VILLAGE OF CARLETON
Monroe County, Michigan

ANNUAL FINANCIAL REPORT

February 29, 2004

VILLAGE OF CARLETON

ANNUAL FINANCIAL REPORT
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Independent Auditor's Report

President and Village Council
Village of Carleton
Carleton, Michigan 48117

We have audited the accompanying general purpose financial statements of the Village of Carleton, Monroe County, Michigan, as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards 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.

The general purpose financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed asset account group is not known.

In our opinion, except for the effect on the general purpose financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Carleton as of February 29, 2004, and the results of its operations and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Cooley Hehl Wohlgamuth & Carlton

April 27,2004

Michigan Dept. of Treasury, Local Audit & Finance Division
496 (3-98), Formerly L-3147

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type	Local Government Name	County
☐ City ☐ Township ☒ Village ☐ Other	VILLAGE OF CARLETON	MONROE

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
02/29/04	04/27/04	6/15/2004

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

RECEIVED
DEPT. OF TREASURY
JUN 16 2004
LOCAL AUDIT & FINANCE DIV.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	XX		
Reports on individual federal financial assistance programs (program audits).			XX
Single Audit Reports (ASLGU).			XX

Certified Public Accountant (Firm Name)			
COOLEY HEHL WOHLGAMUTH & CARLTON, CPAS, PLLC			
Street Address	City	State	ZIP
ONE SOUTH MONROE STREET	MONROE	MI	48161
Accountant Signature			
Cooley Hehl Wohlgamuth & Carlton			

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JUN 16 2004
LOCAL AUDIT & FINANCE DIV.

President and Village Council
Village of Carleton
1230 Monroe Street
Carleton, Michigan 48117

Report of Comments and Recommendations

President and Members of Village Council:

Our audit of the general purpose financial statements of the Village of Carleton for the year ended February 29, 2004, was made in accordance with auditing standards generally accepted in the United States of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry, and confirmation, that we determine that existing internal controls, accounting procedures, and accounting records are adequate to allow us to express our opinion on the financial statements of the Village. During the course of our audit, we noted certain practices and procedures which we believe could be changed to improve existing internal controls, accounting procedures, accounting records, and other matters.

Our comments on these items are set forth herein for your review and have been discussed with appropriate personnel. These comments are based primarily upon procedures employed during our audit and therefore do not encompass all matters that might result from special studies directed toward such matters.

Sewage Disposal Fund Bond Accounts
As of February 29, 2004, the Village had accumulated $340,206 in the "Bond Reserve" account and $230,153 in the "Repair and Replacement" account.

New Reporting Model
Effective June 1999, new financial reporting requirements were established by GASB Statement No. 34. The Village is required to implement these changes for the fiscal year beginning March 1, 2004. For a smooth transition, we need to work with the Village on a plan to implement these new reporting changes.

As part of GASB Statement No. 34, the Village will be required to report capital assets (assets with useful lives of more than one year) in the statement of net assets at historical cost. These capital assets will also be depreciated over their estimated useful lives.

In order to implement GASB Statement No. 34, the Village will need an inventory of capital assets as of February 29, 2004. Capital assets include the following: Land, buildings, office equipment, police and DPW equipment, and vehicles. Inventory information should include the description of the item, historical cost, date of purchase, and estimated useful life.

Sewer Processing Charges

During the audit for the fiscal year ending February 29, 2004, we noted the following errors in calculating the Township's remittances to the Village:

Overpayment of 2003/2004 sewer collections	$6,769.22
Underpayment of sewer processing fees	(1,269.80)
Overpayment to Township at February 29, 2004	$5,499.42

We recommend that the Village review these errors with Ash Township and continue to monitor this situation as they have in the past.

We wish to express our appreciation for the continuing cooperation and courtesy extended to us by all officers and employees of the Village. We would be pleased to discuss any of these recommendations with you, and to provide any assistance that you may require in their implementation.

Very truly yours,

Cooley Hehl Wohlgamuth & Carlton

April 27, 2004

VILLAGE OF CARLETON

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
February 29, 2004

	Governmental Fund Types	
	General	Special Revenue
ASSETS		
Cash and certificates of deposit	$451,510	$653,197
Receivables	60,635	0
Due from other governments	72,650	0
Due from other funds	2,687	18
Prepaid expenses	36,006	0
Restricted assets:		
Cash with fiscal agent	0	0
Cash and certificates of deposit	0	0
Fixed assets	0	0
Accumulated depreciation	0	0
Advance to other funds	18,500	0
Amount to be provided for retirement of debt	0	0
Total Assets	$641,988	$653,215
LIABILITIES		
Accounts payable	$12,095	$0
Deferred revenue	0	4,110
Due to other funds	26,655	9,451
Due to other governments	2,295	0
Payable from restricted assets:		
Contracts payable	0	
Accrued interest payable	0	0
Other liabilities	0	0
Contracts payable	10,777	0
Advance from other funds	0	0
Total Liabilities	0	0
	51,822	13,561
FUND EQUITY		
Contributed capital	0	0
Fund balance:		
Reserved for advances	18,500	0
Reserved for prepaid expenses	36,006	0
Designated for unemployment claim	2,000	0
Unreserved - undesignated	533,660	639,654
Retained Earnings:		
Unreserved - undesignated	0	0
Total Fund Equity	590,166	639,654
Total Liabilities and Fund Equity	$641,988	$653,215

(See accompanying notes to financial statements)

Proprietary Fund Types		Fiduciary	Account Group	Totals
Enterprise	Internal Service	Fund Type Agency	General Long Term Debt	(Memorandum Only)
$403,520	$43,644	$20,618	$0	$1,572,489
33,937	0	0	0	94,572
53,974	0	0	0	126,624
0	15,797	20,705	0	39,207
0	0	0	0	36,006
288,266	0	0	0	288,266
617,237	0	0	0	617,237
10,594,806	341,207	0	0	10,936,013
(1,569,738)	(219,622)	0	0	(1,789,360)
0	0	0	0	18,500
0	0	0	32,639	32,639
$10,422,002	$181,026	$41,323	$32,639	$11,972,193
$11,635	$63	$21,036	$0	$44,829
0	0	0	0	4,110
1,314	0	1,787	0	39,207
2,092	0	0	0	4,387
295,000	0	0	0	295,000
54,236	0	0	0	54,236
0	0	0	32,639	43,416
4,780,000	18,790	0	0	4,798,790
0	0	18,500	0	18,500
5,144,277	18,853	41,323	32,639	5,302,475
3,279,177	0	0	0	3,279,177
0	0	0	0	18,500
0	0	0	0	36,006
0	0	0	0	2,000
0	0	0	0	1,173,314
1,998,548	162,173	0	0	2,160,721
5,277,725	162,173	0	0	6,669,718
$10,422,002	$181,026	$41,323	$32,639	$11,972,193

VILLAGE OF CARLETON

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended February 29, 2004

	Governmental Fund Types		
	General	Special Revenue	Totals (Memorandum Only)
Revenues			
Taxes	$295,297	$0	$295,297
Licenses and permits	24,890	0	24,890
State grants	257,660	126,672	384,332
Local unit contributions	0	15,000	15,000
Charges for services	476	0	476
Interest	5,846	5,251	11,097
Fines and forfeits	8,873	0	8,873
Other revenue	45,837	64,848	110,685
Total Revenues	638,879	211,771	850,650
Expenditures			
Legislative	5,373	0	5,373
General government	96,852	0	96,852
Public safety	220,824	0	220,824
Public works	118,261	50,907	169,168
Recreation and cultural	358	39,825	40,183
Other	156,700	0	156,700
Total Expenditures	598,368	90,732	689,100
Excess (Deficiency) of Revenues over Expenditures	40,511	121,039	161,550
Other Financing Sources (Uses)			
Operating transfers in	0	15,000	15,000
Operating transfers out	(15,000)	0	(15,000)
Total Other Financing Sources (Uses)	(15,000)	15,000	0
Excess (Deficiency) of Revenues over Expenditures and Other Sources (Uses)	25,511	136,039	161,550
Fund Balances - Beginning of Year	564,655	503,615	1,068,270
Fund Balances - End of Year	$590,166	$639,654	$1,229,820

(See accompanying notes to financial statements)

VILLAGE OF CARLETON

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
For the Year Ended February 29, 2004

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	$293,300	$295,297	$1,997
Licenses and permits	24,500	24,890	390
State grants	261,600	257,660	(3,940)
Local unit contribution	0	0	0
Charges for services	200	476	276
Interest	5,800	5,846	46
Fines and forfeits	8,800	8,873	73
Other revenue	108,600	45,837	(62,763)
Total Revenues	702,800	638,879	(63,921)
Expenditures			
Legislative	5,700	5,373	327
General government	219,200	96,852	122,348
Public safety	226,300	220,824	5,476
Public works	120,400	118,261	2,139
Recreation and culture	500	358	142
Other	158,500	156,700	1,800
Total Expenditures	730,600	598,368	132,232
Excess (Deficiency) of Revenues over Expenditures	(27,800)	40,511	68,311
Other Financing Sources (Uses)			
Operating transfers in	0	0	0
Operating transfers out	(15,000)	(15,000)	0
Total Other Financing Sources (Uses)	(15,000)	(15,000)	0
Excess (Deficiency) of Revenues over Expenditures and Other Sources (Uses)	(42,800)	25,511	68,311
Fund Balances - Beginning of Year	564,655	564,655	0
Fund Balances - End of Year	$521,855	$590,166	$68,311

(See accompanying notes to financial statements)

Special Revenue Funds

Budget	Actual	Variance Favorable (Unfavorable)
$0	$0	$0
0	0	0
126,000	126,672	672
15,000	15,000	0
0	0	0
4,600	5,251	651
0	0	0
63,800	64,848	1,048
209,400	211,771	2,371
0	0	0
0	0	0
0	0	0
67,300	50,907	16,393
40,800	39,825	975
0	0	0
108,100	90,732	17,368
101,300	121,039	19,739
15,000	15,000	0
(5,000)	0	5,000
10,000	15,000	5,000
111,300	136,039	24,739
503,610	503,615	5
$614,910	$639,654	$24,744

VILLAGE OF CARLETON

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
For the Year Ended February 29, 2004

	Enterprise Fund	Internal Service Fund	Totals (Memorandum Only)
Operating Revenues			
Charges for services	$496,812	$42,175	$538,987
Operating Expenses			
Salaries and wages	12,380	0	12,380
Supplies	807	4,174	4,981
Contractual	231,584	0	231,584
Engineering	48,838	0	48,838
Repairs and maintenance	6,645	3,018	9,663
Heat and utilities	363	0	363
Equipment rental	10,269	0	10,269
Depreciation	181,764	31,439	213,203
Audit fees	5,100	950	6,050
General and administrative charges	3,000	1,150	4,150
Miscellaneous	24,025	0	24,025
Total Operating Expenses	524,775	40,731	565,506
Net Operating Income (Loss)	(27,963)	1,444	(26,519)
Non-Operating Revenues (Expenses)			
Sewer tap fees	501,082	0	501,082
Interest income	8,673	476	9,149
Gain on sale of fixed asset	0	5,300	5,300
Interest expense	(135,433)	0	(135,433)
Paying agent fees	(670)	0	(670)
Total Non-Operating Revenues (Expenses)	373,652	5,776	379,428
Net Income (Loss)	345,689	7,220	352,909
Depreciation on fixed assets acquired with contributed capital	62,020	0	62,020
Increase (Decrease) in Retained Earnings	407,709	7,220	414,929
Retained Earnings - Beginning of Year	1,590,839	154,953	1,745,792
Retained Earnings - End of Year	$1,998,548	$162,173	$2,160,721

(See accompanying notes to financial statements)

VILLAGE OF CARLETON

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
For the Year Ended February 29, 2004

	Enterprise Fund	Internal Service Fund	Totals (Memorandum Only)
Cash Flows from Operating Activities			
Operating income	($27,963)	$1,444	($26,519)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	181,764	31,439	213,203
(Increase) decrease in assets			
Accounts receivable	1,409	0	1,409
Accrued interest receivable	294	0	294
Due from other funds	0	(10,720)	(10,720)
Due from other governments	(10,707)	0	(10,707)
Increase (decrease) in liabilities			
Accounts payable	2,207	(241)	1,966
Due to other funds	(14,069)	0	(14,069)
Due to other governments	1,397	0	1,397
Accrued interest payable	(4,019)	0	(4,019)
Total Adjustments	158,276	20,478	178,754
Net Cash Provided by Operating Activities	130,313	21,922	152,235
Cash Flows from Capital and Related Financing Activities			
Sewer tap fees	501,082	0	501,082
Proceeds from sale of fixed assets	0	5,300	5,300
Acquisition of fixed assets	(68,513)	(16,000)	(84,513)
Proceeds from contracts payable	0	0	0
Principal paid on bonds and contracts payable	(275,000)	(22,549)	(297,549)
Interest paid on bonds and contracts payable	(136,103)	0	(136,103)
Net Cash Used for Capital and Related Financing Activities	21,466	(33,249)	(11,783)
Cash Flows from Investing Activities			
Interest income	8,673	476	9,149
Net Increase (Decrease) in Cash and Cash Equivalents	160,452	(10,851)	149,601
Cash and Cash Equivalents - Beginning of Year	1,148,571	54,495	1,203,066
Cash and Cash Equivalents - End of Year	$1,309,023	$43,644	$1,352,667

(See accompanying notes to financial statements)

Note 1 Summary of Significant Accounting Policies

For financial reporting purposes, the Village of Carleton includes all funds, account groups, except for General Fixed Asset Account Group, agencies, boards and authorities that are controlled by or dependent on the Village. The Village owns and operates the Sewage Disposal System which is an enterprise activity included in the Village's annual report.

The accounting policies of the Village of Carleton conform to generally accepted accounting principles as applicable to governments except for the exclusion of a general fixed asset account group. The following is a summary of the more significant policies:

A. Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into five generic fund types and three broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUNDS

Enterprise Fund - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - 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 is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Village applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Internal Service Fund - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Agency Fund - Agency Funds are used to account for assets held as an agent for individuals, private organizations, other governments, and/or other funds. The Village's payroll is paid from this fund and then reimbursed from the other benefitted funds.

Note 1 Summary of Significant Accounting Policies (Continued)

B. Fixed Assets

General Fixed Assets - Fixed assets used in governmental fund type operations (general fixed assets) are recorded as expenditures in the appropriate fund when purchased and, therefore, no depreciation is provided. General infrastructure assets have not been recorded in the financial statements. The Village has not maintained a complete record of its general fixed assets and accordingly a statement of general fixed assets as required by generally accepted accounting principles is not included in this financial report.

Proprietary Fund Fixed Assets - Fixed Assets used in the proprietary funds are capitalized, at historical cost, on the balance sheets. 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 summarized as follows:

Equipment	3 - 10 years
Oxidation ponds	10 - 50 years
Sewer mains and connections	50 - 100 years

C. Long-Term Liabilities

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. Long-term liabilities expected to be financed from proprietary funds are accounted for in the Proprietary Fund.

D. Basis of Accounting

All governmental funds and agency 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. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation and sick pay and (2) principal and interest on general long-term debt which is recognized 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.

E. Budgets and Budgetary Accounting

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

1. The fiscal officer submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them. Unexpended appropriations lapse at the fiscal year end.

2. A public hearing is conducted to obtain taxpayer comments.

3. The budget is legally enacted through passage of a general appropriations act.

4. Any revisions to the budget must be approved by the Village Council.

Note 1 Summary of Significant Accounting Policies (Concluded)

Budgets and Budgetary Accounting (Concluded)

5. Budgets for the General Fund and the Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.

6. Budget amounts are as originally adopted, or as amended by the Village Council.

F. Advance to Other Funds

Noncurrent portions of long-term interfund loans receivable (reported in "Advance to" asset accounts) are equally offset by a fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Sewage Disposal Fund and the Equipment Fund considers cash (including restricted assets), certificates of deposit, and cash with fiscal agent to be cash and cash equivalents.

H. Total Columns on Combined Statements

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 cash flows 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 Property Taxes

The Village bills and collects its own property taxes. For 2003, the Village tax levy was spread as follows:

	Mills Levied	Taxes Levied
General Fund	8.3750	$292,537

The Village's 2003 property taxes, levied on July 1, 2003 on assessed valuation as of December 31, 2002, were due and payable by August 31, 2003. Taxable values, which amounted to $34,930,356 represent a percentage of the fair market value of the assessed property.

As of February 29, 2004, delinquent taxes of $17,963 are reflected as a receivable in the General Fund.

Note 3 Fixed Assets

As described in Note 1B the Village has not maintained a complete record of its general fixed assets. The following are summaries of changes in fixed assets for the Sewage Disposal Fund and the Equipment Fund.

Sewage Disposal Fund

	Balance February 28, 2003	Additions	Deletions	Balance February 29, 2004
Land	$ 112,003	$ -	$ -	$ 112,003
Sewer mains	543,699	68,513	-	612,212
Service connections	73,006	-	-	73,006
Oxidation ponds and equipment	1,284,210	-	-	1,284,210
Wastewater treatment plant	8,513,375	-	-	8,513,375
	$10,526,293	$68,513	$ -	$10,594,806
Equipment Fund Equipment	$ 336,007	$16,000	$10,800	$ 341,207

For the year ended February 29, 2004, depreciation expense was $181,764 for the Sewage Disposal Fund and $31,439 for the Equipment Fund.

Note 4 Long-Term Debt

Contract Liability for General Obligation Sewage Disposal System Bonds - Contract Liability with Monroe County for General Obligation Limited Tax Sewage Disposal Bonds (Village of Carleton System No. 2) - These bonds are being financed by a rate increase to all users of the system and will be payable out of the Sewage Disposal System. This project expands the present lagoon system and extends the sewer line.

Contract Liability for Limited Tax General Obligation Sewage Disposal System Bonds - Contract Liability with Monroe County - Sewage Disposal System Bonds (Village of Carleton No. 3), Series 2001 (Limited Tax General Obligation), were issued to refund previously issued 1998 Wastewater System Improvement and Refunding Bonds Series A & B in the aggregate principal sum of $5,302,000, and to help pay for part of the cost of acquiring and constructing a wastewater system.

Installment purchase agreement to New Holland Credit for purchase of backhoe/loader dated December 12, 2002, secured by the equipment, payable at $1,879 per month for 24 months, at a rate of 0% interest, due December 12, 2004.

Note 4 Long-Term Debt (Continued)

The following is a summary of changes in long-term debt:

	Balance Feb. 28, 2003	Additions	Reductions	Balance Feb. 28, 2004
Contract Liability for Sewage Disposal Bonds-System No. 2: $640,000 issue dated Oct. 1, 1987 maturing serially in annual amounts from $15,000 to $70,000 and bearing interest at rates from 8.1% to 9.25%.	$ 130,000	$ -	$ 60,000	$ 70,000
Contract Liability for Sewage Disposal System Bonds (Village of Carleton System No. 3) Series 2001: $5,330,000 issue dated September 28, 2001 maturing serially in annual amounts from $110,000 to $340,000 and bearing interest at a rate of 2.500%	5,220,000	-	215,000	5,005,000
Installment Purchase Agreement to New Holland Credit for backhoe/loader, dated December 12, 2002, payable $1,879 per month, at 0% interest due December 12, 2004.	41,339	-	22,549	18,790
	5,391,339	-	297,549	5,093,790
Compensated absences payable	33,753	-	1,114	32,639
	$5,425,092	$ -	$298,663	$5,126,429

Note 4 Long-Term Debt (Continued)

Compensated absences payable represents benefits for vacation and sick leave as of year end.

The following are schedules of remaining principal and interest requirements for these bonds as of February 29, 2004:

Contract Liability for Sewage Disposal Bonds - System No. 2:

Due Date	Bond Principal	Interest	Totals
5/1/04		$ 3,150	$ 3,150
11/1/04	$ 70,000	3,150	73,150
	$70,000	$6,300	$76,300

Contract Liability for Sewage Disposal System Bonds (Village of Carleton System No. 3) Series 2001:

Due Date	Bond Principal	Interest	Totals
4/1/04	$225,000	$62,562	$287,562
10/1/04		59,750	59,750
4/1/05	230,000	59,750	289,750
10/1/05		56,875	56,875
4/1/06	235,000	56,875	291,875
10/1/06		53,938	53,938
4/1/07	240,000	53,938	293,938
10/1/07		50,938	50,938
4/1/08	245,000	50,938	295,938
10/1/08		47,875	47,875
4/1/09	255,000	47,875	302,875
10/1/09		44,687	44,687
4/1/10	260,000	44,688	304,688
10/1/10		41,438	41,438
4/1/11	265,000	41,438	306,438
10/1/11		38,125	38,125
4/1/12	270,000	38,125	308,125
10/1/12		34,750	34,750
4/1/13	280,000	34,750	314,750
10/1/13		31,250	31,250

Note 4 Long-Term Debt (Concluded)
Sewage Disposal System Bonds (Series 2001) (Concluded):

Due Date	Bond Principal	Interest	Totals
4/1/14	$ 285,000	$ 31,250	$ 316,250
10/1/14		27,687	27,687
4/1/15	295,000	27,687	322,687
10/1/15		24,000	24,000
4/1/16	300,000	24,000	324,000
10/1/16		20,250	20,250
4/1/17	310,000	20,250	330,250
10/1/17		16,375	16,375
4/1/18	315,000	16,375	331,375
10/1/18		12,437	12,437
4/1/19	325,000	12,437	337,437
10/1/19		8,375	8,375
4/1/20	330,000	8,375	338,375
10/1/20		4,250	4,250
4/1/21	340,000	4,250	344,250
	$5,005,000	$1,208,563	$6,213,563

The annual requirements to pay principal and interest on the long-term debt outstanding at February 29, 2004, are as follows:

Year Ending February 28,	
2005	$ 442,403
2006	346,625
2007	345,813
2008	344,876
2009	343,813
2010 and thereafter	4,485,124
	$6,308,654

Note 5 Interfund Receivables and Payables
Balances at February 29, 2004 were:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ 2,687	$26,655
Special Revenues Funds:		
Major Street Fund	-	4,480
Local Street Fund	18	4,971
Enterprise Fund:		
Sewage Disposal Fund	-	1,314
Internal Service Fund:		
Equipment Fund	15,797	-
Agency Fund	20,705	1,787
Totals	$39,207	$39,207

Note 6 Michigan Unemployment

On May 16, 1974, Governor Milliken signed into law enrolled Senate Bill 741, which is known as Act No. 104 of the Public Acts of 1974. The provisions of this Act subject political subdivisions to the Michigan Employment Security Act effective January 1, 1975.

Effective January 1, 1983 the Village of Carleton established a group account with the Michigan Municipal League Unemployment Compensation Group Account. The league is funded by members contributions and represents its membership before the M.E.S.C. Establishment of the group account does not relieve the Village from liability for charges attributable to service in its employ which exceed contributions to the league. As of February 28, 1994, a $2,000 reserve has been established in the General Fund for any contingent liability. There was no expense for the period for Unemployment Insurance.

Note 7 Billing and Collection - Sewerage Accounts

Billing and collection of sewerage service, and the posting of customer accounts, are performed by Ash Township on a contractual basis. The Township charges 5% of the total collections as a fee for this service, in addition to retaining penalties collected on delinquent accounts. The fee for 2003-2004 amounted to $19,474.

Note 8 Employee's Pension Plan

Plan Description

The Village of Carleton is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System of Michigan (MERS), administered by the State of Michigan.

Benefit provisions and all other requirements are established by state statute and Village council resolution. All full time Village employees are eligible to participate in MERS. Benefits vest after 10 years of service. Village employees who retire at or after age 60 with 10 years, age 55 with 15 years, and age 50 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.3% of a members 5 - year final average compensation. The system also provides disability retirement allowance, non duty death allowance, duty connected death and post retirement adjustments.

The Municipal Employees Retirement System of Michigan issues a publically available financial report which may be obtained by writing to MERS, 447 North Canal Road, Lansing, Michigan 48197.

Funding Policy

General and police employees contribute 4.0% of their wages to the plan which amounted to $9,663 for the fiscal year ending February 29, 2004. The Village is required to contribute the remaining amounts necessary to fund the system, using the actuarial basis specified by State statute. The Village's annual required contribution was $1,963 for the fiscal year ending February 29, 2004 (0.81% of covered payroll of $241,505). The contribution requirements of plan members and the Village are established by the Village and by the MERS Board of Trustees.

Note 8 Employee's Pension Plan (Concluded)

Annual Pension Cost

For the fiscal year ending February 29, 2004, the Village's annual pension cost of $1,963 for the plan was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions include (a) 8.0% investment rate of return, (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0% to 4.5% plus a percentage, depending on age, attributable to merit, longevity and promotional and, (d) assumptions that benefits will increase after retirement.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The Village's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years.

Three-year Trend Information

Fiscal Year Ending	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2/28/02	$1,668	100%	$ -
2/28/03	278	100%	-
2/29/04	1,963	100%	-

	Valuation Ended December 31,		
	2000	2001	2002
Actuarial value of assets	$332,273	$371,511	$387,315
Actuarial accrued liability (entry age)	304,775	345,446	335,615
Unfunded AAL	(27,497)	(26,065)	(51,700)
Funded ratio	109%	108%	115%
Annual payroll	222,500	236,030	223,230
UAAL as a percentage of annual covered payroll	0%	0%	0%

Additional Pension Benefits

Effective March 1, 2003, the Village began contributing fifty cents per employee per hour worked and/or paid with a maximum of forty hours per week for additional pension benefits. All full-time Village employees that are members of the International Union of Operating Engineers Local 547 are eligible to participate in a defined contribution pension plan with the Central Pension Fund. Full vesting occurs immediately; benefit provisions and all other requirements are established by the union.

Non-union employees are not eligible to participate in the Central Pension Fund. In lieu of the Central Pension Fund benefits, the full-time non-union employees will receive fifty cents per employee per hour worked and/or paid with a maximum of forty hours per week.

Note 9 Deposits

Statutes authorize the Village to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Village may not be deposited in financial institutions located in states other than Michigan.

The Council has authorized three depositories: Monroe Bank & Trust, Comerica Bank, and Standard Federal Bank.

Deposits are carried at cost. The carrying amount of deposits is separately displayed on the balance sheet as cash, cash and certificates of deposit, and cash with fiscal agent.

The following is a summary of these deposits which are covered by federal depository insurance and those which are uninsured and uncollateralized:

Carrying value of Village's total deposits	$2,477,992
Bank balance of Village's deposits	$2,483,090
Amount covered by FDIC	200,000
In uninsured and uncollateralized accounts	$2,283,090

Note 10 Contributed Capital

Sewage Disposal Fund contributed capital for the fiscal year is summarized as follows:

	Federal Government	State Government	Municipality
Balance, March 1, 2003	$3,168,177	$93,020	$80,000
Less: Depreciation on fixed assets acquired with contributed capital	(62,020)	-	-
Balance, February 29, 2004	$3,106,157	$93,020	$80,000

Note 11 Building Department

The Village tracks building permit fees and their related costs in the General Fund. Fees for the fiscal year ending February 29, 2004, of $13,295 did not exceed the related costs and administrative overhead.

Note 12 Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Village has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

Note 13 Financial Statement (GASB 34)

In June 1999, members of the Governmental Accounting Standards Board (GASB) unanimously approved issuance of GASBS No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* which will make dramatic changes in the way state and local governments report their finances to the public. This will first be effective for the Village for the fiscal year ending February 28, 2005.

The statement requires changes in presentation and some accounting policies. The statement will require material prior period adjustments, most significantly depreciation of fixed assets. The amounts of the adjustments have not been determined at this time.

GENERAL FUND

General Fund - to account for resources associated with government not specifically provided for in another fund.

VILLAGE OF CARLETON

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended February 29, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes			
Property taxes	$290,500	$292,537	$2,037
Trailer park taxes	2,800	2,760	(40)
	293,300	295,297	1,997
Licenses and permits	24,500	24,890	390
State grants			
State shared revenue	260,000	255,964	(4,036)
Liquor license fees	1,600	1,696	96
	261,600	257,660	(3,940)
Charges for services	200	476	276
Interest income	5,800	5,846	46
Fines and forfeits	8,800	8,873	73
Other revenue			
Other revenue	2,000	2,674	674
Ordinance 168 fees	100,500	36,713	(63,787)
Administration rents	6,100	6,450	350
	108,600	45,837	(62,763)
Total Revenues	702,800	638,879	(63,921)
Expenditures			
Legislative			
Council	5,700	5,373	327
General government			
President	5,000	4,800	200
Clerk - elections	1,600	1,598	2
Audit fees	4,700	4,630	70
Finance officer	4,800	4,725	75
Legal fees	12,000	7,648	4,352
Other legal	200	159	41
Clerk	48,000	46,265	1,735
Treasurer	7,100	6,943	157
Village hall and grounds	21,800	20,034	1,766
Engineering	114,000	50	113,950
	219,200	96,852	122,348

(Continued)

VILLAGE OF CARLETON

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended February 29, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Expenditures			
Public safety			
Police department	$217,800	$214,077	$3,723
Blight enforcement	2,200	2,051	149
Building inspection	4,400	3,009	1,391
Building board of appeals	100	0	100
Electrical inspection	1,500	1,303	197
Plumbing inspection	0	384	(384)
Planning commission	200	0	200
Zoning board	100	0	100
	226,300	220,824	5,476
Public Works			
Department of public works	61,800	60,132	1,668
Street lighting	19,800	19,443	357
Sanitation	38,800	38,686	114
	120,400	118,261	2,139
Recreation and Cultural			
Administration	500	358	142
Other			
Hospitalization insurance	65,500	65,393	107
Life insurance	6,600	6,506	94
Social security	26,500	25,500	1,000
Insurance	44,500	44,395	105
Worker's compensation insurance	5,900	5,817	83
Retirement	9,500	9,089	411
	158,500	156,700	1,800
Total Expenditures	730,600	598,368	132,232
Excess (Deficiency) of Revenues over Expenditures	(27,800)	40,511	68,311
Other Financing Sources (Uses)			
Operating transfers out	(15,000)	(15,000)	0
Excess (Deficiency) of Revenues over Expenditures and Other Sources (Uses)	(42,800)	25,511	68,311
Fund Balance - Beginning of Year	564,655	564,655	0
Fund Balance - End of Year	$521,855	$590,166	$68,311

SPECIAL REVENUE FUNDS

Major Street Fund - to comply with the provisions of Act 51 P.A. of 1951, as amended, which provides that gas and weight tax moneys distributed by the State of Michigan to local units must be segregated from other moneys. This fund is used to account for revenues and expenditures that pertain to the construction and maintenance of major streets.

Local Street Fund - to comply with the provisions of Act 51 P.A. of 1951, as amended, which provides that gas and weight tax moneys distributed by the State of Michigan to local units must be segregated from other moneys. This fund is used to account for revenues and expenditures that pertain to the construction and maintenance of local streets.

Municipal Street Fund - to account for the Village's special street millage and to account for street oriented expenditures not provided under Act 51 P.A. of 1951, as amended.

Ash-Carleton Park Fund - to account for funds contributed in order to provide and operate a recreation program and to maintain, operate and improve the Ash-Carleton Park. This is a joint venture between the Village of Carleton and Ash Township.

VILLAGE OF CARLETON

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET
February 29, 2004

	Major Street Fund	Local Street Fund	Municipal Street Fund	Ash-Carleton Park Fund	Totals
Assets					
Cash and certificates of deposit	$432,220	$166,959	$27,081	$26,937	$653,197
Due from other funds	0	18	0	0	18
Total Assets	$432,220	$166,977	$27,081	$26,937	$653,215
Liabilities and Fund Balances					
Liabilities					
Deferred Revenue	$0	$0	$0	$4,110	$4,110
Due to other funds	4,480	4,971	0	0	9,451
Total Liabilities	4,480	4,971	0	4,110	13,561
Fund Balances - unreserved	427,740	162,006	27,081	22,827	639,654
Total Liabilities and Fund Balances	$432,220	$166,977	$27,081	$26,937	$653,215

VILLAGE OF CARLETON

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended February 29, 2004

	Major Street Fund	Local Street Fund	Municipal Street Fund	Ash-Carleton Park Fund	Totals
Revenues					
State grants	$85,327	$41,345	$0	$0	$126,672
Local unit contribution	0	0	0	15,000	15,000
Interest income	4,005	1,028	124	94	5,251
Other revenue	0	49,412	0	15,436	64,848
Total Revenues	89,332	91,785	124	30,530	211,771
Expenditures					
Public works	22,043	28,864	0	0	50,907
Recreation and cultural	0	0	0	39,825	39,825
Total Expenditures	22,043	28,864	0	39,825	90,732
Excess (Deficiency) of Revenues over Expenditures	67,289	62,921	124	(9,295)	121,039
Other Financing Sources (Uses)					
Operating transfers in	0	0	0	15,000	15,000
Excess (Deficiency) of Revenues over Expenditures and Other Sources (Uses)	67,289	62,921	124	5,705	136,039
Fund Balances-Beginning of Year	360,451	99,085	26,957	17,122	503,615
Fund Balances-End of Year	$427,740	$162,006	$27,081	$22,827	$639,654

VILLAGE OF CARLETON

MAJOR STREET FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended February 29, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
State grants	$85,000	$85,327	$327
Interest income	3,500	4,005	505
Total Revenues	88,500	89,332	832
Expenditures			
Public works			
Routine maintenance	13,000	8,741	4,259
Traffic service	1,500	940	560
Winter maintenance	14,000	10,312	3,688
Administrative	2,300	2,050	250
Total Expenditures	30,800	22,043	8,757
Excess (Deficiency) of Revenues over Expenditures	57,700	67,289	9,589
Fund Balance - Beginning of Year	360,451	360,451	0
Fund Balance - End of Year	$418,151	$427,740	$9,589

VILLAGE OF CARLETON

LOCAL STREET FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended February 29, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
State grants	$41,000	$41,345	$345
Interest income	1,000	1,028	28
Other income	48,800	49,412	612
Total Revenues	90,800	91,785	985
Expenditures			
Public works			
Routine maintenance	19,000	17,421	1,579
Traffic service	1,500	220	1,280
Winter maintenance	13,700	9,173	4,527
Administrative	2,300	2,050	250
Total Expenditures	36,500	28,864	7,636
Excess (Deficiency) of Revenues over Expenditures	54,300	62,921	8,621
Fund Balance - Beginning of Year	99,085	99,085	0
Fund Balance - End of Year	$153,385	$162,006	$8,621

VILLAGE OF CARLETON

MUNICIPAL STREET FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended February 29, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Interest income	$100	$124	$24
Expenditures	0	0	0
Excess (Deficiency) of Revenues over Expenditures	100	124	24
Other Financing Sources (Uses)			
Operating transfers out	(5,000)	0	5,000
Excess (Deficiency) of Revenues over Expenditures and Other Sources (Uses)	(4,900)	124	5,024
Fund Balance - Beginning of Year	26,952	26,957	5
Fund Balance - End of Year	$22,052	$27,081	$5,029

VILLAGE OF CARLETON

ASH-CARLETON PARK FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended February 29, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Local unit contribution	$15,000	$15,000	$0
Interest income	0	94	94
Other revenue	15,000	15,436	436
Total Revenues	30,000	30,530	530
Expenditures			
Recreation and cultural			
Administration	8,600	8,384	216
Recreational and programs	23,000	22,628	372
Park maintenance	9,200	8,813	387
Total Expenditures	40,800	39,825	975
Excess (Deficiency) of Revenues over Expenditures	(10,800)	(9,295)	1,505
Other Financing Sources (Uses)			
Operating transfers in	15,000	15,000	0
Excess (Deficiency) of Revenues over Expenditures and Other Sources (Uses)	4,200	5,705	1,505
Fund Balance - Beginning of Year	17,122	17,122	0
Fund Balance - End of Year	$21,322	$22,827	$1,505

ENTERPRISE FUND

Sewage Disposal Fund - to account for the provision of sewer services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund.

VILLAGE OF CARLETON

SEWAGE DISPOSAL FUND

COMPARATIVE BALANCE SHEET
February 29, 2004 and 2003

	2004	2003
Assets		
Current Assets		
Receiving fund		
Cash and certificate of deposit	$403,520	$99,231
Accounts receivable - Sewage accounts	33,937	35,346
Accrued interest receivable	0	294
Due from other governments	53,974	43,267
Total Current Assets	491,431	178,138
Restricted Assets		
Cash with fiscal agent		
Debt	288,266	281,048
Cash and certificates of deposit		
Operating and Maintenance Fund	34,355	102,809
Repair and Replacement Fund	230,153	228,187
Debt Retirement Fund	5,647	61,791
Bond Reserve Fund	340,206	336,770
Contracts Payable - System No. 2	6,876	38,735
	617,237	768,292
Total Restricted Assets	905,503	1,049,340
Fixed Assets		
Land	112,003	112,003
Sewer mains	612,212	543,699
Service connections	73,006	73,006
Oxidation ponds and equipment	1,284,210	1,284,210
Wastewater treatment plant	8,513,375	8,513,375
	10,594,806	10,526,293
Less: Accumulated depreciation	1,569,738	1,387,974
Net Fixed Assets	9,025,068	9,138,319
Total Assets	$10,422,002	$10,365,797

Liabilities and Fund Equity	2004	2003
Liabilities		
Current Liabilities (payable from current assets)		
Accounts payable	$11,635	$9,428
Due to other funds	1,314	15,383
Due to other governments	2,092	695
Total Current Liabilities (payable from current assets)	15,041	25,506
Current Liabilities (payable from restricted assets)		
Contracts payable - current portion	295,000	275,000
Accrued interest payable	54,236	58,255
Total Current Liabilities (payable from restricted assets)	349,236	333,255
Long-Term Liabilities		
Contracts payable - non-current portion	4,780,000	5,075,000
Total Long-Term Liabilities	4,780,000	5,075,000
Total Liabilities	5,144,277	5,433,761
Fund Equity		
Contributed capital		
Federal government	3,106,157	3,168,177
State government	93,020	93,020
Municipality	80,000	80,000
Total Contributed Capital	3,279,177	3,341,197
Retained earnings		
Unreserved	1,998,548	1,590,839
Total Fund Equity	5,277,725	4,932,036
Total Liabilities and Fund Equity	$10,422,002	$10,365,797

VILLAGE OF CARLETON

SEWAGE DISPOSAL FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
For the Years Ended February 29, 2004 and 2003

	2004	2003
Operating Revenues		
Sewer service	$376,711	$372,916
Sewer processing charge - Ash Township	120,101	97,801
Total Operating Revenues	496,812	470,717
Operating Expenses		
Maintenance of Mains		
Depreciation	8,084	7,284
Processing of Sewage		
Wages - employees	12,380	12,546
Operating supplies	807	985
Contractual	212,110	203,044
Engineering	48,838	25,530
Utilities	363	338
Repairs and maintenance	6,645	0
Equipment rentals	10,269	10,681
Miscellaneous	2,086	3,373
Depreciation	173,680	174,880
	467,178	431,377
General Office and Administrative		
Audit fees	5,100	5,300
Contractual	19,474	18,082
Administrative rent charge	3,000	3,000
Miscellaneous	21,939	0
	49,513	26,382
Total Operating Expenses	524,775	465,043
Net Operating Income	(27,963)	5,674
Non-Operating Revenues (Expenses)		
Sewer tap fees - construction	357,500	7,500
Sewer tap fees - debt	143,582	121,000
Interest income	8,673	16,165
Interest expense	(135,433)	(145,745)
Paying agent fees	(670)	(660)
Total Non-Operating Revenues (Expenses)	373,652	(1,740)
Net Income (Loss)	345,689	3,934
Depreciation on fixed assets acquired with contributed capital	62,020	62,020
Increase (Decrease) in Retained Earnings	407,709	65,954
Retained Earnings - Beginning of Year	1,590,839	1,524,885
Retained Earnings - End of Year	$1,998,548	$1,590,839

VILLAGE OF CARLETON

SEWAGE DISPOSAL FUND

COMPARATIVE STATEMENT OF CASH FLOWS
For the Years Ended February 29, 2004 and 2003

	2004	2003
Cash Flows from Operating Activities		
Net operating income	($27,963)	$5,674
Adjustments to reconcile net operating income to net cash provided by operating activities		
Depreciation	181,764	182,164
(Increase) decrease in assets		
Accounts receivable	1,409	(175)
Accrued interest receivable	294	45
Due from other governments	(10,707)	7,304
Increase (decrease) in liabilities		
Accounts payable	2,207	9,428
Due to other funds	(14,069)	11,429
Due to other governments	1,397	(1,125)
Accrued interest payable	(4,019)	7,754
Total Adjustments	158,276	216,824
Net Cash Provided (Used) by Operating Activities	130,313	222,498
Cash Flows from Capital and Related Financing Activities		
Sewer tap fees	501,082	128,500
Acquisition of fixed assets	(68,513)	0
Principal paid on revenue bonds and contracts payable	(275,000)	(165,000)
Interest and fees paid on revenue bonds and contracts payable	(136,103)	(146,405)
Net Cash Used for Capital and Related Financing Activities	21,466	(182,905)
Cash Flows from Investing Activities		
Interest income	8,673	16,165
Net Increase (Decrease) in Cash and Cash Equivalents	160,452	55,758
Cash and Cash Equivalents - Beginning of Year	1,148,571	1,092,813
Cash and Cash Equivalents - End of Year	$1,309,023	$1,148,571

VILLAGE OF CARLETON

SEWAGE DISPOSAL FUND

COMPARATIVE STATEMENT OF CHANGES IN CONTRIBUTIONS
AND UNRESERVED RETAINED EARNINGS
For the Years Ended February 29, 2004 and 2003

	Contributions From			
	Federal Government	State Government	Municipality	Unreserved Retained Earnings
Balance - March 1, 2002	$3,230,197	$93,020	$80,000	$1,524,885
Add				
Net Income(Loss)	0	0	0	65,954
Depreciation on fixed assets acquired with contributed capital	(62,020)	0	0	0
Balance - February 28, 2003	3,168,177	93,020	80,000	1,590,839
Add				
Net Income(Loss)	0	0	0	407,709
Depreciation on fixed assets acquired with contributed capital	(62,020)	0	0	0
Balance - February 29, 2004	$3,106,157	$93,020	$80,000	$1,998,548

INTERNAL SERVICE FUND

Equipment Fund - to account for the costs of machinery and equipment used by other Village departments. Such costs are billed to the other departments at rates established by the State of Michigan.

VILLAGE OF CARLETON

EQUIPMENT FUND

COMPARATIVE BALANCE SHEET
February 29, 2004 and 2003

	2004	2003
ASSETS		
Current Assets		
Cash	$43,644	$54,495
Due from other funds	15,797	5,077
Total Current Assets	59,441	59,572
Fixed Assets		
Machinery and equipment	341,207	336,007
Less: Accumulated depreciation	(219,622)	(198,983)
Net Fixed Assets	121,585	137,024
Total Assets	$181,026	$196,596
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable	$63	$304
Contracts payable	18,790	41,339
Total Liabilities	18,853	41,643
Fund Equity		
Retained earnings - unreserved	162,173	154,953
Total Liabilities and Fund Equity	$181,026	$196,596

EQUIPMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
For the Years Ended February 29, 2004 and 2003

	2004	2003
Operating Revenues		
Equipment rental	$42,175	$37,907
Operating Expenses		
Operating supplies	4,174	3,835
Audit	950	925
Repairs and maintenance	3,018	9,754
Administrative rent charge	1,150	1,050
Miscellaneous	0	126
Depreciation	31,439	22,913
Total Operating Expenses	40,731	38,603
Net Operating Income (Loss)	1,444	(696)
Non-Operating Revenues (Expenses)		
Interest Income	476	739
Gain on sale of fixed asset	5,300	13,000
Total Non-Operating Revenues (Expenses)	5,776	13,739
Net Income (Loss)	7,220	13,043
Retained Earnings - Beginning of Year	154,953	141,910
Retained Earnings - End of Year	$162,173	$154,953

EQUIPMENT FUND

COMPARATIVE STATEMENT OF CASH FLOWS
For the Years Ended February 29, 2004 and 2003

	2004	2003
Cash Flows from Operating Activities		
Operating income	$1,444	($696)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	31,439	22,913
(Increase) decrease in assets		
Due from other funds	(10,720)	1,255
Inventory	0	3,165
Increase (decrease) in liabilities		
Accounts payable	(241)	(273)
Due to other funds	0	(36)
Total Adjustments	20,478	27,024
Net Cash Provided by Operating Activities	21,922	26,328
Cash Flows from Capital and Related Financing Activities		
Proceeds from sale of fixed assets	5,300	13,000
Acquisition of fixed assets	(16,000)	(70,030)
Proceeds from contracts payable	0	45,097
Principal paid on contracts payable	(22,549)	(3,758)
Net Cash (Used) by Capital and Related Financing Activities	(33,249)	(15,691)
Cash Flows from Investing Activities		
Interest on investments	476	739
Net Increase (Decrease) in Cash and Cash Equivalents	(10,851)	11,376
Cash and Cash Equivalents - Beginning of Year	54,495	43,119
Cash and Cash Equivalents - End of Year	$43,644	$54,495

AGENCY FUND

Agency Fund - to account for moneys which are held by the Village in an agency capacity. Included in this fund is the accounting for the payroll fund.

VILLAGE OF CARLETON

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended February 29, 2004

	Balance Feb. 28, 2003	Additions	Deductions	Balance Feb. 29, 2004
Assets				
Cash	$18,500	$331,962	$329,844	$20,618
Due from other funds	0	20,705	0	20,705
Total Assets	$18,500	$352,667	$329,844	$41,323
Liabilities				
Salaries and payroll taxes payable	$0	$331,962	$310,926	$21,036
Due to other funds	0	9,314	7,527	1,787
Advance from General Fund	18,500	0	0	18,500
Total Liabilities	$18,500	$341,276	$318,453	$41,323