

**CITY OF PERRY
SHIAWASSEE COUNTY, MICHIGAN**

**ANNUAL FINANCIAL STATEMENTS
AND AUDITORS' REPORT**

JUNE 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Perry	County Shiawassee
Fiscal Year End June 30, 2007	Opinion Date October 5, 2007	Date Audit Report Submitted to State <i>Nov 8, 2007</i>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Demis and Wenzlick, P.C.		Telephone Number (989) 723-8227		
Street Address 217 N Washinton St. Suite 201		City Owosso	State MI	Zip 48867
Authorizing CPA Signature <i>Geraldene Terry, CPA</i>		Printed Name Geraldene Terry		License Number 1101026880

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**CITY OF PERRY
LIST OF COUNCIL MEMBERS
JUNE 30, 2007**

CITY COUNCIL

Ross Delau	Mayor
Thomas Chaput	Mayor Pro-Tem
Christine Tobias	Council Person
Terry Wood	Council Person
Mark Landers	Council Person
James A. Huguelet	Council Person
Greg Wekwert	Council Person

ADMINISTRATIVE OFFICERS

Jo Ann Velting	Treasurer
Judy Guenther	Clerk



DEMIS and WENZLICK, P.C.

Certified Public Accountants

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James Demis, Jr., C.P.A.
LaVearn G. Wenzlick, C.P.A.
Lori S. Chant, C.P.A.
Geraldine Terry, C.P.A.

Tracy Bublitz
Vickie Clayton
Carol Demis
Jeannette Gaitskill
Kathy Kimmerer
Erica Marks
Janis Mead
Tammy Pappas
David Pullen
Dean Roach
Vicki Schuler
Joyce Simmons
Barbara Wenzlick

INDEPENDENT AUDITORS' REPORT

**To the Honorable Mayor and
Members of the City Council
City of Perry
Perry, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, major funds and the aggregate remaining fund information of the City of Perry as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, major funds, and the aggregate remaining fund information of the City of Perry as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, of the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The City has not presented the Management Discussion and Analysis, that the Governmental Accounting Standards Board in its Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments has determined necessary to supplement, although not required to be part of the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2007 on our consideration of the City of Perry's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Perry's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dominic and Wengler, P.C.

Certified Public Accountants

**Owosso, Michigan
October 5, 2007**

**CITY OF PERRY
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 381,921	\$ 767,236	\$1,149,157
Receivables	24,037	55,326	79,363
Internal Balances	(6,477)	6,619	142
Due from Other Gov't Units	87,803		87,803
Prepaid Expenditures	26,508		26,508
Other Assets		5,431	5,431
Capital Assets (Net)	<u>1,349,949</u>	<u>2,780,433</u>	<u>4,130,382</u>
TOTAL ASSETS	<u>\$1,863,741</u>	<u>\$3,615,045</u>	<u>\$5,478,786</u>
LIABILITIES			
Accounts Payable	\$ 5,670	\$ 1,789	\$ 7,459
Accrued & Other Liabilities	32,303	31,287	63,590
Noncurrent Liabilities:			
Due within one year	85,560	80,000	165,560
Due in more than one year	<u>887,988</u>	<u>476,000</u>	<u>1,363,988</u>
TOTAL LIABILITIES	<u>\$1,011,521</u>	<u>\$ 589,076</u>	<u>\$1,600,597</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 424,095	\$2,224,434	\$2,648,529
Reserved for Restricted Assets		235,243	235,243
Unreserved:			
Designed for Capital Assets		474,142	474,142
Unreserved	<u>428,125</u>	<u>92,150</u>	<u>520,275</u>
TOTAL NET ASSETS	<u>\$ 852,220</u>	<u>\$3,025,969</u>	<u>\$3,878,189</u>

See accompanying notes to financial statements.

**CITY OF PERRY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues And Changes in Net Assets</u>		<u>Totals</u>
		<u>Charges For Services</u>	<u>Oper. Grants & Contrib.</u>	<u>Capital Grants & Contrib.</u>	<u>Gov't Activities</u>	<u>Business Type Activities</u>	
FUNCTIONS/PROGRAMS							
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	\$ 401,233	\$ 3,956	\$	\$	\$ (397,277)	\$	\$ (397,277)
Public Safety	465,075				(465,075)		(465,075)
Public Works	362,186				(362,186)		(362,186)
Recreation & Culture	107,243		3,029		(104,214)		(104,214)
Interest on Long-Term Debt	<u>51,735</u>				<u>(51,735)</u>		<u>(51,735)</u>
TOTAL GOV'T ACTIVITIES	<u>\$1,387,472</u>	<u>\$ 3,956</u>	<u>\$ 3,029</u>	<u>\$</u>	<u>\$(1,380,487)</u>	<u>\$</u>	<u>\$(1,380,487)</u>
Business-Type Activities:							
Sewer	\$ 335,518	\$335,339	\$	\$	\$	\$ (179)	\$ (179)
Water	<u>280,247</u>	<u>298,122</u>				<u>17,875</u>	<u>17,875</u>
Total Business-Type Activities	<u>\$ 615,765</u>	<u>\$633,461</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 17,696</u>	<u>\$ 17,696</u>
TOTAL PRIMARY GOV'T.	<u>\$2,003,237</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$(1,380,487)</u>	<u>\$ 17,696</u>	<u>\$(1,362,791)</u>
General Revenues							
Property Taxes					\$ 753,098	\$	\$ 753,098
Special Assessments					17,874		17,874
State Shared Revenue					342,603		342,603
Unrestricted Investment Earnings					18,592	38,660	57,252
Licenses & Permits					23,752		23,752
Miscellaneous & Transfers					<u>299,633</u>		<u>299,633</u>
Total General Revenues and Transfers					<u>\$1,455,552</u>	<u>\$ 38,660</u>	<u>\$ 1,494,212</u>
Change in Net Assets					75,065	56,356	131,421
NET ASSETS – BEGINNING					<u>777,155</u>	<u>2,969,613</u>	<u>3,746,768</u>
NET ASSETS – ENDING					<u>\$ 852,220</u>	<u>\$3,025,969</u>	<u>\$ 3,878,189</u>

See accompanying notes to financial statements.

**CITY OF PERRY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Gov't Funds</u>	<u>Total Gov't Funds</u>
ASSETS					
Cash and Cash Equiv.	\$195,094	\$55,058	\$15,591	\$55,404	\$321,147
Receivables	24,037				24,037
Due from Other Funds	141				141
Due from Other Gov't.	67,089	14,392	6,322		87,803
Prepaid Expenditures	19,420				19,420
Equipment - Net				<u>2,700</u>	<u>2,700</u>
TOTAL ASSETS	<u>\$305,781</u>	<u>\$69,450</u>	<u>\$21,913</u>	<u>\$58,104</u>	<u>\$455,248</u>
 LIABILITIES AND FUND BALANCE					
LIABILITIES					
Due to Other Funds	\$ 1,118	\$	\$	\$	\$ 1,118
Accounts Payable	1,417	2,040	2,039	54	5,550
K-9 Raffle	420				420
Accrued Wages	6,681	492	504	964	8,641
Deferred Revenue	<u>16,549</u>				<u>16,549</u>
TOTAL LIABILITIES	<u>\$ 26,185</u>	<u>\$ 2,532</u>	<u>\$ 2,543</u>	<u>\$ 1,018</u>	<u>\$ 32,278</u>
 FUND BALANCE					
Unreserved					
Other Undesignated	<u>279,596</u>	<u>66,918</u>	<u>19,370</u>	<u>57,086</u>	<u>422,970</u>
Total Fund Balance	<u>\$279,596</u>	<u>\$66,918</u>	<u>\$19,370</u>	<u>\$57,086</u>	<u>\$422,970</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$305,781</u>	<u>\$69,450</u>	<u>\$21,913</u>	<u>\$58,104</u>	<u>\$455,248</u>

See accompanying notes to financial statements.

**CITY OF PERRY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$ 422,970
Total Net Assets Reported for Governmental Activities in the Statement of Net Assets is different because:	
Deferred Special Assessments	16,549
Capital Assets used in Governmental Activities are not Financial Resources and therefore are not reported in the funds	1,182,159
Long-term liabilities applicable to governmental activities are not Due and payable in the current period and accordingly are not Reported as fund liabilities. All liabilities – both current and Long-term are reported in the statements of net assets Balances as of June 30, 2007 as follows:	
Bonds Payable	\$(925,854)
Accrued Interest Payable	(23,147)
Compensated Absences Payable	<u>(47,694)</u>
	(996,695)
Internal service funds are used by management to charge the cost of equipment to individual funds. Certain assets and liabilities of internal service funds are included in governmental activities in the statement of net assets	<u>227,237</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 852,220</u>

See accompanying notes to financial statements.

CITY OF PERRY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Other Gov't Funds</u>	<u>Total Gov't Funds</u>
REVENUES					
Taxes	\$ 753,098	\$	\$	\$	\$ 753,098
Licenses & Permits	23,752				23,752
State Grants/Shared Rev.	210,656	87,654	38,501	3,029	339,840
Metro Act		1,506	4,286		5,792
Charges for Services	3,956				3,956
Fines & Forfeitures	12,950			18,461	31,411
Interest & Rentals	122,212	2,970	520	61,718	187,420
Other Revenue	<u>94,293</u>			<u>5,101</u>	<u>99,394</u>
TOTAL REVENUES	<u>\$1,220,917</u>	<u>\$ 92,130</u>	<u>\$ 43,307</u>	<u>\$ 88,309</u>	<u>\$1,444,663</u>
EXPENDITURES					
Current					
Legislative	\$ 19,804	\$	\$	\$	\$ 19,804
General Government	290,914				290,914
Public Safety	466,212			6,467	472,679
Public Works	212,395	66,418	62,191	6,838	347,842
Recreation & Culture	11,172			95,851	107,023
Capital Outlay	17,480			300	17,780
Debt Service	47,048			55,175	102,223
Drains at Large	<u>31,492</u>				<u>31,492</u>
TOTAL EXPEND.	<u>\$1,096,517</u>	<u>\$ 66,418</u>	<u>\$ 62,191</u>	<u>\$164,631</u>	<u>\$1,389,757</u>
EXCESS OF REVENUES OVER EXPEND.					
	<u>\$ 124,400</u>	<u>\$ 25,712</u>	<u>\$(18,884)</u>	<u>\$(76,322)</u>	<u>\$ 54,906</u>
OTHER FINANCING SOURCES (USES)					
Loan Proceeds	\$	\$	\$	\$	\$
Transfers In			23,000	72,270	95,270
Transfers Out	<u>(72,270)</u>	<u>(23,000)</u>	<u>_____</u>	<u>_____</u>	<u>(95,270)</u>
TOTAL OTHER FINANCING SOURCES AND USES	<u>\$ (72,270)</u>	<u>\$(23,000)</u>	<u>\$ 23,000</u>	<u>\$ 72,270</u>	<u>\$ _____</u>
Net Change in Fund Bal.	52,130	2,712	4,116	(4,052)	54,906
FUND BALANCE - BEGINNING	<u>\$ 227,466</u>	<u>\$ 64,206</u>	<u>\$ 15,254</u>	<u>\$ 61,138</u>	<u>\$ 368,064</u>
FUND BAL-ENDING	<u>\$ 279,596</u>	<u>\$ 66,918</u>	<u>\$ 19,370</u>	<u>\$ 57,086</u>	<u>\$ 422,970</u>

See accompanying notes to financial statements.

**CITY OF PERRY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

Net Change in Fund Balances – Total Governmental Funds		\$ 54,906
Total Change in Net Assets Reported for Governmental Activities in the Statement of Activities is different because:		
Governmental Funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation Expense	\$(50,763)	
Capital Outlay	<u>16,840</u>	(33,923)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds		
		17,874
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liabilities in the statement of net assets		
Repayments of Long-Term Debt		83,072
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
		(36,596)
Internal service funds are used by management to charge the cost of equipment to individual funds. Certain net revenue (expense) of internal service funds are included in governmental activities in the statement of activities		
		<u>(10,268)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 75,065</u>

See accompanying notes to financial statements.

**CITY OF PERRY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007**

	<u>Business-Type Activities</u> <u>Enterprise Funds</u>			<u>Internal Service Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Motor Pool</u>	<u>Office Equipment Pool</u>	<u>Total</u>
ASSETS						
Current Assets						
Cash & Cash Equiv.	\$ 369,133	\$ 35,899	\$ 405,032	\$ 53,685	\$ 7,089	\$ 60,774
Receivables	31,117	24,209	55,326			
Prepaid Expenses					7,088	7,088
Due from Other Funds	<u>135,000</u>	<u>6,619</u>	<u>141,619</u>	_____	_____	_____
TOTAL CURRENT ASSETS	<u>\$ 535,250</u>	<u>\$ 66,727</u>	<u>\$ 601,977</u>	<u>\$ 53,685</u>	<u>\$ 14,177</u>	<u>\$ 67,862</u>
Capital Assets						
Capital Assets	\$3,356,102	\$1,578,723	\$4,934,825	\$465,446	\$ 68,355	\$533,801
Less: Accum Deprec.	(1,503,294)	(651,098)	(2,154,392)	(308,456)	(60,255)	(368,711)
Net Property, Plant & Equipment	<u>\$1,852,808</u>	<u>\$ 927,625</u>	<u>\$2,780,433</u>	<u>\$156,990</u>	<u>\$ 8,100</u>	<u>\$165,090</u>
Restricted Assets						
Cash & Cash Equiv.	<u>300,382</u>	<u>61,822</u>	<u>362,204</u>	_____	_____	_____
Restricted Assets Unamortized Bond Disc. & Financing Costs						
	<u>4,381</u>	<u>1,050</u>	<u>5,431</u>	_____	_____	_____
TOTAL ASSETS	<u>\$2,692,821</u>	<u>\$1,057,224</u>	<u>\$3,750,045</u>	<u>\$210,675</u>	<u>\$ 22,277</u>	<u>\$232,952</u>
LIABILITIES						
Current Liabilities						
Accounts Payable	\$ 1,789	\$	\$ 1,789	\$ 120	\$	\$ 120
Accrued Wages & Related Liabilities	8,330	8,122	16,452	95		95
Due to Other Funds		135,000	135,000	5,500		5,500
Current Portion of Non-Current Liab.	45,000	35,000	80,000			
Accrued Int. Payable	1,176	6,014	7,190			
Customer Dept. Payable	_____	<u>7,645</u>	<u>7,645</u>	_____	_____	_____
TOTAL CURRENT LIABILITIES	<u>\$ 56,295</u>	<u>\$ 191,781</u>	<u>\$ 248,076</u>	<u>\$ 5,715</u>	<u>\$ _____</u>	<u>\$ 5,715</u>
Non-Current Liabilities						
Bonds, Notes & Loans Payable	<u>55,000</u>	<u>426,000</u>	<u>476,000</u>	_____	_____	_____
TOTAL LIAB.	<u>\$ 106,295</u>	<u>\$ 617,781</u>	<u>\$ 724,076</u>	<u>\$ 5,715</u>	<u>\$ _____</u>	<u>\$ 5,715</u>

See accompanying notes to financial statements.

**CITY OF PERRY
STATEMENT OF NET ASSETS (CONTINUED)
PROPRIETARY FUNDS
JUNE 30, 2007**

	<u>Business-Type Activities Enterprise Funds</u>			<u>Internal Service Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Motor Pool</u>	<u>Office Equipment Pool</u>	<u>Total</u>
NET ASSETS						
Invested in Capital						
Assets, net of						
Related debt	\$1,757,808	\$ 466,626	\$2,224,434	\$ 156,990	\$ 8,100	\$ 165,090
Reserved for						
Restricted Assets	185,643	49,600	235,243			
Restricted for:						
Design. For Capital						
Assets	432,642	41,500	474,142			
Other Unrestricted	<u>210,433</u>	<u>(118,283)</u>	<u>92,150</u>	<u>47,960</u>	<u>14,177</u>	<u>62,147</u>
TOTAL NET ASSETS	<u>\$2,586,526</u>	<u>\$ 439,443</u>	<u>\$3,025,969</u>	<u>\$ 204,960</u>	<u>\$ 22,227</u>	<u>\$ 227,237</u>

See accompanying notes to financial statements.

CITY OF PERRY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	<u>Business-Type Activities</u> <u>Enterprise Funds</u>			<u>Internal Service Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Motor Pool</u>	<u>Office</u> <u>Equip. Pool</u>	<u>Total</u>
OPERATING REVENUES						
Chgs. For Serv.	\$ 299,704	\$258,716	\$ 558,420	\$ 77,223	\$15,550	\$ 92,773
Connection & Tap						
Charges	29,909	33,243	63,152			
Penalties	5,726	5,863	11,589			
Other Reimbursements/						
Sales	<u> </u>	<u>300</u>	<u>300</u>	<u>10,460</u>	<u> </u>	<u>10,460</u>
TOTAL OPERATING						
REVENUES	<u>\$ 335,339</u>	<u>\$298,122</u>	<u>\$ 633,461</u>	<u>\$ 87,683</u>	<u>\$15,550</u>	<u>\$103,233</u>
OPERATING EXPENSE						
Salaries & Wages	\$ 78,734	\$ 79,546	\$ 158,280	\$ 6,639	\$	\$ 6,639
Fringe Benefits	28,933	28,929	57,862	4,138		4,138
Supplies	2,594	9,364	11,958	27,015	660	27,675
Other Services &						
Charges	112,320	100,597	212,917			
Repairs & Maint.	27,026	3,194	30,220	19,269	10,009	29,278
Depreciation	77,485	34,172	111,657	41,813	5,802	47,615
	<u>\$ 327,092</u>	<u>\$255,802</u>	<u>\$ 582,894</u>	<u>\$ 98,874</u>	<u>\$16,471</u>	<u>\$115,345</u>
OPERATING INCOME						
(LOSS)	<u>\$ 8,247</u>	<u>\$ 42,320</u>	<u>\$ 50,567</u>	<u>\$(11,191)</u>	<u>\$ (921)</u>	<u>\$(12,112)</u>
NON-OPERATING REVENUES						
(EXPENSES)						
Interest & Investment						
Revenues	\$ 34,032	\$ 4,628	\$ 38,660	\$ 1,443	\$ 401	\$ 1,844
Interest & Investment						
Expense	<u>(8,426)</u>	<u>(24,445)</u>	<u>(32,871)</u>	<u> </u>	<u> </u>	<u> </u>
TOTAL NON-						
OPERATING REV.						
(EXPENSES)	<u>\$ 25,606</u>	<u>\$ (19,817)</u>	<u>\$ 5,789</u>	<u>\$ 1443</u>	<u>\$ 401</u>	<u>\$ 1,844</u>
Change in Net						
Assets	33,853	22,503	56,356	(9,748)	(520)	(10,268)
NET ASSETS –						
BEGINNING	<u>2,552,673</u>	<u>416,940</u>	<u>2,969,613</u>	<u>214,708</u>	<u>22,797</u>	<u>237,505</u>
NET ASSETS –						
ENDING	<u>\$2,586,526</u>	<u>\$439,443</u>	<u>\$3,025,969</u>	<u>\$204,960</u>	<u>\$22,227</u>	<u>\$227,237</u>

See accompanying notes to financial statements.

**CITY OF PERRY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007**

	<u>Business-Type Activities</u> <u>Enterprise Funds</u>			<u>Internal Service Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Motor Pool</u>	<u>Office Equip. Pool</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Cust.	\$ 336,599	\$ 300,240	\$ 636,839	\$ 77,223	\$ 15,550	\$ 92,773
Payments to Suppliers	(19,121)	(31,735)	(50,856)	(27,015)	(660)	(27,675)
Payments to Employees	(107,666)	(112,311)	(219,977)	(10,776)		(10,776)
Other Receipts (Pymts)	<u>(168,673)</u>	<u>(78,848)</u>	<u>(247,521)</u>	<u>(24,215)</u>	<u>(15,494)</u>	<u>(39,709)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>41,139</u>	\$ <u>77,346</u>	\$ <u>118,485</u>	\$ <u>15,217</u>	\$ <u>(604)</u>	\$ <u>14,613</u>
 CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:						
Purchase/Disposal of Capital Assets	\$ (40,407)	\$ (5,080)	\$ (45,487)	\$ (3,960)	\$ (1,308)	\$ (5,268)
Retirement of Debt	(40,000)	(35,000)	(75,000)			
Int. & Fiscal Chgs. Pd.	<u>(8,426)</u>	<u>(24,445)</u>	<u>(32,871)</u>	—	—	—
NET CASH USED FOR CAPITAL & RELATED FIN. ACTIVITIES	\$ <u>(88,833)</u>	\$ <u>(64,525)</u>	\$ <u>(153,358)</u>	\$ <u>(3,960)</u>	\$ <u>(1,308)</u>	\$ <u>(5,268)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest Revenue	\$ <u>34,032</u>	\$ <u>4,628</u>	\$ <u>38,660</u>	\$ <u>1,443</u>	\$ <u>400</u>	\$ <u>1,843</u>
 Net Increase (Decrease) in Cash & Cash Equiv.	 \$ (13,662)	 \$ 17,449	 \$ 3,787	 \$ 12,700	 \$ (1,512)	 \$ 11,188
 CASH & CASH EQUIV. BEG. OF YEAR	 <u>683,177</u>	 <u>80,272</u>	 <u>763,449</u>	 <u>40,986</u>	 <u>8,601</u>	 <u>49,587</u>
CASH & CASH EQUIV. END OF YEAR	\$ <u>669,515</u>	\$ <u>97,721</u>	\$ <u>767,236</u>	\$ <u>53,686</u>	\$ <u>7,089</u>	\$ <u>60,775</u>

See accompanying notes to financial statements.

**CITY OF PERRY
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007**

	<u>Business-Type Activities</u> <u>Enterprise Funds</u>			<u>Internal Service Funds</u> <u>Office</u>		<u>Total</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Motor Pool</u>	<u>Equip. Pool</u>	
RECONCILIATION OF OPERATING INCOME						
(LOSS) TO NET CASH PROVIDED BY						
OPERATING ACTIVITIES:						
Operating Income						
(Loss)	\$ 8,247	\$ 42,320	\$ 50,567	\$ (11,191)	\$ (921)	\$ (12,112)
Adjustments to Reconcile						
Operating Income to Net						
Cash Provided by Operating						
Activities:						
Deprec. & Amort.	79,598	34,872	114,470	41,813	5,802	47,615
Change in Assets & Liab.						
Receivables/Prepays	1,259	2,268	3,527		(3,963)	(3,963)
Due from other Funds	(50,000)		(50,000)			
Accounts Payable	1,642	(654)	988	(15,326)	(1,522)	(16,848)
Wages & Comp. Absec.						
Payable	617	686	1,303	79		(79)
Accrued Int. Payable	(224)	(824)	(1,048)			
Customer Dep. Payable		(1,322)	(1,322)			
Due to Other Funds	_____	_____	_____	_____	_____	_____
NET CASH PROVIDED						
BY OPERATING						
ACTIVITIES	<u>\$ 41,139</u>	<u>\$ 77,346</u>	<u>\$ 118,485</u>	<u>\$ 15,217</u>	<u>\$ (604)</u>	<u>\$ 14,613</u>

See accompanying notes to financial statements.

**CITY OF PERRY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2007**

	<u>Agency Funds</u>
ASSETS:	
Cash	\$14,362
Due from Other Funds	
TOTAL ASSETS	<u>\$ 14,362</u>
LIABILITIES:	
Due to Other Funds	\$ 14,362
Due to Other Governmental Units	
TOTAL LIABILITIES	<u>\$ 14,362</u>

See accompanying notes to financial statements.

**CITY OF PERRY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Perry conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The following is a summary of the significant accounting policies used by the City:

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, normally supported by taxes and inter-governmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privilege provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major individual governmental funds and the major enterprise funds are reported in separate columns in the fund financial statements.

REPORT ENTITY

The financial reporting entity of the City of Perry includes all funds and accounts of the City.

The City has considered all potential component units in evaluating how to define the city for financial reporting purposes. The decision to include the component units in the reporting entity was made by applying the criteria set forth in Statement 14 of the Governmental Accounting Standards Board (GASB), The Financial Reporting Entity as well as the Statement of Michigan Governmental Accounting and Auditing No. 5, which defines the reporting of primary government and component unit activities. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial statements is the exercise of financial responsibility over such agencies by the governmental unit's elected officials, the selection of the governing authority, the designation of management, and the ability to exercise significant influence over operations.

**CITY OF PERRY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BLENDED COMPONENT UNIT

A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is in substance the same as the City. It is reported as part of the City and blended into the appropriate funds.

Building Authority – The Perry Area Building Authority exists and operates for the purpose of owning, equipping, operating and maintenance of property leased by the City of Perry. For the Authority's year end December 31, 2006, the City made lease payments amounting to \$55,175 for occupancy of facilities owned by the Authority. Subsequent to the Authority's year end, the City has made additional lease payments through June 30, 2007, amounting to \$37,850. The board members of the Authority are appointed by City Council. Since the Perry Building Authority exists and operates for the sole benefit of the City of Perry, its financial records are included as a blended component in the general purpose financial statements of the City.

Copies of the Perry Building Authority financial statements can be obtained by writing:

Ms. Jo Ann Velting
City Treasury
City of Perry
203 W. Polly Street
Perry, MI 48872

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines, permits, and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

**CITY OF PERRY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major and Local Street Funds account for the resources of state gas and weight tax revenue that are restricted for use on Major and Local Streets.

The City reports the following Major Proprietary Funds:

The Sewer Fund accounts for the cost of collection and treating waste waters.

The Water Fund accounts for the cost of providing water services to City residents.

Additionally, the City reports the following:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Internal Service Funds – The Internal Service Fund accounts for the financing of goods or services by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Agency Funds – The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicant for goods, services, or privileges provided (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenue. Likewise, general revenue includes all taxes.

**CITY OF PERRY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(CONTINUED)**

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds, related to charges to customers for water sales and services and sewage disposal charges. The Water and Sewer Fund also recognizes tap fees intended to recover current costs (e.g. labor and materials to hook up new customers) as operating revenue. Connection fees intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of water, sewage disposal, operations and maintenance, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

PROPERTY TAX REVENUE

Property taxes are levied on each July 1, on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1, of the following year, at which time penalties and interest are assessed.

The City's 2006 ad valorem tax is levied and collectible on July 1, 2006, and is recognized as revenue in the year ended June 30, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the City of Perry is \$46,628,092 on which ad valorem taxes levy consisted of 14.1982 mills for operating purposes.

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Investments – The City has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other fund" activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain revenue bonds of the enterprise funds require amounts to be set aside for bond reserve. These amounts have been classified as restricted investments.

CITY OF PERRY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (CONTINUED)

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City began recording governmental infrastructure constructed on or after July 1, 2003 as allowed by GASB 34.

Property, Plant and Equipment is depreciated using the straight line method over the following useful lives.

Land Improvements	10 to 20 years
Building and Building Improvements	25 to 40 years
Utility Systems	25 to 40 years
Roads	25 years
Other Infrastructure	20 to 40 years
Vehicles	5 to 10 years
Machinery and Equipment	5 to 10 years

Compensated Absences – Full-time employees receive 48 hours of sick leave time after completing six months of employment. Thereafter, sick leave time accumulates eight hours per month with a maximum accumulation of 960 hours. Full-time employees who have accumulated their full 960 hours will be paid for half of the unused sick leave time for the year on the first pay of December of each year. The balance will be lost due to accumulation. The City will also pay one-third accumulated sick leave time upon retirement or death. Other reasons for termination will not be reimbursed for accumulated sick leave. Full-time employees earn vacation time at the following rate: 40 hours after one year of service, 80 hours after two years of service, 120 hours after five years of service, 160 hours after fifteen years of service, and 200 hours after twenty years of service. If vacation time is not used during the year, employees may carry over up to 40 hours to the next year. Any remaining unused vacation time will be paid at the employee's normal rate of pay in the first pay period following their anniversary date. Upon termination, employees will be paid accumulated vacation time. All vacation pay and one third sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for terminations as of year end.

Long-term obligation – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

CITY OF PERRY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

COMPARATIVE DATA

Comparative data is not included in the City's financial statements.

NOTE 2 – DEPOSITS

Michigan Complied Laws, Section 129.91 authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency of instrumentality of the United States. United States government or federal agency obligations; repurchase agreements, bankers acceptance of United States Banks, commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City of Perry's deposits and investment policy are in accordance with statutory authority.

DEPOSITS

At year end, the carrying amount of the City's deposits with financial institutions including \$280 of petty cash was \$1,163,519 and the bank balance was \$1,153,668. Of the bank balance \$307,983 was covered by federal depository insurance and \$845,685 was insured and uncollateralized.

CITY OF PERRY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007

NOTE 3 – RECEIVABLES

Receivables as of year end for the government's individual major and non-major funds, and the internal service and fiduciary funds in the aggregate are as follows:

	<u>General</u>	<u>Sewer</u>	<u>Water</u>	<u>Internal Service & Other Governmental</u>	<u>Total</u>
Accounts	\$ 7,488	\$31,117	\$24,210	\$	\$ 62,815
Special Assessments	16,549				16,549
Intergovernmental	<u>67,089</u>	—	—	<u>20,714</u>	<u>87,803</u>
GROSS RECEIVABLES	<u>\$ 91,126</u>	<u>\$31,117</u>	<u>\$24,210</u>	<u>\$20,714</u>	<u>\$167,167</u>
Due within one year	\$ 91,126	\$31,117	\$24,210	\$20,714	\$167,167
Due after one year	<u>\$ 91,126</u>	<u>\$31,377</u>	<u>\$24,210</u>	<u>\$20,714</u>	<u>\$167,167</u>

CITY OF PERRY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007

NOTE 4 – CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	<u>Balance</u> <u>7-01-06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6-30-07</u>
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being Depreciated:				
Land	\$ 33,869	\$	\$	\$ 33,869
Capital Assets being Depreciated:				
Building	1,126,627	7,937		1,134,564
Office Equipment	176,876	1,307		178,183
Public Works Equipment	36,185			36,185
Police Equipment	22,231	11,903		34,134
Park Equipment	14,304			14,304
Motor Pool Equipment	467,546	58,500	(60,600)	465,446
Major Street Equipment	38,000			38,000
Streetscape Project	338,948			338,948
Library Collection	<u>196,425</u>	<u> </u>	<u> </u>	<u>196,425</u>
CAPITAL ASSET BEING DEPRECIATED	<u>\$2,417,142</u>	<u>\$ 79,647</u>	<u>\$(60,600)</u>	<u>\$2,436,189</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings	\$ 267,270	\$ 30,629	\$	\$ 297,899
Office Equipment	162,224	6,783		169,007
Public Works Equipment	34,987	276		35,263
Police Equipment	19,338	1,599		20,937
Park Equipment	11,609	220		11,829
Motor Pool Equipment	272,704	41,813	(6,060)	308,457
Major Street Equipment	25,650	3,800		29,450
Streetscape Project	37,284	13,558		50,842
Library Collection	<u>196,425</u>	<u> </u>	<u> </u>	<u>196,425</u>
Accumulated Depreciation	<u>\$1,027,491</u>	<u>\$ 98,678</u>	<u>\$(6,060)</u>	<u>\$1,120,109</u>
Net Capital Assets being Depreciated	<u>1,389,651</u>	<u>(19,031)</u>	<u>(54,540)</u>	<u>1,316,080</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$1,423,520</u>	<u>\$(19,031)</u>	<u>\$(54,540)</u>	<u>\$1,349,949</u>

CITY OF PERRY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007

	<u>Balance</u> <u>7-01-06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6-30-07</u>
BUSINESS-TYPE ACTIVITIES				
Capital Assets not being Depreciated:				
Land	\$ <u>119,362</u>	\$ _____	\$ _____	\$ <u>119,362</u>
Capital Assets being Depreciated:				
Mains, Wells, Collection & Treatment Facilities	\$4,524,551	\$ 40,407	\$ _____	\$4,564,958
Machinery & Equipment	202,441	5,080	_____	207,521
Office Furniture & Equipment	<u>42,985</u>	_____	_____	<u>42,985</u>
Capital Assets being Depreciated	\$ <u>4,769,977</u>	\$ <u>45,487</u>	\$ _____	\$ <u>4,815,464</u>
Less Accumulated Depreciation for:				
Mains, Wells, Collection & Treatment Facilities	\$1,908,285	\$102,199	\$ _____	\$2,010,484
Machinery & Equipment	91,465	9,457	_____	100,922
Office Furniture & Equipment	<u>42,986</u>	_____	_____	<u>42,986</u>
Accumulated Depreciation	\$ <u>2,042,736</u>	\$ <u>111,656</u>	\$ _____	\$ <u>2,154,392</u>
Net Capital Assets being Depreciated	<u>2,727,241</u>	<u>(66,169)</u>	_____	<u>2,661,072</u>
Business-Type Capital Assets, Net	\$ <u>2,846,603</u>	\$ <u>(66,169)</u>	\$ _____	\$ <u>2,780,434</u>

Depreciation expense was charged to programs of the primary government as follows:

Government Activities:	
General Government	\$ 49,244
Public Safety	1,299
Internal Service	47,915
Recreation and Culture	<u>220</u>
TOTAL GOVERNMENT ACTIVITIES	\$ <u>98,678</u>
Business-Type Activities:	
Water	\$ 34,172
Sewer	<u>77,485</u>
TOTAL BUSINESS-TYPE ACTIVITIES	\$<u>111,657</u>

**CITY OF PERRY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007**

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	\$ 141	Tax Collection Fund	\$ 141	Final Allocation of tax receipts yet to be distributed
Sewer Fund	135,000	Water Fund	135,000	Reimbursement of expenditures paid for by the Sewer Fund
Water Fund	5,500	Motor Pool Fund	5,500	Reimbursement of deposit error
Water Fund	<u>1,119</u>	General Fund	<u>1,119</u>	Reimbursement of deposit error
	<u>\$141,760</u>		<u>\$141,760</u>	

Interfund Transfers

<u>Transfer From</u>	<u>Amount</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	\$72,270	Library Fund	\$72,270	To provide for current year operating costs in excess of revenues.
Major Street Fund	<u>23,000</u>	Local Street Fund	<u>23,000</u>	To provide for current year operating costs in excess of revenues
	<u>\$95,270</u>		<u>\$95,270</u>	

NOTE 6 – LONG-TERM DEBT

The City issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Special assessment bonds provide for capital improvements that benefit specific properties benefitted from the construction.

CITY OF PERRY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Long-term obligation activity is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Special Assessments Bonds					
1998 Spalding Drain	\$ 191,305	\$	\$ 19,132	\$ 172,173	\$ 19,130
Building Authority Bonds	714,000		20,000	694,000	21,000
Chemical Bank Note	103,619		43,940	59,679	45,430
Compensated Absences	<u>47,311</u>	<u>383</u>	<u>47,694</u>	<u>47,694</u>	<u>47,694</u>
	<u>\$1,056,235</u>	<u>\$ 383</u>	<u>\$ 83,072</u>	<u>\$ 973,546</u>	<u>\$ 85,560</u>
Business-Type Activities					
Revenue Bonds					
1982 Water System	\$ 370,000	\$	\$ 15,000	\$ 355,000	\$ 15,000
1983 Water System	80,000		5,000	75,000	5,000
1989 Wastewater Treatment	135,000		40,000	95,000	45,000
1999 Water System	<u>46,000</u>		<u>15,000</u>	<u>31,000</u>	<u>15,000</u>
	<u>\$ 631,000</u>	<u>\$</u>	<u>\$ 75,000</u>	<u>\$ 556,000</u>	<u>\$ 80,000</u>

The following is a summary of maturity dates, interest rates, and maturities:

Governmental Activities

Special Assessment Bonds

1998 Shiawassee County Drain Company	10-01-15	5%	\$19,130 - \$19,149
Building Authority Bonds	01-01-27	5%	\$20,000- \$53,000
Chemical Bank Note	09-05-08	3.34%	\$11,068 - \$24,306

Business-Type Activities

Revenue Bonds:

1982 Water System	10-01-21	5%	\$10,000 - \$30,000
1983 Water System	10-01-21	5%	\$1,000 - \$5,000
1989 Wastewater Treatment	05-01-09	6.5% - 7.25%	\$15,000 - \$50,000
1999 Water System	02-01-09	4.875% - 4.95%	\$10,000 - \$16,000

**CITY OF PERRY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007**

NOTE 6 – LONG-TERM DEBT (CONTINUED)

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

Year Ended <u>June 30</u>	Governmental Activities		Business-Type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 19,130	\$ 11,019	\$	\$
2008	85,560	46,312	80,000	26,230
2009	55,379	42,350	91,000	22,134
2010	42,130	40,679	25,000	19,250
2011 – 2015	229,653	165,719	140,000	76,750
2016 - 2020	173,000	102,725	155,000	40,000
2021-2025	217,000	54,275	65,000	4,750
2026 – 2027	<u>104,000</u>	<u>5,250</u>		
TOTAL	<u>\$ 925,852</u>	<u>\$468,329</u>	<u>\$556,000</u>	<u>\$189,114</u>

NOTE 7 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages risk through the purchase of commercial insurance. Settled claims for commercial insurance have not materially exceeded the amount of insurance coverage in any of the past three fiscal years.

Liability, vehicle, physical damage, property and crime – the City is a member of the Michigan Municipal Liability and Property Pool which is an Association organized to purchase commercial insurance for protection against loss for Michigan cities, counties, townships and special service governments. The city is insured up to an aggregate of \$5,000,000. Coverage is subject to deductibles ranging from \$250 to \$500. The City is not subject to supplemental premium assessments by the association.

Workers' Compensation – The City purchases coverage through the Michigan Municipal Workers' Compensation Fund. The fund is authorized by State Law to provide its members coverage required by the Workers' Disability Compensation Act. Claims are subject to a maximum limit of \$500,000 per occurrence.

**CITY OF PERRY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006**

NOTE 8 – PENSION PLAN

The City of Perry, Michigan, Employees' Retirement Plan is a IRC Section 501 (a) defined contribution plan which is available to all City employees regularly scheduled to work more than 24 hours per week. The Plan Administrator is The Variable Annuity Life Insurance Company, An American General Company. The Plan provides that the City must contribute 5% of each participant's compensation and each participant must contribute 2.5% of compensation to the plan.

Normal retirement is age 60 or 5 years of participation in the plan, whichever is later.

Vesting occurs as follows:

<u>Years of Service</u>	<u>Vesting Percentage</u>
Less than 3	0%
3 but less than 4	20
4 but less than 5	40
5 but less than 6	60
6 but less than 7	80
7 or more	100

Years of service for vesting include all years of service (not only years of plan participation).

Employee and employer contributions were \$13,188 and \$26,375, respectively for the period ended June 30, 2007.

NOTE 9 – FUND EQUITY/RETAINED EARNINGS RESERVATIONS AND DESIGNATIONS

At June 30, the following portions of the fund equity were reserved or designated in the following funds:

Enterprise Funds

Sewer Bond Reserves	\$185,643
Water Bond Reserves	<u>49,600</u>
TOTAL FOR ENTERPRISE FUNDS	<u>\$235,243</u>

**CITY OF PERRY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2007**

NOTE 10 – POST EMPLOYMENT BENEFITS

The City provides post-employment health insurance benefits to Qualified Retired Employees through age 65, at which time the City provides supplemental insurance coverage to Medicare. The cost of these benefits is paid by the City and is funded on a pay-as-you-go basis. The City's cost of providing the health insurance benefits to retirees for 2006 was approximately \$12,853. There were two participants at June 30, 2007.

In addition, the City provides post-employment health insurance benefits to the extent mandated by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The requirements established by COBRA are fully funded by former employees who elect coverage under the Act, and no direct costs are incurred by the City.

NOTE 11 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The approved budgets of the City were adopted at an activity level. During the period ended June 30, 2007, the City incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated.

	<u>Total Appropriation</u>	<u>Amount Expended</u>	<u>Unfavorable Variance</u>
General Fund Treasurer	\$35,630	\$36,043	\$ 413

**CITY OF PERRY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Actual (Over) Under Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>	
REVENUES:					
Taxes & Penalties	\$ 754,070	\$ 754,070		\$ 753,098	\$ 972
Licenses & Permits	31,440	31,440		23,752	7,688
State Grants/Shared Revenues	218,000	218,000		210,656	7,344
Charges for Services	1,150	1,150		3,956	(2,806)
Fines & Forfeitures	11,850	11,850		12,950	(1,100)
Interest & Rentals	113,296	113,296		122,212	(8,916)
Other Revenue	<u>65,450</u>	<u>65,450</u>		<u>94,293</u>	<u>(28,843)</u>
TOTAL REVENUES	<u>\$1,195,256</u>	<u>\$1,195,256</u>		<u>\$1,220,917</u>	<u>\$ (25,661)</u>
EXPENDITURES:					
Current:					
Legislative	\$ 16,633	\$ 20,363		\$ 19,804	\$ 559
General Government	295,629	306,909		298,851	8,058
Public Safety	476,846	484,627		475,755	8,872
Public Works	215,370	225,020		212,395	12,625
Recreation & Culture	19,600	19,600		11,172	8,428
Drains at Large	30,550	31,500		31,492	8
Debt Service	<u>47,048</u>	<u>47,048</u>		<u>47,048</u>	<u>8</u>
TOTAL EXPENDITURES	<u>\$1,101,676</u>	<u>\$1,135,067</u>		<u>\$1,096,517</u>	<u>\$ 38,550</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 93,580</u>	<u>\$ 60,189</u>		<u>\$ 124,400</u>	<u>\$ 64,211</u>
OTHER FINANCING SOURCES (USES):					
Transfers In	\$	\$		\$	\$
Transfers Out	<u>(72,270)</u>	<u>(72,270)</u>		<u>(72,270)</u>	<u>_____</u>
NET CHANGE IN FUND BALANCE	<u>\$ 21,310</u>	<u>\$ (12,081)</u>		<u>\$ 52,130</u>	<u>\$ (64,211)</u>
FUND BALANCE – BEGINNING	<u>227,466</u>	<u>227,466</u>		<u>227,466</u>	<u>_____</u>
FUND BALANCE – ENDING	<u>\$ 248,776</u>	<u>\$ 215,385</u>		<u>\$ 279,596</u>	<u>\$ (64,211)</u>

**CITY OF PERRY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>(Over) Under Final Budget</u>
REVENUES:				
Intergovernmental-State Metro Act	\$ 93,657	\$ 93,657	\$ 87,654	\$ 6,003
Interest & Rents	<u>1,000</u>	<u>1,000</u>	<u>2,970</u>	<u>(1,970)</u>
TOTAL REVENUES	<u>\$ 94,657</u>	<u>\$ 94,657</u>	<u>\$ 92,130</u>	<u>\$ 2,527</u>
EXPENDITURES:				
Public Works	\$ 70,455	\$ 70,705	\$ 66,418	\$ 4,287
Capital Outlay	<u>70,455</u>	<u>70,705</u>	<u>66,418</u>	<u>4,287</u>
TOTAL EXPENDITURES	<u>\$ 70,455</u>	<u>\$ 70,705</u>	<u>\$ 66,418</u>	<u>\$ 4,287</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>\$ 24,202</u>	<u>\$ 23,952</u>	<u>\$ 25,712</u>	<u>\$ (1,760)</u>
OTHER FINANCING USES:				
Operating Transfers Out	<u>(23,000)</u>	<u>(23,000)</u>	<u>(23,000)</u>	_____
Net Change in Fund Balance	\$ 1,202	\$ 952	\$ 2,712	\$ (1,760)
FUND BALANCE - BEGINNING	<u>64,206</u>	<u>64,206</u>	<u>64,206</u>	_____
FUND BALANCE - ENDING	<u>\$ 65,408</u>	<u>\$ 65,158</u>	<u>\$ 66,918</u>	<u>\$ (1,760)</u>

**CITY OF PERRY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>(Over) Under</u>
REVENUES:				
Intergovernmental-State	\$ 41,164	\$ 41,164	\$ 38,501	\$ 2,663
Metro Act			4,286	(4,286)
Interest & Rents	<u>200</u>	<u>200</u>	<u>520</u>	<u>(320)</u>
TOTAL REVENUES	<u>\$ 41,364</u>	<u>\$ 41,364</u>	<u>\$ 43,307</u>	<u>\$(1,943)</u>
EXPENDITURES:				
Public Works	\$ 49,770	\$ 54,920	\$ 62,191	\$(7,271)
Capital Outlay	<u>13,875</u>	<u>13,875</u>	<u> </u>	<u>13,875</u>
TOTAL EXPENDITURES	<u>\$ 63,645</u>	<u>\$ 68,795</u>	<u>\$ 62,191</u>	<u>\$ 6,604</u>
EXCESS (DEFIENCY) OF REVENUES OVER EXPENDITURES	<u>\$(22,281)</u>	<u>\$(27,431)</u>	<u>\$(18,884)</u>	<u>\$ 8,547</u>
OTHER FINANCING SOURCES:				
Operating Transfers In	<u>23,000</u>	<u>23,000</u>	<u>23,000</u>	<u> </u>
Net Changes in Fund Balance	\$ 719	\$ (4,431)	\$ 4,116	\$ (8,547)
FUND BALANCE – BEGINNING	<u>15,254</u>	<u>15,254</u>	<u>15,254</u>	<u> </u>
FUND BALANCE – ENDING	<u>\$ 15,973</u>	<u>\$ 10,823</u>	<u>\$ 19,370</u>	<u>\$(8,547)</u>

**CITY OF PERRY
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

Special Revenue Funds

	<u>Library</u>	<u>Building Authority</u>	<u>Drug Law Enforcement</u>	<u>City Hall Building</u>	<u>Non- Major Gov't Funds</u>
ASSETS					
Cash & Cash Equiv.	\$4,906	\$10,111	\$1,545	\$38,842	\$55,404
Property, Plant & Equipment:					
Net of Depreciation	\$	\$	\$2,700	\$	\$2,700
TOTAL ASSETS	<u>\$4,906</u>	<u>\$10,111</u>	<u>\$4,245</u>	<u>\$38,842</u>	<u>\$58,104</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 54	\$	\$	\$	\$ 54
Accrued Wages	<u>964</u>	<u> </u>	<u> </u>	<u> </u>	<u>964</u>
TOTAL LIAB.	<u>\$1,018</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,018</u>
Deferred Revenue	\$	\$	\$	\$	\$
Fund Balance	<u>3,888</u>	<u>10,111</u>	<u>4,245</u>	<u>38,842</u>	<u>57,086</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$4,906</u>	<u>\$10,111</u>	<u>\$4,245</u>	<u>\$38,842</u>	<u>\$58,104</u>

**CITY OF PERRY
OTHER SUPPLEMENTAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

Special Revenue Funds

	<u>Library</u>	<u>Building Authority</u>	<u>Drug Law Enforcement</u>	<u>City Hall Building</u>	<u>Non-Major Gov't. Funds</u>
REVENUES					
Intergovernmental-State	\$ 3,029	\$	\$	\$	\$ 3,029
Interest & Rents	1,488	55,228	35	4,967	61,718
Fines & Forfeitures	16,368		2,093		18,461
Other	<u>3,801</u>		<u>1,300</u>		<u>5,101</u>
TOTAL REVENUES	\$ <u>24,686</u>	\$ <u>55,228</u>	\$ <u>3,428</u>	\$ <u>4,967</u>	\$ <u>88,309</u>
EXPENDITURES					
Public Safety	\$	\$	\$ 6,467	\$	\$ 6,467
Public Works		1,381		5,457	6,838
Recreation & Cultural	95,851				95,851
Debt Service		55,175			55,175
Capital Outlay					
Depreciation			<u>300</u>		<u>300</u>
TOTAL EXPENDITURES	\$ <u>95,851</u>	\$ <u>56,556</u>	\$ <u>6,767</u>	\$ <u>5,457</u>	\$ <u>164,631</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	\$ <u>(71,165)</u>	\$ <u>(1,328)</u>	\$ <u>(3,339)</u>	\$ <u>(490)</u>	\$ <u>(76,322)</u>
OTHER FINANCING SOURCES (USES):					
Operating Transfers In/(Out)	<u>72,270</u>	_____	_____	_____	<u>72,270</u>
NET CHANGE IN FUND BALANCE	\$ 1,105	\$ (1,328)	\$ (3,339)	\$ (490)	\$ (4,052)
Fund Balance – Beginning	<u>2,783</u>	<u>11,439</u>	<u>7,584</u>	<u>39,332</u>	<u>61,138</u>
FUND BALANCE-ENDING	\$ <u>3,888</u>	\$ <u>10,111</u>	\$ <u>4,245</u>	\$ <u>38,842</u>	\$ <u>57,086</u>

**CITY OF PERRY
OTHER SUPPLEMENTAL INFORMATION
COMPARATIVE BALANCE SHEET
GENERAL FUND
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS:		
Cash & Cash Equivalents	\$195,094	\$108,354
Accounts Receivable – Trash Billings	7,488	
Special Assessments Receivable	16,549	34,423
Due from Other Governments	67,089	69,961
Due from Other Funds	141	50,124
Prepaid Expenditures	<u>19,420</u>	<u>18,810</u>
TOTAL ASSETS	<u>\$305,781</u>	<u>\$281,672</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Due to Other Funds	\$ 1,119	\$ 1,119
Accounts Payable	1,417	13,102
Accrued Wages	6,680	5,562
Other Payables	420	
Deferred Revenue	<u>16,549</u>	<u>34,423</u>
TOTAL LIABILITIES	<u>\$ 26,185</u>	<u>\$ 54,206</u>
 Fund Balance	 279,596	 227,466
Total Fund Balance	<u>279,596</u>	<u>227,466</u>
 TOTAL LIABILITIES & FUND BALANCE	 <u>\$305,781</u>	 <u>\$281,672</u>

**CITY OF PERRY
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE COMPARED TO BUDGET
GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>			Actual (Over)Under, Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Current Tax Levy	\$ 722,500	\$ 722,500	\$ 717,920	\$ 4,580
Special Assessments	18,070	18,070	17,881	189
Licenses & Permits	30,140	30,140	21,132	9,008
Intergovernmental-State Federal Grants	218,000	218,000	210,656	7,344
Charges for Services	1,150	1,150	3,956	(2,806)
Fines & Forfeitures	11,850	11,850	12,950	(1,100)
Interest & Rents	113,296	113,296	122,212	(8,916)
Other Revenues & Reimb.	<u>80,250</u>	<u>80,250</u>	<u>114,210</u>	<u>(33,960)</u>
TOTAL REVENUES	<u>\$1,195,256</u>	<u>\$1,195,256</u>	<u>\$1,220,917</u>	<u>\$ (25,661)</u>
EXPENDITURES:				
Legislative	<u>\$ 16,633</u>	<u>\$ 20,363</u>	<u>\$ 19,804</u>	<u>\$ 559</u>
General Government:				
Executive	\$ 12,666	\$ 12,666	\$ 11,615	\$ 1,051
Elections	5,600	5,600	2,931	2,669
General Administration	166,452	177,732	174,442	3,290
Clerk	50,418	50,418	50,051	367
Treasurer	35,630	35,630	36,043	(413)
Assessor	23,963	23,963	23,151	812
Board of Review	<u>900</u>	<u>900</u>	<u>618</u>	<u>282</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 295,629</u>	<u>\$ 306,909</u>	<u>\$ 298,851</u>	<u>\$ 8,058</u>
Public Safety:				
Police Department	\$ 382,080	\$ 384,280	\$ 379,912	\$ 4,368
Fire & Ambulance	74,510	75,961	74,996	965
Building Inspection	14,857	14,857	13,445	1,412
Planning & Zoning	<u>5,399</u>	<u>9,529</u>	<u>7,202</u>	<u>2,327</u>
TOTAL PUBLIC SAFETY	<u>\$ 476,846</u>	<u>\$ 484,627</u>	<u>\$ 475,555</u>	<u>\$ 9,072</u>
Public Works:				
Dept. of Public Works	<u>\$ 215,370</u>	<u>\$ 225,020</u>	<u>\$ 212,595</u>	<u>\$ 12,425</u>
Recreation & Cultural:				
Recreation & Parks	<u>19,600</u>	<u>19,600</u>	<u>11,172</u>	<u>8,428</u>
Drains at Large	<u>30,550</u>	<u>31,500</u>	<u>31,492</u>	<u>8</u>

**CITY OF PERRY
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE
COMPARED TO BUDGET (CONTINUED)
GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>			<u>Actual (Over) Under Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES:				
Debt Service:				
Principal	\$ 42,863	\$ 42,863	\$ 43,940	\$ (1,077)
Interest	<u>4,185</u>	<u>4,185</u>	<u>3,108</u>	<u>1,077</u>
TOTAL DEBT SERVICE	\$ <u>47,048</u>	\$ <u>471,048</u>	\$ <u>47,048</u>	\$ _____
TOTAL EXPENDITURES	\$ <u>1,101,676</u>	\$ <u>1,135,067</u>	\$ <u>1,096,517</u>	\$ <u>38,550</u>
EXCESS (DEFIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>93,580</u>	\$ <u>60,189</u>	\$ <u>124,400</u>	\$ <u>64,211</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	\$ _____	\$ _____	\$ _____	\$ _____
Operating Transfers Out	<u>(72,270)</u>	<u>(72,270)</u>	<u>(72,270)</u>	<u>_____</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>(72,270)</u>	\$ <u>(72,270)</u>	\$ <u>(72,270)</u>	\$ _____
Net Change in Fund Balance	21,310	(12,081)	52,130	(64,211)
FUND BALANCE - BEGINNING	<u>227,466</u>	<u>227,466</u>	<u>227,466</u>	<u>_____</u>
FUND BALANCE - ENDING	\$ <u>248,776</u>	\$ <u>215,385</u>	\$ <u>279,596</u>	\$ <u>(64,211)</u>

**CITY OF PERRY
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
JUNE 30, 2007
(WITH COMPARATIVE TOTALS AT JUNE 30, 2006)**

	<u>Agency Funds</u>			
	<u>Tax Collection</u>	<u>Imprest Payroll</u>	<u>2006</u>	<u>Total 2005</u>
ASSETS:				
Cash & Cash Equivalents	\$ 141	\$ 14,221	\$14,362	\$ 5,107
Due from Other Funds				
TOTAL ASSETS	<u>\$ 141</u>	<u>\$ 14,221</u>	<u>\$14,362</u>	<u>\$ 5,107</u>
LIABILITIES:				
Due to Other Funds	\$ 141	\$14,221	\$14,362	\$ 5,107
Due to Other Gov't Units				
TOTAL LIABILITIES	<u>\$ 141</u>	<u>\$ 14,221</u>	<u>\$14,362</u>	<u>\$ 5,107</u>



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October 5, 2007

**To the City Council
City of Perry
Perry, Michigan**

In planning and performing our audit of the financial statements of the City of Perry and for the year ended June 30, 2007, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. As a result of our examination of the City's financial statements, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

PAYROLL CASH

During our audit we noted that reconciliations for the payroll checking account to general ledger were not being prepared on a timely basis. The accounts within the Imprest Payroll Fund in the General Ledger system are not currently set to handle the payroll cash transactions to assist in the cash account reconciliation.

We recommend that all cash accounts be reconciled to the General Ledger when possible. Also, we recommend reviewing the set up of the payroll fund ledger accounts within the computerized system.

BUDGET

The State Revenue Sharing Distribution: Law, P.A. 176, of 1980, includes a compliance requirement in budgeting. It is required under this act that expenditures do not exceed the budget. Expenditures include accounts payable at June 30.

We would like to thank the staff of the City and the City of Perry Council for the excellent cooperation we received during this year's audit. Our firm would be most happy to assist you in any way toward implementing the above recommendations, or any other matter the Council may wish to review with us.

Sincerely,



DEMIS AND WENZLICK, P.C.
Certified Public Accountants