

VILLAGE OF CARNEY
AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
AND SUPPLEMENTAL REPORT
YEAR ENDED JUNE 30, 2007

AUDITING PROCEDURES REPORT

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

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF CARNEY	County MENOMINEE
Audit Date JUNE 30, 2007	Opinion Date SEPT. 10, 2007	Date Accountant Report Submitted to State: SEPTEMBER 10, 2007	

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.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) RAY PAYMENT, CPA			
Street Address 617 LUDINGTON STREET	City ESCANABA	State MI	ZIP 49829
Accountant Signature 			

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September 10, 2007

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Village of Carney
Menominee County, Michigan

I have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining funds information of the Village of Carney, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the Village of Carney as listed in the table of contents. These financial statements are the responsibility of the Village's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Village of Carney as of June 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Village of Carney has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments, as amended and interpreted, as of July 1, 2006.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 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. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements. The accompanying Other Financial Information is presented for the 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 basic financial statements and, in my opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Ray L. Payment
Certified Public Accountant

VILLAGE OF CARNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2007

Management's Discussion and Analysis

This section of the Village of Carney's annual financial report presents my discussion and analysis of the Village's performance during the year ended June 30, 2007. It is to be read in conjunction with the Village's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) Basic Financial Statements - and Managements Discussion and Analysis - for State and Local Governments, as amended and interpreted, and is intended to provide the financial results for the fiscal year ending June 30, 2007. This is the first year of GASB 34 implementation. As a result the financial report is presented differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available but will be provided in subsequent years for comparative purposes.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Village as a whole. The statements are prepared using the accrual method of accounting which is the accounting used by most small private sector businesses. The statement of net assets includes all of the Village's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Village that include all services performed by the Village. These activities are funded primarily by state grants.

The statement of net assets reports the Village's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets of the Village. This statement measures the financial strength of the Village; the greater the net asset figure, the healthier the financial position of the Village generally is. It helps management determine if the Village will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expense basis. It shows the operating results for a given year of the Village. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Village.

VILLAGE OF CARNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

The Village's fund financial statements show a detail of funds that are determined to be significant, called major funds. The funds that are separately stated as the major fund are the General Fund and Special Revenue Funds.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. This is similar to how the Village reported their finances in the past. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Although the government-wide financial statements and the fund financial statements use different methods of accounting to report the Village's financial condition, there are no current year differences between the two types of statements except depreciation expense and fixed assets.

Fiduciary funds, such as the Trust and Agency, are reported in the fiduciary fund financial statement, but are excluded from the government-wide reporting. The fiduciary fund financial statement reports resources that are not available to fund Village programs. The fiduciary fund financial statement reports similarly to governmental funds.

VILLAGE OF CARNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements - Condensed Financial Information

Statement of Net Assets

The following is a June 30, 2007 condensed statement of net assets with a detailed analysis of the statement below.

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and CD's	\$ 267,087
Total Current Assets	\$ 267,087
Noncurrent Assets -	
Capital Assets, net of accumulated depreciation	<u>8,108</u>
Total Assets	<u>\$ 275,195</u>
NET ASSETS	<u>\$ 275,195</u>
Invested in capital assets, net of related debt	\$ 8,108
Unrestricted	<u>267,087</u>
Total Net Assets	<u>\$ 275,195</u>

The Village's total net assets are \$275,195 at June 30, 2007. Capital assets are \$8,108. This figure is derived by taking the original cost of the Village's assets and subtracting accumulated depreciation to date.

VILLAGE OF CARNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements - Condensed Financial Information

Statement of Net Assets (Continued)

The total unrestricted net assets are \$267,087 as of June 30, 2007. This is the net accumulated result of the current and past years' operations. The balance in the unrestricted net assets shows that the Village has an ample amount of assets to fund liabilities at June 30, 2007.

Statement of Activities

The results of operations for the Village as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year ended June 30, 2007. Since this is the first year the Village has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to the previous year are not made.

	<u>Governmental Activities</u>
Revenue:	
Program Revenues:	
Operating grants and contributions	\$ 31,824
General Revenues:	
State and federal grants	15,307
Interest	7,693
Other revenue	<u>3,187</u>
Total Revenue	\$ 58,011
Program expenses -	
Governmental activities	<u>36,206</u>
Increase in Net Assets	<u>\$ 21,805</u>

The Village had an overall increase in net assets of \$21,805 for the year ended June 30, 2007. The Village's revenues totaled \$58,011.

VILLAGE OF CARNEY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Activities (Continued)

The Village's total cost to fund governmental activities was \$36,206. A majority of these costs were funded by state grants. This shows the Village has reliance on state grants to provide future funding for its programs and administrative costs.

Governmental Fund Budgetary Items

A schedule showing the Village's final budget and the actual results are included as required supplementary information in the financial section of the audit report. There were no budget revisions made during the year.

Capital Assets

At June 30, 2007, the Village had \$8,108 invested in capital assets net of accumulated depreciation. The change in capital assets during the year ended June 30, 2007 was depreciation of \$828 and additions to buildings of \$5,708.

Debt

The Village had no outstanding debt at June 30, 2007.

Future Considerations

The change in state aid payments along with State budget cuts will impact the financial condition of the Village. The Village has adopted a budget for the upcoming fiscal year that should not over expend it's funding and leave the Village with a positive Fund Balance.

Contacting the Village

If you have any questions about this report or need additional information, contact the Village offices.

BASIC
FINANCIAL
STATEMENTS

VILLAGE OF CARNEY
STATEMENT OF NET ASSETS

June 30, 2007

ASSETS	
CURRENT ASSETS:	
Cash and CD's	\$ <u>267 087</u>
TOTAL CURRENT ASSETS	\$ <u>267 087</u>
NONCURRENT ASSETS	
Capital assets	20 708
Less accumulated depreciation	<u>(12 600)</u>
TOTAL NONCURRENT ASSETS	<u>8 108</u>
TOTAL ASSETS	\$ <u>275 195</u>
NET ASSETS	\$ <u>275 195</u>
Invested in capital assets, net of related debt	\$ 8 108
Unrestricted	<u>267 087</u>
TOTAL NET ASSETS	\$ <u>275 195</u>

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

VILLAGE OF CARNEY
STATEMENT OF ACTIVITIES

June 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u> Charges for Services	<u>Operating</u> Grants and Contributions	<u>Governmental</u> <u>Activities</u> Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Legislative General	\$ 1 709	\$ -	\$ -	\$ (1 709)
Government	14 832	-	-	(14 832)
Public Works	18 837	-	31 824	12 987
Nonallocated - depreciation	<u>828</u>	<u>-</u>	<u>-</u>	<u>(828)</u>
Total Governmental Activities	\$ 36 206	\$ -	\$ 31 824	\$ (4 382)
General revenues:				
State and federal grants				\$ 15 307
Interest				7 693
Other revenue				<u>3 187</u>
Total General Revenues				<u>26 187</u>
Changes in Net Assets				\$ 21 805
Net assets at July 1, 2006				<u>253 390</u>
Net assets at July 30, 2007				<u>\$ 275 195</u>

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

VILLAGE OF CARNEY
BALANCE SHEET- GOVERNMENTAL FUNDS

JUNE 30, 2007

ASSETS

	<u>General Fund</u>	<u>Local Street Fund</u>	<u>Major Street Fund</u>	<u>Total</u>
Cash and CD's	\$ 49 988	\$ 82 241	\$ 134 858	\$ 267 087
TOTAL ASSETS	<u>\$ 49 988</u>	<u>\$ 82 241</u>	<u>\$ 134 858</u>	<u>\$ 267 087</u>

LIABILITIES AND FUND EQUITY

Fund Equity - unreserved fund balance	\$ 49 988	\$ 82 241	\$ 134 858	\$ 267 087
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 49 998</u>	<u>\$ 82 241</u>	<u>\$ 134 858</u>	<u>\$ 267 087</u>

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

VILLAGE OF CARNEY
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
WITH THE STATEMENT OF NET ASSETS

June 30, 2007

Total fund equity of governmental activities		\$ 267 087
Amounts reported for governmental activities in the statement of net assets are different because:		
Additions:		
Capital assets used in government activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets	\$ 20 708	
Accumulated depreciation	<u>(12 600)</u>	<u>8 108</u>
Total net assets of governmental activities		<u>\$ 275 195</u>

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

VILLAGE OF CARNEY
 COMBINED STATEMENT OF REVENUES, DISBURSEMENTS
 AND CHANGES IN FUND BALANCE
 ALL GOVERNMENTAL FUND TYPES
 FOR YEAR ENDED JUNE 30, 2007

	Governmental Fund Types		
	General	Special Revenue	Total
CASH RECEIPTS:			
State shared taxes	\$15 307	\$ -	\$ 15 307
State grants - Motor Vehicle Highway Fund	-	31 824	31 824
Interest	1 245	6 448	7 693
Rentals and miscellaneous	3 187	-	3 187
Transfers	-	5 000	5 000
	<u>19 739</u>	<u>43 272</u>	<u>63 011</u>
TOTAL CASH RECEIPTS			
CASH DISBURSEMENTS:			
Legislative:			
Village council salaries and expenses	1 709	-	1 709
General Government:			
Insurance	1 860	-	1 860
Elections	130	-	130
Office supplies and misc.	3 526	-	3 526
Newsletter and advertising	284	-	284
Transfers	-	5 000	5 000
Capital expenditures - hall	5 708	-	5 708
Cemetery	172	-	172
Highways, streets and street lights	5 432	18 837	24 269
Parks and recreation	241	-	241
Water system meetings	850	-	850
Utilities and heat	2 337	-	2 337
	<u>22 249</u>	<u>23 837</u>	<u>46 086</u>
TOTAL CASH DISBURSEMENTS			
EXCESS OF REVENUES OVER (UNDER) DISBURSEMENTS	\$(2 510)	\$ 19 435	\$ 16 925
FUND BALANCE, July 1, 2006	<u>52 498</u>	<u>197 664</u>	<u>250 162</u>
FUND BALANCE, June 30, 2007	<u>\$ 49 988</u>	<u>\$ 217 099</u>	<u>\$267 087</u>

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

VILLAGE OF CARNEY
COMBINED STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2007

	ASSETS	Tax and Agency Funds
Cash in bank		\$ 2 709
	NET ASSETS	
Net Assets - Restricted for water assessments		\$ 2 709

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

NOTES
TO
FINANCIAL
STATEMENTS

VILLAGE OF CARNEY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Carney operates under and elected Board of Trustees. The financial statements of the Village have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Village's accounting policies are described below.

Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Village entity for financial-reporting purposes. The criteria established for determining the various governmental organizations to be included in the Village's financial statements include oversight responsibility, scope of public service and special financing relationships.

On this basis, the financial statements of the local school district are not included in the financial statements of the Village. Educational services are provided to citizens through the local school district, which is a separate governmental entity.

Basis of Presentation

Governmental-wide Financial Statements

The Village government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Village except for the fiduciary activities. All of the Village activities are considered to be governmental activities. The interfund activity to be eliminated in the Governmental-wide financial statements was transfers from the Major Street Fund to the Local Street Fund of \$5,000.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental and fiduciary funds are provided. The Village reports the General and Special Revenue Funds as the Major Fund.

VILLAGE OF CARNEY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements (Continued)

Governmental Fund Type

General Fund and Special Revenue Funds - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Village. Revenues are derived primarily from state and federal grants and various local sources. The Special Revenue Funds account for revenues and expenditures to be used as per legal or regulatory provisions.

Fiduciary Fund Type

The Trust and Agency Fund is used to account for assets held by the Village in a trustee capacity. These funds are custodial in nature and do not involve measurement of results of operations.

Basis of Accounting

Government-wide Financial Statements

The Governmental-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Village's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the Village provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state and federal aid and other revenues that are not program revenues are reported as general revenues.

VILLAGE OF CARNEY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available (often referred to as "susceptible to accrual"). Revenues are available when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Village considers revenues to be available if they are expected to be collected within 60 days of the end of the year, except that tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due. The Village has no long-term debt.

Budgets and the Budgetary Process

The Village Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for the Village. For budgetary purposes, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles. For this reason, there is no common basis for preparing a reconciliation between budgeted and actual amounts. The budgeted financial statements presented in this report reflect the final budget authorization, including all amendments. Budgets are adopted on the functional level and lapse at the end of the year.

VILLAGE OF CARNEY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets include land, buildings and improvements and equipment and are reported in the Government-wide financial statements. Capital assets are defined by the Village as assets with an acquisition cost of generally more than \$100 or betterments totaling \$1,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The Capital assets are depreciated using the straight-line method over the following useful lives:

Land	Not depreciated
Buildings and improvements	25-50 years
Equipment	5-10 years

Investment in Capital Assets

This is a portion of net assets of the Village that consists of capital assets, net accumulated depreciation. The Village had net investment in capital assets at June 30, 2007 of \$8,108.

Restricted Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute. The Village has no restricted assets at June 30, 2007.

VILLAGE OF CARNEY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Fund Equity

The unreserved fund equity for governmental funds represent the amount available for budgeting future operations.

Use of 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.

Accounting Change

Effective July 1, 2006, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No. 34). Significant changes to the Township's financial statements as a result of GASB No. 34 are as follows:

Management Discussion and Analysis - provides analysis of the Village's overall financial position and results of operations as reported by the Village's management.

Government-wide financial statements - Statement of Net Assets and Statement of Activities are prepared using the full accrual basis of accounting that includes all of the Village's activities.

Capital assets - recorded in the governmental activities statement of net assets at June 30, 2007 are \$20,708 along with \$12,600 of accumulated depreciation of those capital assets. The July 1, 2005 financial statements reported fixed assets in the General Fixed Assets Account Group (GFAAG) that has been eliminated for reporting purposes. No change was reported in the historical cost of the assets from the GFAAG to the current July 1, 2006 beginning capital assets balance.

Major funds - fund-based financial statements focus on major funds rather than fund-types. Major funds are determined based on the comparison of activity of individual governmental funds to total governmental fund activity.

VILLAGE OF CARNEY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - CASH INFORMATION

All deposits were made either in banks insured by federal depository insurance or with an investment broker who purchased certificates of deposit insured by federal depository insurance. Deposits were made in accordance with State of Michigan statutes and under authorization of the Village Board.

At June 30, 2007 total cash and certificates of deposit as reported by banks and investment broker amounted to \$267,087, of which \$200,000 was covered by depository insurance.

VILLAGE OF CARNEY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980 Disclosure

The Village had no funds with a deficit as of June 30, 2007.

Public Act 621 of 1978 Disclosure

Public Act 621 of 1978, as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated. The Township was in substantial compliance with the Act.

NOTE D - CAPITAL ASSETS

Following is a summary of changes in capital assets during the year ended June 30, 2007:

	<u>Balance at July 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2007</u>
<u>Governmental Activities</u>				
Assets:				
Buildings, land and improvements	\$ 15 000	\$ 5 708	\$ -	\$ 20 708
	\$ 15 000	\$ 5 708	\$ -	\$ 20 708
Less accumulated depreciation	<u>(11 772)</u>	<u>(828)</u>	<u>-</u>	<u>(12 600)</u>
Net Capital Assets	<u>\$ 3 228</u>	<u>\$ 4 880</u>	<u>\$ -</u>	<u>\$ 8 108</u>

VILLAGE OF CARNEY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - RISK MANAGEMENT

The Village is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The Village has obtained coverage from commercial insurance companies.

All risk management activities are accounted for in the General Fund of the Village. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Village as of June 30, 2007, will not materially affect the financial condition of the Village. Therefore, the financial statements contain no provisions for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

REQUIRED
SUPPLEMENTAL
INFORMATION

VILLAGE OF CARNEY
 COMBINED STATEMENT OF REVENUES, DISBURSEMENTS
 AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND AND SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2007

	General Fund		
	Actual Amount	Budget Amount	Variance Favorable (Unfavorable)
CASH RECEIPTS:			
State shared taxes	\$ 15 307	\$ 15 000	\$ 307
State grants- Motor Vehicle Highway Fund	-	-	-
Interest	1 245	300	945
Rents and miscellaneous	3 187	3 180	7
TOTAL CASH RECEIPTS	<u>19 739</u>	<u>18 480</u>	<u>1 259</u>
CASH DISBURSEMENTS:			
Village Council salaries and expenses	1 709	1 900	191
Elections	130	600	470
Office supplies and misc.	3 163	900	(2 263)
Dues and donations	363	400	37
Water administration meetings	850	800	(50)
Parks	241	300	59
Highways and streets and street lights	5 432	5 500	68
Cemetery	172	500	328
Insurance	1 860	2 000	140
Newsletter and advertising	284	100	(184)
Capital expenditures - hall	5 708	6 000	292
Utilities and heat	2 337	1 000	(1 337)
TOTAL CASH DISBURSEMENTS	<u>22 249</u>	<u>20 000</u>	<u>(2 249)</u>
EXCESS OF REVENUES OVER (UNDER) DISBURSEMENTS	(2 510)	(1 520)	(990)
FUND BALANCE, July 1, 2006	<u>52 498</u>	<u>52 498</u>	-
FUND BALANCE, June 30, 2007	<u>\$ 49 988</u>	<u>\$ 50 978</u>	<u>\$ (990)</u>

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

<u>Special Revenue Sharing</u>		
<u>Actual</u> <u>Amount</u>	<u>Budget</u> <u>Amount</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
\$ -	\$ -	\$ -
31 824	33 000	(1 176)
6 448	4 000	2 448
-	-	-
<u>38 272</u>	<u>37 000</u>	<u>1 272</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
18 837	15 000	(3 837)
-	-	-
-	-	-
-	-	-
-	-	-
<u>18 837</u>	<u>15 000</u>	<u>(3 837)</u>
19 435	22 000	(2 565)
<u>197 664</u>	<u>197 664</u>	<u>-</u>
<u>\$217 099</u>	<u>\$ 219 664</u>	<u>\$ (2 565)</u>

OTHER
FINANCIAL
INFORMATION

VILLAGE OF CARNEY
 CHANGES IN ASSETS AND LIABILITIES
 TRUST AND AGENCY FUND
 YEAR ENDED JUNE 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Total</u> <u>Receipts</u>	<u>Total</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>ASSETS</u>				
Cash	\$ 3 351	\$ 2 425	\$ 3 067	\$ 2 709
<u>LIABILITIES</u>				
Due to Village of Carney General Fund	\$ -	\$ 57	\$ 57	\$ -
Due to Carney- Nadeau Water and Sewer Authority	<u>3 351</u>	<u>2 368</u>	<u>3 010</u>	<u>2 709</u>
TOTALS	<u>\$ 3 351</u>	<u>\$ 2 425</u>	<u>\$ 3 067</u>	<u>\$ 2 709</u>

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

VILLAGE OF CARNEY
 COMBINED STATEMENT OF REVENUES, DISBURSEMENTS,
 AND CHANGES IN FUND BALANCE
 ALL SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2007

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Total</u>
CASH RECEIPTS:			
State grants	\$ 20 563	\$ 11 261	\$ 31 824
Interest income	4 304	2 144	6 448
Transfer from Major Streets	<u>-</u>	<u>5 000</u>	<u>5 000</u>
TOTAL CASH RECEIPTS	<u>24 867</u>	<u>18 405</u>	<u>43 272</u>
CASH DISBURSEMENTS:			
Routine maintenance	3 837	14 864	18 701
Street administration	81	55	136
Transfer to Local Streets	<u>5 000</u>	<u>-</u>	<u>5 000</u>
TOTAL CASH DISBURSEMENTS	<u>8 918</u>	<u>14 919</u>	<u>23 837</u>
EXCESS OF (DISBURSEMENTS) OVER RECEIPTS	\$ 15 949	\$ 3 486	\$ 19 435
FUND BALANCE, at beginning of period	<u>118 909</u>	<u>78 755</u>	<u>197 664</u>
FUND BALANCE, at end of period	<u>\$ 134 858</u>	<u>\$ 82 241</u>	<u>\$ 217 099</u>

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

RAYMOND L. PAYMENT
CERTIFIED PUBLIC ACCOUNTANT

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

President and Members of the Board
Village of Carney
Carney, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Carney as of and for the year ended June 30, 2007, which collectively comprise the Village Carney's basic financial statements and have issued my report thereon dated September 10, 2007. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Carney's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose or expressing an opinion on the effectiveness of the Village of Carney's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Village of Carney's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a certain deficiency in internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Carney's ability to initiate,

authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Village of Carney's financial statements that is more than inconsequential will not be prevented or detected by the Village of Carney's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-1 and 07-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Carney's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the Schedule of Findings I consider item 07-02 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Carney's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Village of Carney's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the Village of Carney's response and, accordingly, I express no opinion on it.

The report is intended solely for the information and use of the Village Board, 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.


Ray L. Payment
Certified Public Accountant

SCHEDULE OF FINDINGS
VILLAGE OF CARNEY

Year Ended June 30, 2007

SIGNIFICANT DEFICIENCIES

(07-1) State of Michigan Public Act 621 of 1978 Budget Requirements

Public Act 621 of 1978, as amended, provides that a local unit prepare and monitor their fiscal year budgets in accordance with the Act. The Village was in substantial compliance except as follows:

<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable) Variance</u>
General Fund:			
Office supplies and miscellaneous	\$ 900	\$3,163	\$ (2,263)
Utilities and heat	\$1,000	\$2,337	\$ (1,337)

The Board agrees and will monitor the budget and make amendments when appropriate.

(07-2) Ability to Prepare Financial Statements and Related Note Disclosures

Like entities of similar size, the Village uses the assistance of the auditor to draft the financial statements and related note disclosures.

Following the Village's adopted budget priorities, the Village will continue to focus its efforts on continuing education for the President, Treasurer and Clerk. We will keep the funding level for education and training the same, but focus more in the financial preparation area than in the past. Trustees will seek out training to better understand the financial statements and the training funds will be at levels similar to the past. In addition, the Village will continue to seek the auditor's assistance when necessary on procedural questions and drafting of financial statements and disclosures.