

VILLAGE OF TURNER
Arenac County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended December 31, 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 type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Turner	County Arenac
Fiscal Year End December 31, 2007	Opinion Date February 26, 2008	Date Audit Report Submitted to State February 27, 2008	

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.)

1. 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.
2. 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.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. 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.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. 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).
10. 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.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. 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"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State Zip MI 48707
Authorizing CPA Signature 		Printed Name Mark J. Campbell	License Number 1101007803

VILLAGE OF TURNER
Arenac County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

February 26, 2008

To the Village Council
Village of Turner
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Village of Turner, Arenac County, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Turner's management. Our responsibility is to express opinions 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. 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 respective financial position of the governmental activities and each major fund of the Village of Turner, Arenac County, Michigan as of December 31, 2007, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Campbell, Kusterer & Co., PC
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF TURNER
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007

The Management's Discussion and Analysis report of the Village of Turner covers the Village's financial performance during the year ended December 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$65,252.84 from governmental activities with a \$2,761.29 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole. The statement of net assets includes all the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

All of the activities of the Village are reported as governmental activities. These include the General Fund, Major Street Fund, and the Local Street Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The General Fund pays for most of the Village's governmental services which were \$36,430.24 for the fiscal year.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$0 in capital assets.

The Village's governmental activities paid \$0 in principal on long-term debt.

VILLAGE OF TURNER
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS- ENTITY-WIDE
FINANCIAL INFORMATION – CONDENSED FINANCIAL INFORMATION

December 31, 2007

	<u>Total Governmental Activities 2007</u>
Current Assets	24 678
Capital Assets	<u>58 883</u>
Total Assets	<u>83 561</u>
Current Liabilities	-
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
Net Assets:	
Invested in Capital Assets	58 883
Unrestricted	<u>24 678</u>
Total Net Assets	<u>83 561</u>

	<u>Total Governmental Activities 2007</u>
Program Revenues:	
Fees and charges for services	5 500
General Revenues:	
Property taxes	17 279
State Revenue Sharing	42 127
Interest	6
Miscellaneous	<u>340</u>
Total Revenues	<u>65 252</u>
Program Expenses:	
Legislative	3 620
General Government and Administration	13 018
Public Works	<u>45 853</u>
Total Expenses	<u>62 491</u>
Increase in Net Assets	2 761
Net Assets, January 1	<u>80 800</u>
Net Assets, December 31	<u>83 561</u>

VILLAGE OF TURNER
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Villages finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report please contact the Village by calling Yolanda Miracle, Clerk, at (989) 867-4274 during the hours of 9:00 A.M. to 5:00 P.M., Monday through Friday.

VILLAGE OF TURNER
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	10 939 19
Due from State of Michigan	6 772 09
Taxes receivable	<u>6 966 61</u>
Total Current Assets	<u>24 677 89</u>
NON-CURRENT ASSETS:	
Capital Assets	109 300 00
Less: Accumulated Depreciation	<u>(50 417 00)</u>
Net capital assets	<u>58 883 00</u>
TOTAL ASSETS	<u><u>83 560 89</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	58 883 00
Unrestricted	<u>24 677 89</u>
Total Net Assets	<u>83 560 89</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>83 560 89</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TURNER
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended December 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	3 620 00	-	(3 620 00)
General government	13 018 34	-	(13 018 34)
Public works	<u>45 853 21</u>	<u>5 500 00</u>	<u>(40 353 21)</u>
Total Governmental Activities	<u><u>62 491 55</u></u>	<u><u>5 500 00</u></u>	<u><u>(56 991 55)</u></u>
General Revenues:			
Property taxes			17 279 19
State revenue sharing			42 126 98
Interest			6 65
Miscellaneous			<u>340 02</u>
Total General Revenues			<u>59 752 84</u>
Change in net assets			2 761 29
Net assets, beginning of year			<u>80 799 60</u>
Net Assets, End of Year			<u><u>83 560 89</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TURNER
Arenac County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	5 608 03	4 081 10	1 250 06	10 939 19
Due from State of Michigan	2 749 00	2 747 44	1 275 65	6 772 09
Taxes receivable	<u>6 966 61</u>	<u>-</u>	<u>-</u>	<u>6 966 61</u>
Total Assets	<u>15 323 64</u>	<u>6 828 54</u>	<u>2 525 71</u>	<u>24 677 89</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>15 323 64</u>	<u>6 828 54</u>	<u>2 525 71</u>	<u>24 677 89</u>
Total fund equity	<u>15 323 64</u>	<u>6 828 54</u>	<u>2 525 71</u>	<u>24 677 89</u>
Total Liabilities and Fund Equity	<u>15 323 64</u>	<u>6 828 54</u>	<u>2 525 71</u>	<u>24 677 89</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TURNER
Arenac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	24 677 89
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	109 300 00
Accumulated depreciation	<u>(50 417 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>83 560 89</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TURNER
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS

Year ended December 31, 2007

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Revenues:				
Property taxes	17 279 19	-	-	17 279 19
State revenue sharing	15 411 00	18 243 99	8 471 99	42 126 98
Interest	-	5 06	1 59	6 65
Rents	5 500 00	-	-	5 500 00
Miscellaneous	<u>340 02</u>	<u>-</u>	<u>-</u>	<u>340 02</u>
Total revenues	<u>38 530 21</u>	<u>18 249 05</u>	<u>8 473 58</u>	<u>65 252 84</u>
Expenditures:				
Legislative:				
Village Council	3 210 00	-	-	3 210 00
President	410 00	-	-	410 00
General government:				
Clerk	3 764 98	-	-	3 764 98
Treasurer	810 00	-	-	810 00
Building and Grounds	3 677 81	-	-	3 677 81
Unallocated	3 265 55	-	-	3 265 55
Public works:				
Department of Public Works	11 400 00	-	-	11 400 00
Highways and Streets:				
Routine Maintenance	-	7 773 05	3 977 84	11 750 89
Snow removal	-	7 801 42	3 800 00	11 601 42
Street Lights	3 277 13	-	-	3 277 13
Sanitation	<u>6 614 77</u>	<u>-</u>	<u>-</u>	<u>6 614 77</u>
Total expenditures	<u>36 430 24</u>	<u>15 574 47</u>	<u>7 777 84</u>	<u>59 782 55</u>
Excess of revenues over expenditures	2 099 97	2 674 58	695 74	5 470 29
Fund balances, January 1	<u>13 223 67</u>	<u>4 153 96</u>	<u>1 829 97</u>	<u>19 207 60</u>
Fund Balances, December 31	<u><u>15 323 64</u></u>	<u><u>6 828 54</u></u>	<u><u>2 525 71</u></u>	<u><u>24 677 89</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TURNER
Arenac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 5 470 29

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(2 709 00)
Capital Outlay Additions	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 2 761 29

The accompanying notes are an integral part of these financial statements.

VILLAGE OF TURNER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Turner, Arenac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Turner. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Village's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

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. 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF TURNER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Village 2007 tax roll millage rate was 13.3259 mills, and the taxable value was \$1,296,708.00.

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-40 years
Equipment	10-30 years

VILLAGE OF TURNER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Village employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Village provides no post-employment benefits to past employees.

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.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

VILLAGE OF TURNER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes 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 agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as 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 Council has designated one bank for the deposit of Village funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

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

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>10 939 19</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	10 939 19
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>10 939 19</u>

The Village of Turner did not have any investments as of December 31, 2007.

Note 4 – Capital Assets

Capital asset activity of the Village's Governmental activities for the current year was as follows:

	<u>Balance 1/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/07</u>
Land	6 500 00	-	-	6 500 00
Buildings	76 000 00	-	-	76 000 00
Equipment	<u>26 800 00</u>	<u>-</u>	<u>-</u>	<u>26 800 00</u>
Total	109 300 00	-	-	109 300 00
Accumulated Depreciation	<u>(47 708 00)</u>	<u>(2 709 00)</u>	<u>-</u>	<u>(50 417 00)</u>
Net Capital Assets	<u>61 592 00</u>	<u>(2 709 00)</u>	<u>-</u>	<u>58 883 00</u>

VILLAGE OF TURNER
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 5 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

Note 6 – Retirement Plan

The Village does not have a retirement plan.

Note 7 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Budget Variances

During the fiscal year ended December 31, 2007, the Village incurred expenditures in excess of the budgeted amounts as follows:

<u>Fund and Activity</u>	<u>Budgeted Amount</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General Fund:			
President	150 00	410 00	260 00
Treasurer	500 00	810 00	310 00
Building and grounds	1 300 00	3 677 81	2 377 81
Unallocated	1 500 00	3 265 55	1 765 55
Street lights	3 000 00	3 277 13	277 13
Sanitation	-	6 614 77	6 614 77
Major Street Fund:			
Routine maintenance	3 000 00	7 773 05	4 773 05
Snow removal	4 800 00	7 801 42	3 001 42
Local Street Fund:			
Routine maintenance	2 500 00	3 977 84	1 477 84

VILLAGE OF TURNER
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	15 000 00	15 000 00	17 279 19	2 279 19
State revenue sharing	15 000 00	15 000 00	15 411 00	411 00
Rents	4 000 00	4 000 00	5 500 00	1 500 00
Miscellaneous	<u>500 00</u>	<u>500 00</u>	<u>340 02</u>	<u>(159 98)</u>
Total revenues	<u>34 500 00</u>	<u>34 500 00</u>	<u>38 530 21</u>	<u>4 030 21</u>
Expenditures:				
Legislative:				
Village Council	4 430 00	4 430 00	3 210 00	(1 220 00)
President	150 00	150 00	410 00	260 00
General government:				
Clerk	4 550 00	4 550 00	3 764 98	(785 02)
Treasurer	500 00	500 00	810 00	310 00
Building and grounds	1 300 00	1 300 00	3 677 81	2 377 81
Unallocated	1 500 00	1 500 00	3 265 55	1 765 55
Public works:				
Department of Public Works	20 000 00	20 000 00	11 400 00	(8 600 00)
Street lights	3 000 00	3 000 00	3 277 13	277 13
Sanitation	<u>-</u>	<u>-</u>	<u>6 614 77</u>	<u>6 614 77</u>
Total expenditures	<u>35 430 00</u>	<u>35 430 00</u>	<u>36 430 24</u>	<u>1 000 24</u>
Excess (deficiency) of revenues over expenditures	(930 00)	(930 00)	2 099 97	3 029 97
Fund balance, January 1	<u>3 000 00</u>	<u>3 000 00</u>	<u>13 223 67</u>	<u>10 223 67</u>
Fund Balance, December 31	<u>2 070 00</u>	<u>2 070 00</u>	<u>15 323 64</u>	<u>13 253 64</u>

VILLAGE OF TURNER
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND
Year ended December 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	16 000 00	16 000 00	18 243 99	2 243 99
Interest	-	-	5 06	5 06
Total revenues	<u>16 000 00</u>	<u>16 000 00</u>	<u>18 249 05</u>	<u>2 249 05</u>
Expenditures:				
Public works:				
Highways and streets:				
Routine maintenance	3 000 00	3 000 00	7 773 05	4 773 05
Snow removal	<u>4 800 00</u>	<u>4 800 00</u>	<u>7 801 42</u>	<u>3 001 42</u>
Total expenditures	<u>7 800 00</u>	<u>7 800 00</u>	<u>15 574 47</u>	<u>7 774 47</u>
Excess (deficiency) of revenues over expenditures	8 200 00	8 200 00	2 674 58	(5 525 42)
Fund balance, January 1	<u>2 000 00</u>	<u>2 000 00</u>	<u>4 153 96</u>	<u>2 153 96</u>
Fund Balance, December 31	<u><u>10 200 00</u></u>	<u><u>10 200 00</u></u>	<u><u>6 828 54</u></u>	<u><u>(3 371 46)</u></u>

VILLAGE OF TURNER
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND
Year ended December 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	7 000 00	7 000 00	8 471 99	1 471 99
Interest	-	-	1 59	1 59
Total revenues	<u>7 000 00</u>	<u>7 000 00</u>	<u>8 473 58</u>	<u>1 473 58</u>
Expenditures:				
Public works:				
Highways and streets;				
Routine Maintenance	2 500 00	2 500 00	3 977 84	1 477 84
Snow Removal	<u>3 800 00</u>	<u>3 800 00</u>	<u>3 800 00</u>	-
Total expenditures	<u>6 300 00</u>	<u>6 300 00</u>	<u>7 777 84</u>	<u>1 477 84</u>
Excess (deficiency) of revenues over expenditures	700 00	700 00	695 74	(4 26)
Fund balance, January 1	<u>1 500 00</u>	<u>1 500 00</u>	<u>1 829 97</u>	<u>329 97</u>
Fund Balance, December 31	<u><u>2 200 00</u></u>	<u><u>2 200 00</u></u>	<u><u>2 525 71</u></u>	<u><u>325 71</u></u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

February 26, 2008

To the Village Council
Village of Turner
Arenac County, Michigan

We have audited the financial statements of the Village of Turner for the year ended December 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Turner in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council
Village of Turner
Arenac County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Village's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Village cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Village Council members understand these circumstances when performing their oversight responsibilities.

BUDGET VARIANCES

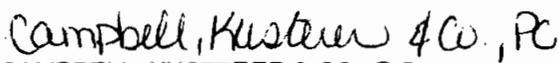
During the fiscal year ended December 31, 2007, the Village incurred budget variances in several activities. We recommend that the Village Council amend the budgets, as necessary, to comply with State law.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated December 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants