VILLAGE OF ATHENS

ATHENS, MICHIGAN

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FINANCIAL STATEMENTS

******

FEBRUARY 29, 2004

VILLAGE OF ATHENS

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Boley, Jackson & Crosby, PC
Certified Public Accountants

311 East Mansion Street, Marshall, Michigan 49068
(269) 781-5126 • Fax (269) 781-2855

INDEPENDENT AUDITOR'S REPORT

August 18, 2004

President and Members of
the Village Council
Village of Athens
Athens, Michigan 49011

We have audited the accompanying general-purpose financial statements of the Village of Athens as of February 29, 2004, and for the year then ended. These general-purpose financial statements are the responsibility of the Village of Athens, Michigan, management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards, "Government Auditing Standards", issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget Circular A-128, "Audits of State and Local Government". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not observe the taking of the physical inventory in the Water Fund at February 29, 2004(stated at $10,429). We were unable to satisfy ourselves about inventory quantities by means of other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe or test the physical inventory in the Water Fund as of February 29, 2004, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the various funds of the Village of Athens as of February 29, 2004, and the results of their operations and the cash flows of its proprietary fund type for the year then ended in accordance with generally accepted accounting principles.

Boley Jackson & Crosby, P.C.

VILLAGE OF ATHENS

COMBINED BALANCE SHEET
ALL FUNDS
FEBRUARY 29, 2004

	Governmental Fund Types	
	General Fund	Special Revenue Fund
ASSETS		
Cash	$330,633	$527,920
Accounts receivable (Note 2)		
Delinquent taxes receivable	12,767	
Inventory (Note 1)		
Due from other funds	20,224	
Prepaid expenses	2,656	
Fixed assets (Notes 1, 3 and 7)		
Total Assets	$366,280	$527,920
LIABILITIES AND FUND BALANCE		
Accounts payable	$ 4,599	$ -0-
Accrued payroll	3,247	
Payroll taxes	3,464	
Equipment reserve	44,000	
Due to other funds		375
Contractual obligation payable (Note 5)		
Notes payable (Note 8)		
Total Liabilities	55,310	375
FUND BALANCE	310,970	527,545
Total Liabilities and Fund Balance	$366,280	$527,920

See accompanying notes to financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Group	
Water Fund	Cemetery Perpetual Care Fund	General Fixed Assets	Totals Memorandum Only
$137,207	$ 35,872	$ -0-	$1,031,632
4,574			4,574
3,888			16,655
10,429			10,429
-0-			20,224
			2,656
326,054		224,294	550,348
$482,152	$ 35,872	$224,294	$1,636,518
$ 1,454	$ -0-	$ -0-	$ 6,053
			3,247
			3,464
19,749	1,386		44,000
119,000			21,510
98,542			119,000
238,745	1,386	-0-	295,816
243,407	34,486	224,294	1,340,702
$482,152	$ 35,872	$224,294	$1,636,518

VILLAGE OF ATHENS

COMBINED STATEMENTS OF REVENUES AND EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED FEBRUARY 29, 2004

	General	Special Revenue	Total (Memorandum Only)
REVENUES:			
Current tax levy	$144,581	$ -0-	$144,581
Collection fees	1,892		1,892
State shared revenue	120,341	119,540	239,718
Interest on investments	2,813	5,246	8,059
Refunds & Miscellaneous	2,160	300	2,460
Franchise fees	3,217		3,217
Sales - Other	50		50
Total Revenues	275,054	124,923	399,977
EXPENDITURES:			
General Government -			
Village Board	5,280		5,280
Elections	629		629
President	60		60
Clerk	855		855
Treasurer	3,118		3,118
Assessor	1,800		1,800
Town Hall	40,586		40,586
Building and grounds	74,890		74,890
Payroll	145,529		145,529
Total Governmental Expenditures	272,747		272,747
Street & lighting	17,005	61,095	78,100
Total Expenditures	289,752	61,095	350,847
Excess of revenues over (under) expenditures	(14,698)	63,828	49,130
OTHER FINANCING SOURCES (USES) OF FUNDS:			
Transfers in (out)	39,324	(9,469)	29,855
Excess of revenues and other sources over (under) expenditures	$ 24,626	$54,359	$ 78,985

See accompanying notes to financial statements

VILLAGE OF ATHENS

COMBINED STATEMENT OF FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED FEBRUARY 29, 2004

	General	Special Revenue	Totals (Memorandum) Only
FUND BALANCE - BEGINNING	$286,344	$473,561	$759,905
Excess of revenue and other sources of funds over (under) expenditures	24,626	54,359	78,985
FUND BALANCE - ENDING	$310,970	$527,920	$838,890

See accompanying notes to financial statements

VILLAGE OF ATHENS

GENERAL FUND
BALANCE SHEET
FEBRUARY 29, 2004

ASSETS

Cash	$262,737
Accounts receivable (Note 2)	6,827
Delinquent taxes receivable	17,179
Prepaid expenses	4,719
Due from other funds:	
Water fund	44,749
Major street fund	375
Cemetery	1,286
Total Assets	$337,872

LIABILITIES AND FUND BALANCE

LIABILITIES:	
Accounts payable	$ 3,960
Accrued payroll	1,427
Payroll taxes	3,000
Equipment reserve	27,000
Due to other funds:	-0-
Total Liabilities	35,387
FUND BALANCE	302,485
Total Liabilities and Fund Balance	$337,872

See accompanying notes to financial statements

VILLAGE OF ATHENS

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET
FOR THE YEAR ENDED FEBRUARY 29, 2004

	Budget	Actual	Over (Under) Budget
REVENUES:			
Current tax levy	$144,258	$144,581	$ 323
Collection fees	1,800	1,892	92
State revenue sharing	128,000	120,341	(7,659)
Licenses and permits	300	-0-	(300)
Interest on investments	3,500	2,813	(687)
Refunds & Miscellaneous	1,100	2,160	1,060
Franchise fees	2,800	3,217	417
Rent	20	-0-	(20)
Sales-Other	100	50	(50)
Total Revenues	281,878	275,054	(6,824)
EXPENDITURES:			
General Government -			
Village Board	5,300	5,280	20
Elections	650	629	21
President	60	60	-0-
Clerk	1,630	855	775
Treasurer	3,130	3,118	12
Assessor	1,800	1,800	0
Town Hall	49,765	40,586	9,179
Building and grounds	80,443	74,890	5,553
Payroll	153,200	145,529	7,671
Total governmental Expenditure	295,978	272,747	22,231
Total General Government Expenditures			
Street & Lighting	16,200	17,005	805
Total Expenditures	311,878	289,752	23,736
Excess of revenues over (under) expenditures	($ 30,000)	($ 14,698)	$15,302
Other Financing Sources (uses) of Funds:			
Transfers in (out)	30,000	39,324	9,324
Excess of revenues and Other source over (under) expenditures	-0-	$ 24,626	$ 24,626

See accompanying notes to financial statements

VILLAGE OF ATHENS

GENERAL FUND
STATEMENT OF FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 29, 2004

FUND BALANCE - BEGINNING	$286,344
Excess of revenues and other sources of funds over (under) expenditures	24,626
FUND BALANCE - ENDING	$310,970

See accompanying notes to financial statements

VILLAGE OF ATHENS

COMBINED BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
FEBRUARY 29, 2004

	Major Street Fund	Local Street Fund	Total
ASSETS			
Cash	$253,970	$273,950	$527,920
Total Assets	$253,970	$273,950	$527,920

LIABILITIES AND FUND BALANCE

LIABILITIES:			
Due to other funds	$ 375	$ -0-	$ 375
FUND BALANCE	253,595	273,950	527,545
Total Liabilities and Fund Balance	$253,970	$273,950	$527,920

See accompanying notes to financial statements

VILLAGE OF ATHENS

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES AND EXPENDITURES, COMPARED TO BUDGET AND FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 29, 2004

	Major Street Fund	Local Street Fund	Total	Budget	Variance Favorable (Unfavorable)
REVENUES:					
State shared revenue	$ 52,685	$ 23,511	$ 76,196	$ 72,000	$ 4,196
Interest income	5,530	6,673	12,203	26,000	(13,797)
Other - Misc	7,268	-0-	7,268	-0-	7,268
Total Revenues	65,483	30,184	95,667	98,000	(2,333)
EXPENDITURES:					
Street Maintenance	4,774	2,201	6,975	5,000	(1,975)
Capital outlay	45,088	4,700	49,788	29,632	(20,156)
Other	2,283	1,042	3,325	11,000	7,675
Total Expenditures	52,145	7,943	60,088	45,632	(14,456)
Excess of revenues over (under) expenditures	13,388	22,241	35,579	52,368	(16,789)
OTHER SOURCES (USES) OF FUNDS:					
Transfers in (out)	(15,161)	11,196	(3,965)	(7,200)	3,235
Excess of revenues and other sources of funds over (under) expenditures and other uses of funds	(1,823)	33,437	31,614	$ 45,168	($ 13,554)
FUND BALANCE - BEGINNING	200,593	267,948	468,541		
FUND BALANCE - ENDING	$198,770	$301,385	$500,155		

See accompanying notes to financial statements

VILLAGE OF ATHENS

MAJOR STREET FUND
BALANCE SHEET
FEBRUARY 29, 2004

ASSETS

Cash	$253,970
Due from other funds	-0-
Total Assets	$253,970

LIABILITIES AND FUND BALANCE

LIABILITIES	
Due to general fund	375
Total Liabilities	375
FUND BALANCE	253,595
Total liabilities and fund balance	$253,970

See accompanying notes to financial statements

VILLAGE OF ATHENS

MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 29, 2004

REVENUES:	
State of Michigan - Motor Vehicle Highway funds	$ 83,097
Interest	2,551
Other - Misc	300
Total Revenues	85,948
EXPENDITURES:	
Street maintenance	5,210
Capital outlay	-0-
Other	3,417
Total expenditures	8,627
Excess (deficiency) of revenues over expenditures	77,321
OTHER SOURCES (USES) OF FUNDS:	
Transfer to General fund	(6,720)
Transfer to Local Street fund	(18,540)
Transfer to Water fund	(547)
Total Other Sources (Uses) of Funds	(25,807)
Excess of revenues and other sources of funds over (under) expenditures and other uses of funds	51,514
FUND BALANCE - BEGINNING	202,456
FUND BALANCE - ENDING	$253,970

See accompanying notes to financial statements

VILLAGE OF ATHENS

LOCAL STREET FUND
BALANCE SHEET
FEBRUARY 29, 2004

ASSETS

Cash	$273,950
Total Assets	$273,950

LIABILITIES AND FUND BALANCE

LIABILITIES:	
FUND BALANCE	273,950
Total Liabilities and Fund Balance	$273,950

See accompanying notes to financial statements

VILLAGE OF ATHENS

LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 29, 2004

REVENUES:	
State of Michigan - Motor Vehicle Highway funds	$ 36,280
Interest	2,695
Total Revenues	38,975
EXPENDITURES:	
Street maintenance	50,310
Other	2,158
Total expenditures	52,468
Excess (deficiency) of revenues over expenditures	(13,493)
OTHER SOURCES (USES) OF FUNDS:	
Transfer from Major Street fund	18,540
Transfer to Other Funds	(2,202)
Total other sources (uses) of funds	16,338
Excess of revenues over (under) expenditures and other sources (uses) of funds	2,845
FUND BALANCE - BEGINNING	271,105
FUND BALANCE - ENDING	$273,950

See accompanying notes to financial statements

VILLAGE OF ATHENS

WATER FUND
BALANCE SHEET

	February 29, 2004 (Audited)	February 28, 2003 (Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash	$137,207	$135,560
Water billings receivable	4,574	3,054
Delinquent tax receivable	3,888	4,619
Inventory (Note 1)	10,429	6,818
Total Current Assets	$156,098	$150,051
FIXED ASSETS:		
At cost, net of accumulated depreciation (Note 3)	354,470	351,098
Total Assets	$510,568	$501,149
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES:		
Accounts payable	$ 1,454	$ 762
Due to General Fund	19,749	43,811
Contractual obligations payable, current portion (Note 5)	10,000	10,000
Note payable, current portion (note 8)	16,992	16,992
Total Current Liabilities	48,195	71,565
LONG-TERM LIABILITIES:		
Contractual obligations payable, due after one year (Note 5)	109,000	121,000
Note payable (Note 8)	81,550	91,022
Total Long-term Liabilities	190,550	212,022
UND BALANCE	271,823	217,562
Total Liabilities and Fund Balance	$510,568	$501,149

See accompanying notes to financial statements

VILLAGE OF ATHENS

WATER FUND
STATEMENT OF EARNINGS AND RETAINED EARNINGS

	For the year ended	
	February 29, 2004 (Audited)	February 28 2003 (Unaudited)
OPERATING REVENUES:		
Water billings	$116,755	$104,736
Interest	739	830
Miscellaneous	677	2,429
Water fees	2,623	3,408
Total Revenues	120,794	111,403
OPERATING EXPENSES BEFORE DEPRECIATION:		
Reimbursement to general fund	25,873	34,559
Operating supplies	4,072	5,467
Professional services	2,348	10,206
Repairs and maintenance	22,514	21,536
Utilities	13,110	12,746
Office supplies	125	544
Miscellaneous	490	802
Filtration plant	3,004	-0-
Total Operating Expenses	71,536	85,860
NET EARNINGS (LOSS) BEFORE DEPRECIATION	49,258	25,723
Less - Depreciation	26,540	25,044
NET OPERATING EARNINGS (LOSS)	22,718	679
Plus - Current tax levy	44,662	43,746
- Other interest income	851	988
	68,231	45,413
Less - Non-operating interest	13,970	15,144
NET INCOME (LOSS)	54,261	30,269
RETAINED EARNINGS - BEGINNING	217,562	187,293
RETAINED EARNINGS - ENDING	$271,823	$217,562

See accompanying notes to financial statements

VILLAGE OF ATHENS

WATER FUND
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED FEBRUARY 29, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	$ 54,261
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	26,540
(Increase) decrease in water billings receivable	(1,520)
(Increase) decrease in inventory	(3,611)
(Increase) decrease in due from (to) other funds	(24,062)
(Increase) decrease in delinquent tax rec	731
Increase (decrease) in accounts payable	692
Net Cash Provided By Operating Activities	53,031
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(29,912)
Net Cash Used By Investing Activities	(29,912)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of long-term debt	(12,000)
Repayment in long-term debt	(9,472)
Net Cash Used By Financing Activities	(21,472)
Net increase (decrease) in cash	1,647
Cash at the beginning of year	135,560
Cash at the end of year	$ 137,207

See accompanying notes to financial statements

VILLAGE OF ATHENS

CEMETERY PERPETUAL CARE FUND
BALANCE SHEET
FEBRUARY 29, 2004

ASSETS

Cash	$35,872
Total Assets	$35,872

LIABILITIES AND FUND BALANCE

Liabilities	
Due to General Fund	1,386
Total Liabilities	1,386
Total Liabilities and Fund Balance	$35,872

FUND BALANCE

FUND BALANCE	$34,486

STATEMENT OF FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 29, 2004

FUND BALANCE - BEGINNING	$31,088
Interest	421
Capital outlay & expenses	(5)
FUND BALANCE - ENDING	$31,504

See accompanying notes to financial statements

VILLAGE OF ATHENS

GENERAL FIXED ASSETS
BALANCE SHEET
FEBRUARY 29, 2004

ASSETS

Land (at cost)	$ 7,125
Buildings (Note 7)	56,460
Equipment (Note 7)	160,709
Total Assets	$224,294

FUND BALANCE

FUND BALANCE	$224,294

STATEMENT OF FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 29, 2004

FUND BALANCE - BEGINNING	$223,717
Asset- Additions	577
Asset- Disposals	-0-
FUND BALANCE - ENDING	$224,294

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present fairly the Village of Athens (primary government) and its component units.

A. FUNDS AND ACCOUNT GROUPS

The accounts of the Village are organized into funds and account groups, each of which is considered to be a separate account entity. The major fund categories and account groups are:

Governmental Fund Types

Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

GOVERNMENTAL FUNDS

GENERAL FUND - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local units. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

SPECIAL REVENUE FUNDS - These funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purpose.

PROPRIETARY FUNDS

ENTERPRISE FUNDS - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

ACCOUNT GROUPS

GENERAL FIXED ASSETS ACCOUNT GROUP - Accounts for all fixed assets of the city, except those accounted for in Proprietary Funds.

GENERAL LONG-TERM DEBT ACCOUNT GROUP - Accounts for all long-term obligation of the Village, except those accounted for in Proprietary Funds.

NOTE 1: (Continued)

PROPERTY, PLANT, EQUIPMENT AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to the fixed assets and long term liabilities Associated with a fund are determined by its measurement focus. All Governmental Funds are accounted for on a spending or "Financial Flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated replacement cost if actual historical cost is not available.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement or results of operation.

B. PROPERTY, PLANT, EQUIPMENT AND LONG-TERM LIABILITIES (continued)

All Proprietary Funds and non-expendable Trust Funds are accounted for on a cost of services or "Capital Maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	5-50 years
Improvements	10-20 years
Equipment	5-10 years

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurement made, regardless of the measurement focus applied.

NOTE 1: (Continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental funds revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

D. BUDGET AND BUDGETARY ACCOUNTING

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

1. The Village Council submits a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to May 1, the budget is legally enacted through adoption.

4. Any revisions that alter the total expenditures of any fund must be approved by the Village Council.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

6. Budgets for the General, and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

E. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents includes amounts in demand and time deposits as well as short-term investments with a maturity date within three months of the date required by the government.

State statutes authorize and limit the government as to type of investments.

Investments are stated at cost or amortized cost.

F. RECEIVABLES

All receivables are reported at their net value by being reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

NOTE 1: (continued)

G. INVENTORY

Inventory is valued at cost which approximates market, using the first-in/first-out (FIFO) method.

H. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "due to/due from".

I. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues or expenses. Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund, are recorded as expenses in the reimbursing fund and as revenue.

J. COMPARATIVE DATA

Comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statement unduly complex, difficult to read, and has not been audited by us.

K. MEMORANDUM ONLY - TOTAL COLUMNS

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - ACCOUNTS RECEIVABLE - GENERAL FUND:

There was no accounts receivable detected in the course of the audit.

NOTE 3 - FIXED ASSETS - WATER FUND:

Depreciation included in the determination of net earnings for the year ended February 28, 2004 amounted to $26,540 and is computed by the straight-line method.

The principal categories of fixed assets are as follows:

Filtration plant	$175,287
Filtration equipment	177,643
Water storage	192,616
Water mains, hydrants, valves	186,193
Pump house and well	36,706
Storage building	5,417
Other equipment	13,938
Total Cost	$787,800
Less - Accumulated depreciation	433,330
Undepreciated Cost	$354,470

NOTE 4 - BUDGET VIOLATIONS:

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for General, Special Revenue, and Debt Service Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended February 29, 2004, the Board amended its budget so that its expenditures were not more than its budget after the amendment.

NOTE 5 - CONTRACTUAL OBLIGATIONS PAYABLE:

The Village of Athens has entered into a contract with Calhoun County to finance the construction of a water supply system. In accordance with the contract, Calhoun County has issued bonds, as indicated below, secured by the contractual obligations of the Village to pay the installments due, plus interest at 5% per annum. The Village is required to levy property tax each year, sufficient to pay the obligations when due. The schedule of repayment of the obligations is as follows:

Year Ended February 28,	Annual Principal Maturity	Total Principal Maturity	Interest	Total Payments
2003-2004	10,000	20,000	13,400	33,400
2005	11,000	11,000	5,950	16,950
2006-2014	12,000	108,000	27,000	135,000
Total		$139,000	$ 46,350	$185,350

The contractual obligations are payable annually on December first, with interest payable at 5% on June first and December first.

NOTE 6 - WATER FUND COMPARATIVE STATEMENTS:

The Farmers Home Administration has required the Village to report its financial statements for the Water Fund on a comparative type basis with the previous year. We have not audited the year ending February 28, 2002 and accordingly, do not express an opinion or any other form of assurance on that year.

NOTE 7 - GENERAL FIXED ASSETS:

The Village did not maintain General Fixed Asset records prior to 1981. As a result, an inventory was taken and current market values placed on all items which were purchased prior to 1981. Assets purchased after 1981 are stated at cost.

NOTE 8 - NOTES PAYABLE:

The notes payable of the Water Fund at February 29, 2004, consist of the following:

	Due within one year	Due after one year	Total
Note payable to Southern Michigan Bank & Trust, payable in monthly installments of $ including interest at 7.15 percent	$16,992	$ 81,550	$ 98,542

NOTE 9: RISK MANAGEMENT AND RELATED ISSUES

The Village of Athens is not involved in any public entity risk pools as of February 28, 2002. The Village is exposed to various risks of loss related to, theft of, damage to and destruction of assets, errors and omissions, injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceed insurance coverage for the past two years. The Village presently has no formal Risk Management and Related Insurance Issues policy.