Village Of Perrinton

Financial Statements

February 29, 2004

RECEIVED
DEPT. OF TREASURY
JUL 20 2004
7/16
AUDIT & FINANCE DIV.

CERTIFIED PUBLIC ACCOUNTANTS

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

RECEIVED
DEPT. OF TREASURY
JUL 20 2004
7/16
LOCAL AUDIT & FINANCE DIV.

Local Government Type	Local Government Name	County
☐ City ☐ Township ☑ Village ☐ Other	VILLAGE OF PERRINTON	GRATIOT

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
2/29/04	5/12/04	7/19/04

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.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

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

You must check the applicable box for each item below.

☐ Yes ☑ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

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

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

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

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

☐ Yes ☑ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

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

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

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

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

Certified Public Accountant (Firm Name)			
ROSLUND, PRESTAGE AND COMPANY, PC			
Street Address	City	State	ZIP
308 GRATIOT AVENUE	ALMA	MI	48801
Accountant Signature		Date	
Roslund, Prestage & Company, P.C.		7/19/04	

Table Of Contents

	Page Number
Village Council And Personnel	
Independent Auditor's Report	
Financial Section	
Combined Balance Sheet - All Fund Types And Account Groups	1
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances - All Governmental Fund Types	2
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances - Budget And Actual - All Governmental Fund Types	3
Statement Of Revenues, Expenses And Changes In Retained Earnings - Water And Sewer Fund	4
Statement Of Cash Flows - Water And Sewer Fund	5
Notes To The Financial Statements	6 - 15
Supplemental Information	
General Fund	
Balance Sheet	16
Statement Of Revenues And Expenditures And Changes In Fund Balance	17
Statement Of Expenditures	18 - 20
Statement Of Revenues, Expenditures, And Changes In Fund Balance - Budget And Actual	21
Special Revenue Funds	
Combining Balance Sheet	22
Combining Statement Of Revenues, Expenditures And Changes In Fund Balances	23

Table Of Contents (Continued)

	Page Number
Statement Of Revenues And Expenditures	
Major Street Fund	24
Local Street Fund	25
Fire Fund	26
Enterprise Fund - Water And Sewer Fund	
Balance Sheet	27
Statement Of Retained Earnings	28
Supporting Schedules	
Enterprise Fund - Schedule Of Fixed Assets	29
Current Tax Summary	30
Government Auditing Standards Report	31 - 32

Village Of Perrinton
Village Council And Personnel
February 29, 2004

Douglas Antes	President
Don D. Andrews	President Pro-Temp
Maxine Martin	Clerk
Barbara Helms	Treasurer
Franklin Biddinger	Councilperson
Kelly Neubauer	Councilperson
Patricia Askegard	Councilperson
William Knight	Councilperson
Larry Blair	Councilperson
Darren Lambert	Water And Sewer Commissioner
William Troub	Fire Chief
Donald Andrews	Street Commissioner
Frank Biddinger	Sewer Authority Board
Donald Andrews	Sewer Authority Board

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Members Of The Village Council
Village Of Perrinton, Michigan

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Perrinton, as of February 29, 2004, and the results of its operations and cash flow of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The 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. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

ROSLUND, PRESTAGE & COMPANY, P.C.
308 GRATIOT AVENUE • ALMA • MICHIGAN • 48801
PHONE: 989-463-6123 • FAX: 989-463-4055

In accordance with *Government Auditing Standards*, we have also issued a report dated May 12, 2004 on our consideration of Village of Perrinton's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Roslund, Prestage & Company P.C.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

May 12, 2004

VILLAGE OF PERRINTON
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
FEBRUARY 29, 2004
WITH COMPARATIVE TOTALS FOR FEBRUARY 28, 2003

	Governmental Fund Types		Proprietary Fund Types	Account Groups	Totals (Memorandum Only)	
	General	Special Revenue	Enterprise	General Fixed Assets	2004	2003
ASSETS						
Cash And Cash Equivalents	$201,706	$170,643	$17,524	-	$389,873	$351,380
Investments	80,577	-	-	-	80,577	121,979
Accounts Receivable	2,124	-	13,084	-	15,208	7,393
Property Taxes Receivable	4,323	-	-	-	4,323	4,001
Due From Other Governmental Units	-	7,367	-	-	7,367	7,627
Fixed Assets - Net	-	-	613,145	$746,417	1,359,562	1,397,294
Total Assets	$288,730	$178,010	$643,753	$746,417	$1,856,910	$1,889,674
LIABILITIES, FUND EQUITY AND OTHER CREDITS						
Liabilities						
Accounts Payable	$2,713	$1,326	$5,255	-	$9,294	$11,606
Accrued Payroll And Payroll Taxes	476	-	-	-	476	359
Customer Deposits Payable	-	-	240	-	240	240
Water System Improvement Contract	-	-	260,000	-	260,000	285,000
Total Liabilities	3,189	1,326	265,495	-	270,010	297,205
Fund Equity And Other Credits						
Contributions In Aid Of Construction - Net	-	-	90,352	-	90,352	99,738
Investment In General Fixed Assets	-	-	-	$746,417	746,417	741,226
Fund Balance - Unreserved	285,541	176,684	-	-	462,225	468,327
Retained Earnings - Unrestricted	-	-	287,906	-	287,906	283,178
Total Fund Equity And Other Credits	285,541	176,684	378,258	746,417	1,586,900	1,592,469
Total Liabilities, Fund Equity And Other Credits	$288,730	$178,010	$643,753	$746,417	$1,856,910	$1,889,674

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED FEBRUARY 29, 2004
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED FEBRUARY 28, 2003

	Governmental Fund Types		Totals (Memorandum Only)	
	General	Special Revenue	2004	2003
Revenues				
Taxes	$41,588	-	$41,588	$39,362
State Grants	45,733	$39,636	85,369	88,491
Charges For Services	16,488	20,000	36,488	32,621
Interest And Rents	17,354	1,120	18,474	22,702
Other	3,426	3	3,429	6,251
Total Revenues	124,589	60,759	185,348	189,427
Expenditures				
Legislative	4,142	-	4,142	7,075
General Government	53,795	-	53,795	54,688
Public Safety	500	37,735	38,235	16,904
Public Works	29,775	16,408	46,183	55,173
Recreation	986	-	986	719
Capital Outlay	5,192	1,995	7,187	9,701
Total Expenditures	94,390	56,138	150,528	144,260
Excess (Deficiency) Of Revenues Over Expenditures	30,199	4,621	34,820	45,167
Other Financing Sources (Uses)				
Operating Transfers In	-	8,283	8,283	6,985
Operating Transfers Out	(41,920)	(7,285)	(49,205)	(6,985)
Total Other Financing Sources (Uses)	(41,920)	998	(40,922)	-
Excess (Deficiency) Of Revenues And Other Sources Over (Under) Expenditures And Other Uses	(11,721)	5,619	(6,102)	45,167
Fund Balance, March 1	297,262	171,065	468,327	423,160
Fund Balance, February 29	$285,541	$176,684	$462,225	$468,327

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED FEBRUARY 29, 2004

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	$39,340	$41,588	$2,248	-	-	-
State Grants	55,000	45,733	(9,267)	$38,000	$39,636	$1,636
Charges For Services	15,100	16,488	1,388	19,800	20,000	200
Interest	9,000	7,423	(1,577)	950	1,120	170
Rents	8,640	9,931	1,291	-	-	-
Sale of Assets	100	-	(100)	-	-	-
Other	3,320	3,426	106	60	3	(57)
Total Revenues	130,500	124,589	(5,911)	58,810	60,759	1,949
Expenditures						
Legislative	4,300	4,142	158	-	-	-
General Government	52,700	53,795	(1,095)	-	-	-
Public Safety	500	500	-	23,807	37,735	(13,928)
Public Works	30,800	29,775	1,025	40,147	16,408	23,739
Recreation	3,600	986	2,614		-	-
Capital Outlay		5,192	(5,192)	-	1,995	(1,995)
Total Expenditures	91,900	94,390	(2,490)	63,954	56,138	7,816
Excess (Deficiency) Of Revenues Over Expenditures	38,600	30,199	(8,401)	(5,144)	4,621	9,765
Other Financing Sources (Uses)						
Operating Transfers In	20,000	-	(20,000)	98,000	8,283	(89,717)
Operating Transfers Out	-	(41,920)	(41,920)	(85,000)	(7,285)	77,715
Total Other Financing Sources (Uses)	20,000	(41,920)	(61,920)	13,000	998	(12,002)
Excess (Deficiency) Of Revenues And Other Sources Over (Under) Expenditures And Other Uses	58,600	(11,721)	(70,321)	7,856	5,619	(2,237)
Fund Balance, July 1	297,262	297,262	-	152,155	171,065	18,910
Fund Balance, June 30	$355,862	$285,541	($70,321)	$160,011	$176,684	$16,673

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
YEARS ENDED FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

	2004	2003
Operating Revenues		
Charges For Services	$52,544	$51,489
Operating Expenses		
Salaries And Wages	18,413	20,157
Fringe Benefits	5,360	3,006
Payroll Taxes	1,409	1,542
Supplies	9,449	9,498
Contracted Services	7,933	10,052
Memberships And Dues	175	175
Communication	2,201	2,430
Insurance And Bonds	2,846	2,419
Utilities	19,262	18,729
Repairs And Maintenance	2,145	6,629
Depreciation	43,771	44,006
Interest	11,257	9,779
Miscellaneous	2,404	482
Total Operating Expenses	126,625	128,904
Net Operating Income (Loss)	(74,081)	(77,415)
Add: Non-operating Revenues		
Interest	42	85
Rents	7,151	3,690
Reimbursements - Fulton Township	21,195	21,787
Other	112	200
Total Non-operating Revenue	28,500	25,762
Income (Loss) Before Operating Transfers	(45,581)	(51,653)
Operating Transfers In	40,923	-
Net Income (Loss)	(4,658)	(51,653)
Add: Depreciation On Fixed Assets Acquired By Capital Grants That Reduces Contributed Capital From Capital Grants	9,386	9,386
Increase (Decrease) In Retained Earnings	4,728	(42,267)
Retained Earnings - Beginning	283,178	325,445
Retained Earnings - Ending	$287,906	$283,178

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
WATER AND SEWER FUND
STATEMENT OF CASH FLOWS
YEARS ENDED FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

	2004	2003
Cash Flow From Operating Activities		
Net Operating Income (Loss)	($45,581)	($51,653)
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:		
Depreciation	43,771	44,006
Decrease (Increase) In:		
Accounts Receivable	(6,950)	1,758
Increase (Decrease) In:		
Accounts Payable	1,133	380
Net Cash (Used) By Operating Activities	(7,627)	(5,509)
Cash Flows From NonCapital Financing Activities		
Transfer In From General Fund	40,923	-
Cash Flows From Capital And Related Financing Activities		
Payment of Debt	(25,000)	-
Purchase Of Fixed Assets	(848)	-
Net Cash (Used) By Capital and Related Financing Activities	(25,848)	-
Net Increase (Decrease) In Cash And Cash Equivalents	7,448	(5,509)
Cash And Cash Equivalents - Beginning Of Year	10,076	15,585
Cash And Cash Equivalents - End Of Year	$17,524	$10,076

See Accompanying Notes To Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village conform to generally accepted accounting principles as applicable to local governments within the State of Michigan.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the accounts of all Village operations. The criteria established by GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Village are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The Village has the following fund types and account groups:

Governmental funds are used to account for the Village's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village considers all revenues available if they are collected within 60 days after year end.

Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include: (1) principal and interest on general long-term debt is recognized when due; (2) normally, expenditures are not divided between years by the recording of prepaid expenses, and (3) payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.

Governmental funds include the following fund types:

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 *special revenue funds* account for the revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Village applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. Proprietary funds include the following fund types:

Enterprise funds are used to account for those types of operations that are (a) financed and operated in a manner similar to private business or (b) where the Village has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Account Groups – *The general fixed assets account group* is used to account for fixed assets not accounted for in proprietary or trust funds. *The general long-term debt account group* is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

Fixed Assets

Fixed assets used in governmental fund types of the government are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group or capitalized in the proprietary funds.

Property, plant and equipment in the proprietary funds of the government are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Property, plant and equipment are depreciated in the proprietary fund of the government using the straight-line method over the assets estimated useful lives.

Long-Term Obligations

The government reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Fund Balance

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions.

Property Taxes

The Village property tax is levied each July 1, on the taxable valuation of property located in the Village as of the preceding December 31st. Village property taxes are recognized when levied. Taxes are payable to the Village from July 1, to March 1, at which time they are turned over to the County of Gratiot for reimbursement from its revolving tax fund. Additional information regarding property taxes is shown in the back of this report.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Inventories

The Village does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased.

Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Village's financial position and operations.

Budgets and Budgetary Accounting

Budgets are adopted by the Village for the general and special revenue funds. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

Deposits and Investments

The Village's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are stated at cost and include Certificates of Deposit.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

1. On the first Monday in February the council develops a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.

2. A public hearing is conducted at the Village hall to obtain taxpayer comments.

3. Prior to March 1, the budget is legally enacted through passage of an ordinance.

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

5. Budgets for the General and Special Revenue Funds are adopted at the activity level on a basis consistent with generally accepted accounting principles (GAAP).

6. The Village does not maintain a formalized encumbrance accounting system.

7. The budget, as presented, has been amended in a legally permissible manner since it was originally adopted. All annual appropriations lapse at fiscal year end.

Excess of Expenditures Over Appropriations

P.A. 621 of 1978, section 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's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the functional level.

During the year ended February 29, 2004, the Village incurred expenditures in certain functions and activities, which were in excess of the amounts appropriated, as shown on page 3.

3. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorized the Village to deposit and invest 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 other agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States 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 direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village's deposits and investments are in accordance with statutory authority.

At year-end, the carrying amount of the Village's cash and equivalents was $389,873, and the bank balance was $391,042. Of the bank balance, $110,000 was covered by federal depository insurance and $281,042 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

The Village's cash and investments are summarized as follows:

Description	Cash And Equivalents	Investments	Carrying Amount	Market Value
Petty Cash	$100	-	$100	$100
Checking, Savings, Money Mrkts.	293,755	-	293,755	293,755
Certificates Of Deposit	10,000	-	10,000	10,000
Mutual Funds	86,018	-	86,018	86,018
Asset & Mortgage Backed Securities	-	$80,577	80,577	80,577
Totals	$389,873	$80,577	$470,450	$470,450

In accordance with GASB Statement 3, investments are classified into three categories of credit risk, as follows:

Category # 1 - Insured or collateralized with securities held by the government or its agent in the government's name.

Category # 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the government's name.

Category # 3 – Uncollateralized includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the government's name.

At year end, the Village's investment balances were as follows:

U.S. Government Securities – Category # 1 - $80,577.

Accounts Receivable

Accounts receivable in the General Fund represents amounts due from residents for trash pick up as well as other miscellaneous amounts due to the Village. Accounts receivable in the Water And Sewer Fund represents amounts due to the Village from residents for water and sewer usage.

Due From Other Governmental Units

Due from other governmental units consists of the following:

Fund / Due From	2004	2003
Local Street Fund:		
State Of Michigan	$1,923	1,854
Major Street Fund:		
State Of Michigan	5,444	5,273
Fire Fund:		
Miscellaneous	-	500
Totals	$7,367	$7,627

Changes in General Fixed Assets

The changes in general fixed assets are as follows:

Description	Balance 3/1/03	Additions	Deletions	Balance 2/29/04
Land & Buildings	$255,190	-	-	$255,190
Equipment	93,041	$5,191	-	98,232
Furniture	5,794	-	-	5,794
Fire Equipment	246,626	-	-	246,626
Senior Center	140,575	-	-	140,575
Totals	$741,226	$5,191	-	$746,417

Segment Information - Enterprise Fund

The Village maintains one Enterprise Fund which provides water and sewer services. Segment information for the years ended February 29, 2004 and February 28, 2003 are as follows:

	2004	2003
Operating Revenues	$52,544	$51,489
Depreciation Expense	43,771	44,006
Operating Income Or (Loss)	(74,081)	(77,415)
Operating Transfers In	40,923	-
Net Income (Loss)	(4,658)	(51,653)
Plant, Property And Equipment Additions	848	285,000
Net Working Capital	25,113	11,848
Total Equity	378,258	382,916

Contributed Capital

Contributed capital is reduced by the amount of depreciation taken on those assets acquired with grants, entitlements and shared revenues from the state and federal government, calculated on a straight line basis over forty (40) years. At the same time a corresponding amount is added to unrestricted retained earnings.

Risk Management

The Village is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance that is purchased from independent third parties. Settled claims from these risks, if any, have not exceeded commercial insurance coverage for the past three years.

Employee Retirement System

The Village participates in the multi-employer defined benefit pension plan with the Municipal Employees Retirement System of Michigan ("MERS"). Current membership in the MERS is composed of 1 active member, 0 inactive vested members and 0 retirees and beneficiaries.

Each member contributes a percentage of his or her annual compensation.

The pension plan provides the following provisions: Normal Retirement, Deferred Retirement, Service Retirement Allowance, Disability Retirement Allowance, Non-Duty Death Allowance, Duty-Connected Death, Member Contributions, Post-Retirement Adjustments and Death-After-Retirement Surviving Spouse Benefit.

Normal Retirement – A member may retire after reaching the age of 60 with 10 or more years of service, age 55 and 15 or more years of service, or upon reaching age 50 and 25 or more years of credited service.

The "pension benefit obligation" (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the funds funding status on a going concern basis, assess progress being made in accumulating sufficient assets to pay benefits when due, and allow for comparisons among public employee retirement plans.

The following information is provided to comply with GASB 25 and 27. All information shown is based on the actuarial methods and assumptions that were used in the December 31, 2002 actuarial valuation to determine the annual employer amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

Retirees and beneficiaries currently receiving benefits	$0
Terminated employees not yet receiving benefits	5,351
Current employees – Accumulated employee contributions including allocated investment income	0
Employer financed	0
Total Actuarial Accrued Liability	5,351
Net Assets Available for Benefits, at Actuarial Value (Market Value is $12,601)	15,858
Unfunded (Overfunded) Actuarial Accrued Liability	($10,507)

Fiscal year beginning March 1, 2004.
Annual Required Contribution (ARC) - $0.
Amortization Factor Used Underfunded Liabilities (32 years) – 0.051679.
Amortization Factor Used Overfunded Liabilities (10 years) – 0.119963.

Additional information regarding the plan can be found in the annual report on file at the Village Office.

Water Supply Improvement Contract

On December 1, 2001 the Village adopted a resolution to enter into a contract with the County of Gratiot to provide for the acquisition, construction and financing of the Village Of Perrinton 2002 Water Supply System Improvements pursuant to Public Act 185.

The contract includes the issuance of Bonds by the County in anticipation of payments to be made by the Village. Such payments will be sufficient to pay the principal and interest on the Bonds and that for the making of such payments the Village will pledge its limited tax full faith and credit.

The Village has recorded a liability in the Water and Sewer Fund for $285,000, which equals the amount of the bonds issued by the County for the water supply improvements. An equal amount was recorded as additions to the fixed assets of the Water and Sewer Fund.

A schedule of payments due on this contact is shown in the back of this report.

VILLAGE OF PERRINTON
GENERAL FUND
BALANCE SHEET
FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

	2004	2003
ASSETS		
Cash	$201,706	$176,222
Investments	80,577	121,979
Accounts Receivable	2,124	1,259
Property Taxes Receivable	4,323	4,001
Total Assets	$288,730	$303,461
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	$2,713	$5,840
Accrued Payroll & Related Taxes	476	359
Total Liabilities	3,189	6,199
Fund Balance	285,541	297,262
Total Liabilities and Fund Balance	$288,730	$303,461

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR YEARS ENDED FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

	2004	2003
REVENUES		
Property Taxes	$40,841	$38,681
Tax Collection Fees	747	681
State Grants	45,733	50,455
Charges For Services	16,488	13,221
Interest	7,423	11,524
Rent	9,931	9,889
Sale Of Assets	-	3,000
Other	3,426	1,244
Total Revenues	124,589	128,695
EXPENDITURES		
Legislative		
Village Council	4,142	7,075
General Government		
Village President	4,211	4,528
Elections	735	544
Financial Administration	18,780	18,950
Village Hall And Grounds	2,295	3,504
Other Buildings And Grounds	3,113	6,638
Other Village Property	24,661	20,524
Public Safety	500	500
Public Works		
Highways And Streets	7,299	7,279
Sanitation	22,476	22,476
Recreation	986	719
Capital Outlay	5,192	9,701
Total Expenditures	94,390	102,438
Excess Of Revenues Over (Under) Expenditures	30,199	26,257
Other Financing Sources (Uses)		
Transfers In	-	-
Transfers Out	(41,920)	-
Total Other Financing Sources (Uses)	(41,920)	-
Excess Of Revenues And Other Sources Over (Under) Expenditures And Other Uses	(11,721)	26,257
Fund Balance - Beginning	297,262	271,005
Fund Balance - Ending	$285,541	$297,262

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
GENERAL FUND
STATEMENT OF EXPENDITURES
FOR YEARS ENDED FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

	2004	2003
Legislative		
Village Council		
Salaries And Wages	$3,504	$3,624
Payroll Taxes	268	277
Miscellaneous	370	3,174
Total Legislative	4,142	7,075
General Government		
Village President		
Salaries - President	2,712	3,006
Salaries - Pro Temp	1,200	1,200
Payroll Taxes	299	322
Total Village President	4,211	4,528
Elections		
Per Diem	-	398
Office Supplies	679	-
Printing And Publishing	56	52
Miscellaneous	-	94
Total Elections	735	544
Financial Administration		
Salary - Clerk	7,359	7,353
Salary - Treasurer	6,223	6,229
Salary - Other	158	166
Payroll Taxes	1,061	1,052
Office Supplies	543	432
Contracted Services	1,390	1,940
Membership And Dues	561	561
Communications	191	334
Printing And Publishing	698	542
Miscellaneous	596	341
Total Financial Administration	18,780	18,950

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
GENERAL FUND
STATEMENT OF EXPENDITURES (CONTINUED)
FOR YEARS ENDED FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

	2004	2003
General Government		
Village Hall And Grounds		
Communications	$758	$893
Electricity	453	406
Gas - Heat	709	999
Repairs And Maintenance	183	576
Supplies	192	630
Total Village Hall And Grounds	2,295	3,504
Other Buildings And Grounds		
Supplies	385	497
Contracted Services	-	500
Communication	419	382
Electricity	698	782
Gas - Heat	1,345	1,826
Repairs And Maintenance	266	2,651
Total Other Buildings And Grounds	3,113	6,638
Other Village Property		
Salaries And Wages	8,552	8,367
Payroll Taxes	644	640
Operating Supplies	3,254	3,740
Insurance And Bonds	6,520	6,180
Utilities	84	91
Repairs And Maintenance	5,532	1,466
Miscellaneous	75	40
Total Other Village Property	24,661	20,524
Total General Government	53,795	54,688
Public Safety		
Fire Protection	500	500
Public Works		
Highways And Streets		
Salary - Street Commission	1,200	1,200
Payroll Taxes	92	92
Street Lighting	6,007	5,987
Total Highways And Streets	7,299	7,279
Sanitation		
Contracted Services	22,476	22,476
Total Public Works	29,775	29,755

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
GENERAL FUND
STATEMENT OF EXPENDITURES (CONTINUED)
FOR YEARS ENDED FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

	2004	2003
Recreation		
Repairs And Maintenance	$242	-
Contracted Services	515	$468
Electricity	229	251
Total Recreation	986	719
Capital Outlay	5,192	9,701
Total Expenditures	$94,390	$102,438

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR YEARS ENDED FEBRUARY 29, 2004

	Budget	Actual	Variance
REVENUES			
Property Taxes	$39,300	$40,841	$1,541
Tax Collection Fees	40	747	707
State Grants	55,000	45,733	(9,267)
Charges For Services	15,100	16,488	1,388
Interest	9,000	7,423	(1,577)
Rent	8,640	9,931	1,291
Sale Of Assets	100	-	(100)
Other	3,320	3,426	106
Total Revenues	130,500	124,589	(5,911)
EXPENDITURES			
Legislative			
Village Council	4,300	4,142	158
General Government			
Village President	4,300	4,211	89
Elections	1,000	735	265
Financial Administration	19,000	18,780	220
Village Hall And Grounds	2,000	2,295	(295)
Other Buildings And Grounds	2,400	3,113	(713)
Other Village Property	25,000	24,661	339
Public Safety	500	500	-
Public Works			
Highways And Streets	6,800	7,299	(499)
Sanitation	24,000	22,476	1,524
Recreation	3,600	986	2,614
Capital Outlay	-	5,192	(5,192)
Total Expenditures	92,900	94,390	(1,490)
Excess Of Revenues Over (Under) Expenditures	37,600	30,199	(7,401)
Other Financing Sources (Uses)			
Transfers In	20,000	-	(20,000)
Transfers Out	-	(41,920)	(41,920)
		-	
Total Other Financing Sources (Uses)	20,000	(41,920)	(61,920)
Excess Of Revenues And Other Sources Over (Under) Expenditures And Other Uses	57,600	(11,721)	(69,321)
Fund Balance - Beginning	297,262	297,262	-
Fund Balance - Ending	$354,862	$285,541	($69,321)

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
FEBRUARY 29, 2004
(WITH COMPARATIVE TOTALS FOR YEAR ENDED FEBRUARY 28, 2003)

	Major Street	Local Street	Fire	Totals 2004	Totals 2003
ASSETS					
Cash And Cash Equivalents	$74,087	$78,699	$17,857	$170,643	$165,082
Due From Other Governmental Units	5,444	1,923	-	7,367	7,627
Total Assets	$79,531	$80,622	$17,857	$178,010	$172,709
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts Payable	-	-	$1,326	$1,326	$1,644
Total Liabilities	-	-	1,326	1,326	1,644
Fund Balance	$79,531	$80,622	16,531	176,684	152,155
Total Liabilities And Fund Balance	$79,531	$80,622	$17,857	$178,010	$153,799

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FEBRUARY 29, 2004
(WITH COMPARATIVE TOTALS FOR YEAR ENDED FEBRUARY 28, 2003)

	Major Street	Local Street	Fire	Totals 2004	Totals 2003
Revenues					
State Grants	$29,312	$10,324	-	$39,636	$38,036
Charges For Services	-	-	$20,000	20,000	19,400
Interest	605	442	73	1,120	1,289
Other	-	-	3	3	2,007
Total Revenues	29,917	10,766	20,076	$60,759	60,732
Expenditures					
Public Safety	13,747	-	23,988	37,735	16,404
Public Works	-	18,403	-	18,403	25,418
Capital Outlay	-	-	-	-	-
Total Expenditures	13,747	18,403	23,988	56,138	41,822
Excess Of Revenues Over (Under) Expenditures	16,170	(7,637)	(3,912)	4,621	18,910
Other Financing Sources (Uses)					
Operating Transfers In	-	8,283	-	8,283	$6,985
Operating Transfers Out	(7,285)	-	-	(7,285)	(6,985)
Total Other Financing Sources (Uses)	(7,285)	8,283	-	998	-
Excess Of Revenues And Other Financing Sources Over (Under) Expenditures and Other Uses	8,885	646	(3,912)	5,619	18,910
Fund Balance - Beginning	70,646	79,976	20,443	171,065	134,972
Fund Balance - Ending	$79,531	$80,622	$16,531	$176,684	$153,882

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
MAJOR STREET FUND
STATEMENT OF REVENUES AND EXPENDITURES
FOR YEARS ENDED FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

	2004	2003
Revenues		
State Grants	$29,312	$28,144
Other	-	-
Interest	605	645
Total Revenues	29,917	28,789
Expenditures		
Public Works		
Routine Maintenance		
Salaries And Wages	4,092	5,390
Payroll Taxes	313	412
Supplies	3	672
Repairs	181	-
Contracted Services	900	675
Total Routine Maintenance	5,489	7,149
Winter Maintenance		
Salaries And Wages	3,060	1,386
Payroll Taxes	234	106
Supplies	80	235
Equipment Rental	3,902	3,009
Total Winter Maintenance	7,276	4,736
Insurance And Bonds	982	1,076
Total Public Works	13,747	12,961
Excess Of Revenues Over (Under) Expenditures	16,170	15,828
Other Financing Sources (Uses)		
Transfers In	-	-
Transfers Out	(7,285)	(6,985)
Excess Of Revenues And Other Sources Over (Under) Expenditures And Other Uses	$8,885	$8,843

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
LOCAL STREET FUND
STATEMENT OF REVENUES AND EXPENDITURES
FOR YEARS ENDED FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

	2004	2003
Revenues		
State Grants	$10,324	$9,892
Interest	442	574
Total Revenues	10,766	10,466
Expenditures		
Public Works		
Routine Maintenance		
Salaries And Wages	4,733	5,497
Payroll Taxes	362	421
Supplies	1,807	877
Repairs And Maintenance	-	375
Miscellaneous	52	-
Capital Outlay	1,995	-
Total Routine Maintenance	8,949	7,170
Winter Maintenance		
Salaries And Wages	2,142	1,281
Payroll Taxes	164	98
Equipment Rental	4,047	1,423
Total Winter Maintenance	6,353	2,802
Admin., Engineering, And Recordkeeping		
Contracted Services	1,190	1,235
Insurance And Bonds	1,911	1,250
Total Public Works	18,403	12,457
Excess Of Revenues Over (Under) Expenditures	(7,637)	(1,991)
Other Financing Sources (Uses)		
Transfers In - Major Street	7,285	6,985
Transfers In - General Fund	998	-
Total Other Financing Sources (Uses)	8,283	6,985
Excess Of Revenues And Other Sources Over (Under) Expenditures And Other Uses	$646	$4,994

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
FIRE FUND
STATEMENT OF REVENUES AND EXPENDITURES
FOR YEARS ENDED FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

	2004	2003
Revenues		
Charges For Services		
Contracts And Fire Runs	$20,000	$19,400
Interest	73	70
Other	3	2,007
Total Revenues	20,076	21,477
Expenditures		
Public Safety		
Fire Department		
Fire Runs	985	1,088
Communications	337	314
Supplies	9,043	2,693
Contracted Services	515	627
Insurance And Bonds	8,131	7,041
Utilities	1,173	1,412
Repairs And Maintenance	2,256	1,752
Equipment Rental	1,080	1,080
Miscellaneous	468	397
Total Expenditures	23,988	16,404
Excess Of Revenues Over (Under) Expenditures	(3,912)	5,073
Other Financing Sources (Uses)		
Transfers In	-	16,551
Excess Of Revenues And Other Sources Over (Under) Expenditures And Other Uses	($3,912)	$21,624

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
WATER AND SEWER FUND
BALANCE SHEET
FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

	2004	2003
ASSETS		
Current Assets		
Cash	$17,524	$10,076
Accounts Receivable	13,084	6,134
Total Current Assets	30,608	16,210
Fixed Assets		
Property, Plant And Equipment	1,424,420	1,423,572
Less: Accumulated Depreciation	(811,275)	(767,504)
Net Fixed Assets	613,145	656,068
Total Assets	$643,753	$672,278
LIABILITIES, FUND BALANCE, AND RETAINED EARNINGS		
Current Liabilities		
Accounts Payable	$5,255	$4,122
Customer Deposits Payable	240	240
Current Portion Of Long-Term Contract	25,000	25,000
Total Current Liabilities	30,495	29,362
Long-Term Liabilities		
Water System Improvement Contract	235,000	260,000
Total Long-Term Liabilities	235,000	260,000
Fund Balance		
Contributed Capital		
Capital Grants	380,488	380,488
Less: Amortization	(290,963)	(281,577)
Total Capital Grants Net Of Amortization	89,525	98,911
Government's Contribution	827	827
Total Contributed Capital	90,352	99,738
Retained Earnings		
Unrestricted	287,906	283,178
Total Fund Balance	378,258	382,916
Total Liabilities And Fund Balance	$643,753	$672,278

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
WATER AND SEWER FUND
STATEMENT OF RETAINED EARNINGS
YEARS ENDED FEBRUARY 29, 2004 AND FEBRUARY 28, 2003

	2004	2003
Beginning Retained Earnings	$283,178	$325,445
Increase (Decrease) In Retained Earnings	4,728	(42,267)
Ending Retained Earnings	$287,906	$283,178

See Accompanying Notes To Financial Statements

VILLAGE OF PERRINTON
ENTERPRISE FUND
SCHEDULE OF FIXED ASSETS
FOR THE YEAR ENDED FEBRUARY 29, 2004

WATER AND SEWER FUND	Balance 3/1/2003	Additions	Deletions	Balance 2/29/2004	Estimated Life (Years)	Accumulated Depreciation 3/1/2003	Depreciation	Deletions	Accumulated Depreciation 2/29/2004	Book Value 2/29/2004
Land And Buildings	$65,640	-	-	$65,640	NA	$10,452	$1,234	-	$11,686	$53,954
Water Tower	168,874	-	-	168,874	40	78,159	4,221	-	82,380	86,494
Well	50,585	-	-	50,585	10-40	27,494	1,163	-	28,657	21,928
Pumping Station And Equipment	161,475	-	-	161,475	5-20	159,840	1,401	-	161,241	234
Water Supply Improvements	285,000	-	-	285,000	30	17,300	17,300		34,600	250,400
Lagoon	78,341	-	-	78,341	40	56,826	1,997	-	58,823	19,518
Collection System	475,670	-	-	475,670	40	344,785	11,892		356,677	118,993
Office Equipment	3,146	$848	-	3,994	7-10	3,071	125	-	3,196	798
Mains	134,841	-	-	134,841	15-30	69,577	4,438	-	74,015	60,826
Totals	$1,423,572	$848	-	$1,424,420		$767,504	$43,771	-	$811,275	$613,145

See Accompanying Notes To Financial Statements

Village Of Perrinton
Tax Summary
For Year Ended February 29, 2004

Fiscal Year Ending	State Equalized Value	Mills Levied	Village Tax
February 28, 1999	$3,405,303	8.9922	$30,621
February 29, 2000	3,532,029	8.7926	31,056
February 28, 2001	3,714,635	8.5138	31,626
February 28, 2002	3,864,290	8.1681	31,564
February 28, 2003	4,074,421	9.5000	38,707
February 29, 2004	4,196,664	9.7510	40,922

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Village Of Perrinton
Perrinton, Michigan

We have audited the general-purpose financial statements of the Village Of Perrinton as of and for the year ended February 29, 2004, and have issued our report thereon dated May 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village Of Perrinton's internal control over financial reporting 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 over financial reporting.

ROSLUND, PRESTAGE & COMPANY, P.C.
308 GRATIOT AVENUE • ALMA • MICHIGAN • 48801
PHONE: 989-463-6123 • FAX: 989-463-4055

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Village Of Perrinton in a separate letter dated May 12, 2004.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Roslund, Prestage & Company, P.C.
Certified Public Accountants

May 12, 2004

CERTIFIED PUBLIC ACCOUNTANTS

RECEIVED
DEPT. OF TREASURY
JUL 20 2004
7/16
LOCAL AUDIT & FINANCE DIV.

MANAGEMENT LETTER

Members Of The Village Council
Village Of Perrinton
Perrinton, Michigan

In planning and performing our audit of the financial statements for the Village Of Perrinton for the fiscal year ended February 29, 2004, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This letter does not affect our audit report dated May 12, 2004 on the financial statements of the Village Of Perrinton.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Roslund, Prestage & Company, P.C.

ROSLUND, PRESTAGE AND COMPANY, P.C.
Certified Public Accountants

May 12, 2004

ROSLUND, PRESTAGE & COMPANY, P.C.
308 GRATIOT AVENUE • ALMA • MICHIGAN • 48801
PHONE: 989-463-6123 • FAX: 989-463-4055

Village Of Perrinton
February 29, 2004

COUNCIL OVERSIGHT

The size of the Village's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Therefore, we recommend that the members of the Village Council maintain a level of involvement in the financial affairs of the organization to provide appropriate oversight and independent review functions.

GASB No. 34

On June 10, 1999, the GASB unanimously approved the issuance of GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* This Statement will have a significant impact on the way state and local governments report their finances to the public.

GASB No. 34 establishes new requirements for the annual financial reports of state and local governments. The basic financial statements and required supplementary information will include Management's Discussion and Analysis (MD&A). The MD&A is a narrative report prepared in an easy-to-read format by the financial manager. It should introduce the basic financial statements; provide an analytical over-view of the financial activities for the year based on the financial manager's knowledge of the transactions, events, and conditions reflected in the financial report and the fiscal policies that control the government's operations. Use of charts, tables, and graphs is encouraged.

In addition to the MD&A, full accrual accounting will also be required, which will incorporate capitalization of fixed assets, depreciation, and long-term liabilities into the financial statements. A substantial amount of time by management may be required to implement GASB No. 34.

The requirements of this GASB Statement are effective in three phases based on the total annual revenues of the government. For your village, the effective implementation date is fiscal years beginning March 1, 2004. However, early implementation is encouraged by the GASB.

We recommend management prepare an informal set of financial statements as of February 29, 2004 based on the requirements of GASB #34. We also recommend the external auditors review these informal financial statements as they will include new beginning balances for the next fiscal year.

Village Of Perrinton
February 29, 2004

PENSION EXPENSE

The pension expense is not being allocated to the various activities/functions consistent with the related wages.

We recommend that the pension expense be allocated to a separate pension expense account for each activity/function based on the allocation of wages and similar to that of the FICA expense.