Michigan Dept. of Treasury, Local Government Audit Division
L-3147 (Rev. 3-96)

AUDITING PROCEDURES REPORT

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

Local Government Name (Specify) ☐ City ☐ Township ☒ Village ☐ Other Village of Peck		County Sanilac
Audit Date March 31, 2004	Opinion Date May 25, 2004	Date Accountant Report Submitted to State: May 25, 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
JUN 2 2 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).

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

Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.			
Street Address 3078 S. Main Street	City Marlette	State MI	ZIP 48453
Accountant Signature Lehn L. King			

Village of Peck

Annual Financial Report
For The Fiscal Year Ended March 31, 2004

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LEHN L. KING
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Members of the Village Council
Village of Peck
Sanilac County, Michigan

Independent Auditor's Report

I have examined the General Purpose Financial Statements of the Village of Peck as of March 31, 2004, as listed in the Table of Contents, and for the year then ended. These financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, including those prescribed by the State Treasurer. An audit also includes assessing the accounting principles used and significant statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the General Purpose Financial Statements referred to above present fairly, in all material respects, the financial position of the Village of Peck, at March 31, 2004, and the results of its operations and its cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

My examination was made for the purpose of forming an opinion on the General Purpose Financial Statements. The accompanying financial information listed as Supporting Schedules in the Table of Contents is presented for purposes of additional analysis and is not a required part of the General Purpose Financial Statements of the Village of Peck. The information has been subjected to the auditing procedures applied in the examination of the General Purpose Financial Statements and, in my opinion, is fairly stated in all material respects in relation to the General Purpose Financial Statements taken as a whole.

Lehn King
Certified Public Accountant

May 25, 2004

Combined Statements
Overview
(General Purpose Financial Statements)

Village of Peck

Combined Balance Sheet - All Fund Types and Account Groups
March 31, 2004

	Governmental Fund Types		Proprietary Fund Type	Account Groups		
Assets	**General**	**Special Revenue**	**Enterprise Fund**	**General Long-Term Debt**	**General Fixed Assets**	**Totals (Memorandum Only)**
Cash & Certificates of Deposit	$ 126,161	$ 64,943	$ 30,448	$ 0	$ 0	$ 221,552
Investments	0	0	324,033	0	0	324,033
Accounts Receivable	43,608	50,036	0	0	0	93,644
Special Assessments	0	0	6,237	0	0	6,237
Due From Other Funds	0	0	68,406	0	0	68,406
General Fixed Assets	0	0	0	0	479,567	479,567
Property, Plant & Equipment	0	0	2,353,262	0	0	2,353,262
Accumulated Depreciation	0	0	(984,269)	0	0	(984,269)
Cash - Bond Revenue	0	0	42,927	0	0	42,927
Amount to be Provided for Retirement of General-Long Term Debt	0	0	0	60,606	0	60,606
Total Assets	$ 169,769	$ 114,979	$ 1,841,044	$ 60,606	$ 479,567	$ 2,665,965
Liabilities & Fund Equity						
Liabilities						
Accounts Payable	$ 6,390	$ 22,635	$ 7,547	$ 0	$ 0	$ 36,572
Due To Other Funds	7,800	0	0	60,606	0	68,406
Revenue Bonds	0	0	290,000	0	0	290,000
Total Liabilities	14,190	22,635	297,547	60,606	0	394,978
Fund Equity						
Contributed Capital	0	0	1,279,638	0	0	1,279,638
Investment in General Fixed Assets	0	0	0	0	479,567	479,567
Retained Earnings	0	0	263,859	0	0	263,859
Fund Balances Unreserved	155,579	92,344	0	0	0	247,923
Total Fund Equity	155,579	92,344	1,543,497	0	479,567	2,270,987
Total Liabilities & Fund Equity	$ 169,769	$ 114,979	$ 1,841,044	$ 60,606	$ 479,567	$ 2,665,965

The notes are an integral part of the statements

Village of Peck

Combined Statement of Revenues, Expenses, and Changes in
Fund Balances - General Fund and Special Revenue Fund Types
For The Year Ended March 31, 2004

	General Fund	Special Revenue Funds	Total
Revenues			
Taxes	$ 103,149	$ 0	$ 103,149
Intergovernmental Revenues	66,047	241,095	307,142
Charges for Services	52,048	0	52,048
Interest Income	9,472	306	9,778
Rents	32,503	0	32,503
Miscellaneous Revenue	2,824	0	2,824
Total Revenues	266,043	241,401	507,444
Expenditures			
General Government	117,843	0	117,843
Public Safety	33,894	0	33,894
Health & Welfare	22,248	0	22,248
Public Works	84,555	237,844	322,399
Highways, Streets ,& Bridges	8,513	50,491	59,004
Total Expenditures	267,053	288,335	555,388
Excess of Revenues Over (Under) Expenditures	(1,010)	(46,934)	(47,944)
Other Financing Sources (Uses)			
Operating Transfers In (Out)	(88,750)	88,750	0
Excess of Revenues & Other Sources Over (Under) Expend. & Other Uses	(89,760)	41,816	(47,944)
Fund Balances - April 1, 2003	245,339	50,528	295,867
Fund Balances - March 31, 2004	$ 155,579	$ 92,344	$ 247,923

The notes are an integral part of the statements

Village of Peck

Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund and Special Revenue Fund Types
For The Year Ended March 31, 2004

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Amended Budget	Actual	Over (Under) Budget	Amended Budget	Actual	Over (Under) Budget	Amended Budget	Actual	Over (Under) Budget
Revenues									
Taxes	$ 100,000	$ 103,149	$ 3,149	$ 0	$ 0	$ 0	$ 100,000	$ 103,149	$ 3,149
Intergovernmental Revenues	60,000	66,047	6,047	153,250	241,095	87,845	213,250	307,142	93,892
Charges for Services	50,000	52,048	2,048	0	0	0	50,000	52,048	2,048
Interest Income	4,500	9,472	4,972	610	306	(304)	5,110	9,778	4,668
Rents	18,300	32,503	14,203	0	0	0	18,300	32,503	14,203
Miscellaneous Revenue	5,050	2,824	(2,226)	0	0	0	5,050	2,824	(2,226)
Total Revenues	237,850	266,043	28,193	153,860	241,401	87,541	391,710	507,444	115,734
Expenditures									
General Government	125,000	117,843	7,157	0	0	0	125,000	117,843	7,157
Public Safety	47,300	33,894	13,406	0	0	0	47,300	33,894	13,406
Health & Welfare	22,500	22,248	252	0	0	0	22,500	22,248	252
Public Works	112,000	84,555	27,445	201,750	237,844	(36,094)	313,750	322,399	(8,649)
Highway, Streets, & Bridges	8,000	8,513	(513)	63,000	50,491	12,509	71,000	59,004	11,996
Total Expenditures	314,800	267,053	47,747	264,750	288,335	(23,585)	579,550	555,388	24,162
Excess of Revenues Over (Under) Expenditures	(76,950)	(1,010)	75,940	(110,890)	(46,934)	63,956	(187,840)	(47,944)	139,896
Other Financing Sources (Uses)									
Operating Transfers In (Out)	(121,000)	(88,750)	32,250	101,900	88,750	(13,150)	(19,100)	0	19,100
Excess of Revenues & Other Sources Over (Under) Expend. & Other Uses	(197,950)	(89,760)	108,190	(8,990)	41,816	50,806	(206,940)	(47,944)	158,996
Fund Balances - April 1, 2003	211,670	245,339	33,669	36,931	50,528	13,597	248,601	295,867	47,266
Fund Balances - March 31, 2004	$ 13,720	$ 155,579	$ 141,859	$ 27,941	$ 92,344	$ 64,403	$ 41,661	$ 247,923	$ 206,262

The notes are an integral part of the statements

Village of Peck

Combined Statement of Revenues, Expenses, and Changes in
Retained Earnings - All Proprietary Fund Types
For The Year Ended March 31, 2004

	Enterprise Funds
Operating Revenues	
Charges for Services	$ 150,568
Connection Fees	13,710
Total Operating Revenues	164,278
Operating Expenses	
Salaries & Wages	22,203
Fringe Benefits	5,175
Operating Supplies	8,275
Contracted Services	2,198
Utilities	6,428
Repairs & Maintenance	16,828
Equipment Rental	11,085
Administrative Fees	25,394
Depreciation	55,743
Miscellaneous	810
Interest Expense	20,728
Total Expenses	174,867
Operating Income (Loss)	(10,589)
Non-Operating Revenues	
Interest Income	7,943
Miscellaneous	542
Net Income (Loss)	(2,104)
Amortization of Contributed Capital	28,325
Increase in Retained Earnings	26,221
Retained Earnings - April 1, 2003	237,638
Retained Earnings - March 31, 2004	$ 263,859

The notes are an integral part of the statements

Village of Peck

Combined Statement of Cash Flows
All Proprietary Fund Types
For The Year Ended March 31, 2004

	Enterprise Funds
Cash Flows from Operating Activity	
Net Income (Loss)	$ (2,104)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	55,743
Changes in Operating Assets and Liabilities:	
Accounts Receivable	0
Accounts Payable	(4,033)
Due To (From) Other Funds	0
Net Cash Provided by Operating Activity	49,606
Cash Flows From Investing Activities	
Purchase of Fixed Assets	0
Cash Flows From Financing Activities	
Decrease in Long-Term Debt	(5,000)
(Increase) Decrease in Restricted Assets	2,160
Net Cash Provided (Used) By Financing Activities	(2,840)
Net Increase (Decrease) in Cash and Cash Equivalents	46,766
Cash & Cash Equivalents - April 1, 2003	307,715
Cash & Cash Equivalents - March 31, 2004	$ 354,481

The notes are an integral part of the statements

Village of Peck

Notes To Financial Statements
March 31, 2004

The accounting methods and procedures adopted by the Village of Peck, Sanilac County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Village's Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Village of Peck was organized in 1903 and is operating under a seven member Council form of government and provides the following services: public safety (police), highways and streets, sanitation, recreation, public improvements, planning and zoning and general administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village of Peck (the primary government) and its component units. The component units discussed below are included in the Village reporting entity because of the significance of their operational or financial relationships with the Village.

Component Units - In conformity with generally accepted accounting principles, there are no component units of government required to be included in the financial reporting entity either as blended component units or discretely presented component units.

Basis of Presentation - 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 Village has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The funds are grouped into fund types and generic funds as described below:

Governmental Fund Types - These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

> **General Fund:** This fund is established to account for resources devoted to financing the general services that the Village performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Village are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.
>
> **Special Revenue Funds:** The Special Revenue Funds are used to account for the proceeds of specific revenue resources (other than assessments or expendable trusts) that are legally restricted to expenditures for specified purposes. These funds include: Major Streets, Local Streets, Municipal Streets and Storm Sewer.

Proprietary Fund Types - These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are the Enterprise Funds.

> **Enterprise Funds:** These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Accouut Groups - In addition to the broad types of governmental funds, the Village also maintains the account groups as described below:

> **General Fixed Assets Account Group:** This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes.
>
> **General Long-Term Debt Account Group:** This account group is established to account for the Village's long-term debt that will be financed from general governmental resources.

Basis of Accounting - Governmental Funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. General property

taxes and investment earnings are recorded when earned (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations, which are recognized when paid.

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. Interest on revenue bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period net of interest on the investment of unexpended bond proceeds.

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

1. Prior to April 1, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer eomments.
3. Prior April 1, the budget is legally enacted.
4. The budget is used by the Village Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.
5. Budget amounts are as originally adopted, or as amended by the Village Council. Individual amendments were not material in relation to the original appropriations which were amended.

Cash - The Village pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing seeurities and diselosed as part of the Village's investments.

Receivables - All receivables are reported at their gross value and where appropriate are reduced by the estimated portion that is expeeted to be uncollectible. Estimated unbilled revenues from the Water and Sewer Fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

Investments - Debt securities are valued at cost sinee it is generally the policy of the Village to hold sueh investments until they mature.

Due To / Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Advance to Other Funds - Noncurrent portions of long-term interfund loans receivable (reported in "Due from" asset accounts are considered "available spendable resources".

Other Assets - Other assets held are recorded and accounted for at cost.

Inventory - Inventories and supplies held by the Water Fund and the Sewer Fund, which are immaterial in amount, have not been recognized.

Property, Plant, and Equipment - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges, are not eapitalized. Property, plant, and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group.

Property, plant, and equipment acquired for proprietary funds is capitalized in the respective funds to whieh it applies.

Property, plant, and equipment is stated at cost. Where cost could not be determined form the available records, estimated historical cost was used to reeord the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Depreciation of exhaustible fixed assets used by proprietary funds is eharged as an expense against operations, and

aceumulated depreciation is reported on the proprietary funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

Long-Term Debt - Long-term obligations of the Village are reported in the General Long-Term Debt Account Group.

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earning for proprietary funds represent the net assets available for future operations or distribution. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Revenues and Expenditures/Expenses - Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and nontax revenues are recognized when received. Grants from other governments arc recognized when qualifying expenditures are incurred. Expenditures for governmental funds are reeorded when the related liability is incurred.

Property Tax Revenues - Property taxes are levied on July 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible accounts and delinquent accounts.

Vacation, Sick Leave, and Other Compensated Absences - Vacation days are earned by employees at a rate of five days per year with unused days at year-end being forfeited.

Sick days are earned by employecs at a rate of five days per year. A maximum of 35 unused sick days may be accumulated by an employee. No provision has been made for aceumulated sick pay liability since the amount is immaterial to the financial statements taken as a whole.

Total Columns - The Combined Financial Statements include total columns that are described as memoranda only. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

2. Stewardship, Compliance, and Accountability

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

3. Cash and Investments

The Governmental Accounting Standards Council Statement No. 3, risk disclosures for the Local Unit's cash deposits are as follows:

	Carrying Amount	Bank Balances
Insured (FDIC)	$ 221,552	$ 221,552
Uninsured and Uncollateralized	0	0
Total Deposits	$ 221,552	$ 221,552

All cash deposits and investments of the Village are held by the Village in the Village's name.

3. Cash and Investments – Continued

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	(1)	(2)	(3)	Carrying Amount	Market Value
Risk Categorized					
Operating Funds					
GNMA Pool	273,424	0	0	273,424	273,424
A.G. Edwards Cash Accum Fund	50,609	0	0	50,609	50,609
Total Risk-Categorized Investments	324,033	0	0	324,033	324,033

The cash and investments that are represented by specific identifiable investment securities arc classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Village or its agent in the Village's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village's name.

4. Property Taxes

The Village is responsible for collecting property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of July of the levy year and may be paid by the following August 31.

Property taxes are recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available.

The Village levied the following taxes:

General Operating	11.1271	mills
Municipal Streets	0.5400	mills
Total	11.6671	

5. Due To/From Other Funds

As of March 31, 2004, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From Other Funds		Due To Other Funds
Sewer Fund	$ 68,406	General Fund - M/H Building	$ 30,606
	0	(L/T Debt) Major Street Fund	30,000
	0	(L/T Debt) Park Fund	7,800
Total	$ 68,406	Total	$ 68,406

6. Property, Plant, and Equipment

A summary of changes in general fixed assets follows:

Assets	Balance April 1, 2003	Addition	Deduction	Balance March 31, 2004
Land	$ 15,000	$ 0	$ 0	$ 15,000
Building & Iimprovements	61,562	0	0	61,562
M/C Building	34,381	0	0	34,381
Senior Citizens Center	121,566	0	0	121,566
Furniture & Fixtures	14,718	0	0	14,718
Machinery & Equipment	217,616	14,724	0	232,340
Total	$ 464,843	$ 14,724	$ 0	$ 479,567

A summary of proprietary fund type property, plant, and equipment at March 31, 2004 as follows:

	Sewer Fund	Water Fund	Total	Depreciable Life Years
Land	$ 103,576	$ 0	$ 103,576	
Improvements other than Buildings	1,265,732	927,052	2,192,784	20-50
Bond Closing Costs	0	13,624	13,624	32
Equipment	42,202	1,076	43,278	7-10
Total Cost	1,411,510	941,752	2,353,262	
Less Accumulated Depreciation	568,902	415,367	984,269	
Net Carrying Amount	$ 842,608	$ 526,385	$ 1,368,993	

7. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

8. Comparative Data

Comparative total data for the prior year has not been presented.

9. Excess of Expenditures over Appropriations in Budgetary Funds

P.A. 621 of 1978, seetion 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for these budgetary funds were adopted to the aetivity level.

During the year ended March 31, 2004, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

9. Excess of Expenditures over Appropriations in Budgetary Funds - Continued

	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund			
Highways, Streets, & Bridges	$ 8,000	$ 8,513	$ 513

10. Post Employment Benefits

The Village does not provide any post employment benefits.

11. Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Village has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

12. During the Year Ended March 31, 2004, the Village's Interfund Transfers Were as Follows:

	Operating Transfers In		Operating Transfers Out
Capital Improvement	$ 88,500	General Fund	$ 88,500
Storm Sewer	250	General Fund	250
Local Streets	17,020	Municipal Streets	17,020
Local Streets	6,270	Major Streets	6,270

13. Long-Term Debt

The general long term debt of the Village and the changes therein, are summarized as follows:

Primary Government	Balance April 1, 2003	Additions	Reductions	Balance March 31, 2004
General Long-Term Debt Account:				
Interfund Loan - Acquisition of M/C Building repayment terms have not been established. Interest at five percent.	$ 30,606	$ 0	$ 0	$ 30,606
Interfund Loan - Major Street Resurfaeing, repayment terms have not been established; interest at zero percent.	30,000	0	0	30,000
Total General Obligation Bonds	$ 60,606	$ 0	$ 0	$ 60,606

13. Long-Term Debt - Continued

Enterprise Funds - Revenue Bonds	Balance April 1, 2003	Additions	Reductions	Balance March 31, 2004
$345,000 June 1, 1984 Water Supply System Revenue Refunding bonds due in annual installments of $5,000 to $25,000 through June 1, 2024; Interest at 4.25 to 7.25 percent.	$ 295,000	$ 0	$ 5,000	$ 290,000
Total Enterprise Funds - Revenue Bonds	$ 295,000	$ 0	$ 5,000	$ 290,000

The annual principal and interest requirements for the years ending March 31, 2005 through 2024 for all debts outstanding as of March 31, 2004 are as follows:

	2005	2006	2007	2008	2009	2011-2014	2015-2019	2020-2024
General Obligation Bonds	$ 60,606	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Revenue Bonds	25,170	24,855	24,535	29,215	28,565	107,685	137,240	189,642
Total for Village	$ 85,776	$ 24,855	$ 24,535	$ 29,215	$ 28,565	$ 107,685	$ 137,240	$ 189,642

Total Interest expense for the Village for the year ended March 31, 2004 was $20,328.

Water System - Refunding Bonds - On September 1, 1992 the Village redeemed all of the outstanding bonds of this 9.50% Water Revenue debt by issuing $345,000 of revenue refunding bonds. The bonds bear interest at an annual rate ranging from 4.25% to 7.25%, which is payable semi-annually.

These bonds are being repaid by Water Revenue Charges to users which are due over a 25-year period.

General Obligation	Interest Rate	Date of Maturity	Principal Outstanding March 31, 2004	Principal Outstanding March 31, 2003	Annual Interest Payable
Sewer Fund - M/C Building	5.00%	Open	$ 30,606	$ 30,606	$ 1,500
Major Street Fund	0.00%	Open	$ 30,000	$ 30,000	$ 0
Total General Obligation Bonds			$ 60,606	$ 60,606	$ 1,500

13. Long-Term Debt - Continued

Water Supply System Revenue Refunding Bonds
Dated September 1, 1992
Interest Payable June 1 and December 1

Interest Rate	Date of Maturity	Principal Outstanding March 31, 2004	Principal Outstanding March 31, 2003	Annual Interest Payable
6.30%	6/1/03	$ 0	$ 5,000	$ 0
6.40%	6/1/04	5,000	5,000	20,170
6.40%	6/1/05	5,000	5,000	19,855
6.50%	6/1/06	5,000	5,000	19,535
6.50%	6/1/07	10,000	10,000	19,215
6.60%	6/1/08	10,000	10,000	18,565
6.60%	6/1/09	10,000	10,000	17,915
6.75%	6/1/10	10,000	10,000	17,255
6.75%	6/1/11	10,000	10,000	16,595
6.90%	6/1/12	10,000	10,000	15,920
6.90%	6/1/13	10,000	10,000	15,245
6.90%	6/1/14	15,000	15,000	14,555
7.00%	6/1/15	15,000	15,000	13,520
7.00%	6/1/16	15,000	15,000	12,485
7.00%	6/1/17	15,000	15,000	11,435
7.10%	6/1/18	15,000	15,000	10,385
7.10%	6/1/19	20,000	20,000	9,335
7.10%	6/1/20	20,000	20,000	7,915
7.25%	6/1/21	20,000	20,000	6,495
7.25%	6/1/22	20,000	20,000	5,075
7.25%	6/1/23	25,000	25,000	3,625
7.25%	6/1/24	25,000	25,000	1,812
Total Enterprise Revenue Bonds		$ 290,000	$ 295,000	$ 276,907

14. Segment Information for Enterprise Funds

The Village maintains two Enterprise Funds which provide water and sewer services. Segment information for the year ended March 31, 2004, was as follows:

	Sewer Fund	Water Fund	Total
Operating Revenue	$ 50,796	$ 113,482	$ 164,278
Depreciation Expense	30,443	25,300	55,743
Operating Income (Loss)	(30,695)	20,106	(10,589)
Non-Operating Revenue	7,578	907	8,485
Operating Interfund Transfers In (Out)	0	0	0
Net Ineome (Loss)	(23,117)	21,013	(2,104)
Current Capital Transfers or Contributions	0	0	0
Additions To & (From) Fixed Assets	0	0	0
Net Working Capital	323,329	92,011	415,340
Total Equity			
Contributed Capital	1,025,467	254,170	1,279,637
Retained Earnings	141,707	122,152	263,859

15. Special Assessments Receivable

As stated in Note 12, the Village has specially assessed sewer system users to repay refunding bonds issued. The assessments are due over 30 years and bear interest solely to finance construction costs of the sewer system, they have been recorded as contributed equity in the sewer fund.

16. Amortization of Enterprise Fund Equity

Depreciation expense on sewer and water systems financed by federal grants is charged to the respective contributed equity account.

A summary of changes in proprietary fund equities contributed by grants is as follows:

	Sewer Fund	Water Fund	Total
Balance - April 1, 2003	$ 237,268	$ 602,680	$ 839,948
Less: Amortization	(9,300)	(19,025)	(28,325)
Balance - March 31, 2004	$ 227,968	$ 583,655	$ 811,623

Supporting Schedules

Village of Peck

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Actual Compared to Budget

For The Year Ended March 31, 2004

Revenues	Amended Budget	Actual	Over (Under) Budget
Taxes			
Current Property Taxes	$ 100,000	$ 103,149	$ 3,149
State Shared Revenues	60,000	66,047	6,047
Charges for Services			
Administration & Record-keeping	30,000	31,764	1,764
Garbage Collections	20,000	20,284	284
Total Charges for Services	50,000	52,048	2,048
Interest & Rents			
Equipment & Building Rent	18,300	32,503	14,203
Interest Income	4,500	9,472	4,972
Total Interest & Rents	22,800	41,975	19,175
Other Revenues			
Miscellaneous, Fines, & Forfeitures	5,050	2,824	(2,226)
Total Revenue	$ 237,850	$ 266,043	$ 28,193

Village of Peck

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Actual Compared to Budget

For The Year Ended March 31, 2004

Expenditures	Amended Budget	Actual	Over (Under) Budget
General Government			
Wages	$	$ 28,487	$
Officials' Salaries		15,234	
Fringe Benefits		6,410	
Supplies		6,126	
Professional Fees		8,698	
Insurance		32,634	
Utilities / Telephone		4,145	
Elections		1,986	
Drains at Large Assessment		2,611	
Repairs & Maintenance		1,465	
Miscellaneous		10,047	
Total General Government	125,000	117,843	7,157
Public Safety			
Wages		27,765	
Employee Benefits		2,751	
Auto Expense		1,641	
Supplies / Repairs & Maintenance		1,737	
Capital Outlay / Loan Repayments		0	
Total Public Safety	47,300	33,894	13,406
Highways, Streets, & Bridges			
Gas & Repairs		5,755	
Equipment Rent		2,758	
Total Highways, Streets, & Bridges	8,000	8,513	(513)
Health & Welfare			
Trash Collection	22,500	22,248	252
Public Works			
Wages		41,055	
Employee Benefits		10,320	
Supplies		8,575	
Repairs / Park Mowing / Sidewalks		4,834	
Senior Citizens Center		5,471	
M/C Bldg / Park Grant / Bike Path		3,700	
Capital Outlay		10,600	
Total Public works	112,000	84,555	27,445
Total Expenditures	314,800	267,053	47,747
Excess of Revenues Over (Under) Expenditures	(76,950)	(1,010)	75,940
Other Financing Sources (Uses)	(121,000)	(88,750)	32,250
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	(197,950)	(89,760)	108,190
Fund Balances - April 1, 2003	211,670	245,339	33,669
Fund Balances - March 31, 2004	$ 13,720	$ 155,579	$ 141,859

Village of Peck

Combining Balance Sheet
All Special Revenue Funds
March 31, 2004

	Major Streets	Local Streets	Municipal Streets	Storm Sewer	Capital Improvement	Totals
Assets						
Money Market	$ 14,761	$ 14,269	$ 35,380	$ 228	$ 305	$ 64,943
Accounts Receivable	0	0	0	0	50,036	$ 50,036
Due From Other Funds	0	0	0	0	0	0
Total Assets	$ 14,761	$ 14,269	$ 35,380	$ 228	$ 50,341	$ 114,979
Liabilities & Fund Balances						
Liabilities						
Accounts Payable	$ 0	$ 0	$ 2,019	$ 0	$ 20,616	$ 22,635
Due To Other Funds	0	0	0	0	0	0
Total Liabilities	0	0	2,019	0	20,616	22,635
Fund Balances	14,761	14,269	33,361	228	29,725	92,344
Total Liabilities & Fund Balances	$ 14,761	$ 14,269	$ 35,380	$ 228	$ 50,341	$ 114,979

Village of Peck

Combined Statement of Revenues, Expenditures, And
Changes in Fund Balances - All Special Revenue Fund Types
For The Year Ended March 31, 2004

	Major Streets	Local Streets	Municipal Streets	Storm Sewer	Capital Improvement	Totals
Revenues						
Intergovernmental Revenues	$ 33,413	$ 13,170	$ 27,726	$ 0	$ 166,786	$ 241,095
Interest Income	89	23	194	0	0	306
Total Revenues	33,502	13,193	27,920	0	166,786	241,401
Expenditures						
Routine Maintenance	8,484	13,519	931	35	0	22,969
Traffic Services	98	130	0	0	0	228
Winter Maintenance	2,735	5,954	0	0	0	8,689
Administration	3,347	3,020	0	0	0	6,367
Street Lighting	0	0	12,111	0	0	12,111
Trunkline Maintenance	12,238	0	0	0	0	12,238
Capital Improvements	0	0	0	0	225,733	225,733
Total Expenditures	26,902	22,623	13,042	35	225,733	288,335
Excess of Revenues Over (Under) Expenditures	6,600	(9,430)	14,878	(35)	(58,947)	(46,934)
Other Financing Sources (Uses)						
Transfers To (From)	(6,270)	23,290	(17,020)	250	88,500	88,750
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	330	13,860	(2,142)	215	29,553	41,816
Fund Balances - April 1, 2003	14,431	409	35,503	13	172	50,528
Fund Balances - March 31, 2004	$ 14,761	$ 14,269	$ 33,361	$ 228	$ 29,725	$ 92,344

Village of Peck

Combining Balance Sheet
All Enterprise Funds
March 31, 2004

Assets	Water Fund	Sewer Fund	Totals March 31, 2004	Totals March 31, 2003
Current Assets				
Cash & C of D's	$ 104,558	$ (74,110)	$ 30,448	$ (10,384)
Investments	0	324,033	324,033	318,099
Special Assessments - Current Portion	0	5,000	5,000	5,000
Due From Other Funds	0	68,406	68,406	68,406
Total Current Assets	104,558	323,329	427,887	381,121
Utility System				
Land	0	103,576	103,576	103,576
Sewer	0	1,307,934	1,307,934	1,307,934
Water	941,752	0	941,752	941,752
Total Utility System	941,752	1,411,510	2,353,262	2,353,262
Less Accum. Depr.	(415,367)	(568,902)	(984,269)	(928,526)
Net Utility System	526,385	842,608	1,368,993	1,424,736
Other Assets				
Cash - Bond Reserve	42,927	0	42,927	42,684
Special Assess. - Net of Current Portion	0	1,237	1,237	3,641
Total Other Assets	42,927	1,237	44,164	46,325
Total Assets	$ 673,870	$ 1,167,174	$ 1,841,044	$ 1,852,182

Liabilities	Water Fund	Sewer Fund	Totals March 31, 2004	Totals March 31, 2003
Current Liabilities				
Accounts Payable	$ 547	$ 0	$ 547	$ 4,581
Accrued Interest Payable	7,000	0	7,000	7,000
Revenue Bonds Payable (Current Portion)	5,000	0	5,000	5,000
Due To Other Funds	0	0	0	0
Total Current Liabilities	12,547	0	12,547	16,581
Long-Term Debt				
Revenue Bonds Payable (Net of Current Portion)	285,000	0	285,000	290,000
Total Liabilities	297,547	0	297,547	306,581
Fund Equity				
Contributed Capital				
Users	11,090	441,813	452,903	452,903
Village	15,113	0	15,113	15,113
Federal & State Grants	227,968	583,654	811,622	839,948
Total Contributed Capital	254,171	1,025,467	1,279,638	1,307,964
Retained Earnings				
Unreserved - Undesignated	122,152	141,707	263,859	237,637
Total Fund Equity	376,323	1,167,174	1,543,497	1,545,601
Total Liabilities & Fund Equity	$ 673,870	$ 1,167,174	$ 1,841,044	$ 1,852,182

Village of Peck

Combining Statement of Revenues, Expenses, and Changes in
Retained Earnings - All Proprietary Fund Types
For The Year Ended March 31, 2004

	Water Fund	Sewer Fund	Totals March 31, 2004	Totals March 31, 2003
Operating Revenues				
Charges for Services	$ 108,412	$ 42,156	$ 150,568	$ 149,586
Connection Fees	5,070	8,640	13,710	15,025
Total Operating Revenues	113,482	50,796	164,278	164,611
Operating Expenses				
Salaries & Wages	11,140	11,063	22,203	29,377
Fringe Benefits	2,440	2,735	5,175	8,101
Operating Supplies	5,457	2,818	8,275	7,994
Contracted Services	1,733	465	2,198	4,364
Utilities	5,377	1,051	6,428	6,193
Repairs & Maintenance	5,129	11,699	16,828	9,866
Equipment Rental	3,241	7,844	11,085	14,529
Administrative Fees	12,271	13,123	25,394	24,445
Depreciation	25,300	30,443	55,743	55,743
Miscellaneous	560	250	810	593
Interest Expense	20,728	0	20,728	21,040
Total Expenses	93,376	81,491	174,867	182,245
Operating Income (Loss)	20,106	(30,695)	(10,589)	(17,634)
Non-Operating Revenues				
Interest Income	540	7,403	7,943	18,545
Miscellaneous	367	175	542	11,865
Net Income (Loss)	21,013	(23,117)	(2,104)	12,776
Amortization of Contributed Capital	9,300	19,025	28,325	28,325
Increase (Decrease) in Retained Earnings	30,313	(4,092)	26,221	41,101
Retained Earnings - April 1, 2003	91,839	145,799	237,638	196,536
Retained Earnings - March 31, 2004	$ 122,152	$ 141,707	$ 263,859	$ 237,637

Village of Peck

Combining Statement of Cash Flows
All Proprietary Fund Types
(Indirect Method)
For The Year Ended March 31, 2004

	Water Fund	Sewer Fund	Totals March 31, 2004	Totals March 31, 2003
Cash Flows from Operating Activity				
Net Income (Loss)	$ 21,013	$ (23,117)	$ (2,104)	$ 12,776
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activity				
Depreciation	25,300	30,443	55,743	55,743
Changes in Operating Assets and Liabilities				
Accounts Receivable	0	0	0	0
Accounts Payable	(632)	(3,401)	(4,033)	3,721
Accrued Interest Payable	0	0	0	0
Due To (From) Other Funds	0	0	0	0
Net Cash Provided by Operating Activity	45,681	3,925	49,606	72,240
Cash Flows From Investing Activities				
Purchase of Fixed Assets	0	0	0	0
Cash Flows From Financing Activities				
Decrease in Long-Term Debt	(5,000)	0	(5,000)	(5,000)
(Increase) Decrease in Restricted Assets	(243)	2,403	2,160	1,975
Net Cash Provided (Used) By Financing Activities	(5,243)	2,403	(2,840)	(3,025)
Net Increase (Decrease) in Cash and Cash Equivalents	40,438	6,328	46,766	69,215
Cash & Cash Equivalents - April 1, 2003	64,120	243,595	307,715	238,500
Cash & Cash Equivalents - March 31, 2004	$ 104,558	$ 249,923	$ 354,481	$ 307,715

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

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MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

May 25, 2004

Members of the Village Council
Village of Peck

Council Members:

In accordance with your request, I have made an examination of the financial statements of the Village of Peck for the fiscal year ended, March 31, 2004. During the course of my examination, no material items came to my attention.

From an overall viewpoint, the Village of Peck is in good financial condition. The financial records maintained by the administrative clerk are in good order.

I thank the Village officials and employees for the cooperation I received in the completion of this examination.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant