-risk auditee?	No

**Village of Calumet**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended February 29, 2020**

<b>SECTION II - FINANCIAL STATEMENT FINDINGS</b>
--------------------------------------------------

2020-001 - Material Audit Adjustments and Financial Statement Preparation

Finding Type - Material Weakness

Criteria: All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the 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 accounting records), and 2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).

Condition: We identified and proposed material audit adjustments for accounts payable, accounts receivable, payroll liabilities, intergovernmental receivables, interfund balances, revenues, and expenditures that management reviewed and approved. We also assisted management with preparing the basic financial statements and the related footnotes.

As is the case with many small and medium-sized governmental units, the Village has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Village's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Village's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses.

Context: The Village did not have a process to assign all general ledger accounts to the appropriate person for overall monitoring, including analytical analysis for completeness of all necessary activity. Reconciliations in several areas, including receivables, payables, interfund balances, were not performed on a monthly basis during the year. As a result, material adjustments were required to accounts payable, accounts receivable, payroll liabilities, intergovernmental receivables, interfund balances, revenues, and expenditures.

Cause: This condition was caused by the Village's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Village to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Village's accounting records were initially misstated by amounts material to the financial statements. In addition, the Village lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Village's annual financial statements versus contracting with its auditor for these services.

View of Responsible Officials and Planned Corrective Actions: Provided under separate cover.

**Village of Calumet  
Schedule of Findings and Questioned Costs  
For the Year Ended February 29, 2020**

<b>SECTION II - FINANCIAL STATEMENT FINDINGS</b>
--------------------------------------------------

2020-002 - Segregation of Incompatible Duties

Finding Type - Material Weakness

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

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

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

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

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

View of Responsible Officials and Planned Corrective Actions: Provided under separate cover.

**Village of Calumet**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended February 29, 2020**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

2020-003 - Written Policies Required by the Uniform Grant Guidance

Finding Type - Immaterial Noncompliance

Program. Village of Calumet, Elm Street Improvements Project (CFDA# 14.228); U.S. Department of Housing and Urban Development; Passed through the Michigan Economic Development Corporation; Project number MSC 217042-FRZ.

Criteria: The Uniform Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014 to have written policies pertaining to allowability of costs, payments, and compensation charged to federal programs (§200.302(7)).

Condition: A formal written policy covering payments, allowability of costs, and compensation has not been updated in accordance with the Uniform Guidance.

Cause: This condition appears to be the result of a time lag in identifying the requirement and developing a plan for compliance.

Effect: As a result of this condition, the Village did not fully comply with the Uniform Guidance applicable to the above noted grant.

Recommendation: We recommend that the Village ensures these policies are updated to conform with the Uniform Guidance as soon as practical, but no later than the end of fiscal year 2021.

View of Responsible Officials and Planned Corrective Actions: Provided under separate cover.

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS**

No findings or questioned costs in the prior year.