

**Ovid-Middlebury Emergency Services Authority  
Ovid, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2003**

Ovid-Middlebury Emergency Services Authority

Ovid, Michigan

December 31, 2003

BOARD MEMBERS

Mr. Jim McClelland	Chairman
Mr. Anthony Sinicropi	Vice-Chairman
Ms. Annette Devereaux	Treasurer
Ms. Diane Longoria	Secretary
Mr. Doug McAllister	Trustee
Mr. William Lasher	Trustee
Ms. Jeanne Ott	Trustee
Mr. Charles Simpson	Trustee

Ovid-Middlebury Emergency Services Authority

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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the  
Ovid-Middlebury Emergency Services Authority  
Ovid, Michigan

We have audited the accompanying financial statements of the Ovid-Middlebury Emergency Services Authority as of and for the year ended December 31, 2003, as listed in the Table of Contents. These financial statements are the responsibility of the Board. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ovid-Middlebury Emergency Services Authority as of December 31, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 22, 2004

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Ovid-Middlebury Emergency Services Authority

COMBINED BALANCE SHEET - ALL FUND TYPES

December 31, 2003

	Governmental	Account Groups		Totals
	Fund Type	General	General Long-	(Memorandum
	Special	Fixed Assets	Term Debt	Only)
	Revenue			
<b>ASSETS</b>				
Cash	\$ 146,578	\$ -	\$ -	\$ 146,578
Accounts receivable	20,205	-	-	20,205
Due from other governmental units	7,837	-	-	7,837
Taxes receivable	226,743	-	-	226,743
Fixed Assets	-	456,600	-	456,600
Amount to be provided for retirement of general long-term debt	-	-	137,916	137,916
<b>TOTAL ASSETS</b>	<b>\$ 401,363</b>	<b>\$ 456,600</b>	<b>\$ 137,916</b>	<b>\$ 995,879</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 5,477	\$ -	\$ -	\$ 5,477
Accrued wages	10,342	-	-	10,342
Other accrued liabilities	940	-	-	940
Deferred revenue	226,743	-	-	226,743
Capital leases payable	-	-	137,916	137,916
<b>TOTAL LIABILITIES</b>	<b>243,502</b>	<b>-0-</b>	<b>137,916</b>	<b>381,418</b>
<b>FUND EQUITY</b>				
Investment in fixed assets	-	456,600	-	456,600
Fund balances				
Unreserved - undesignated	157,861	-	-	157,861
<b>TOTAL FUND EQUITY</b>	<b>157,861</b>	<b>456,600</b>	<b>-0-</b>	<b>614,461</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 401,363</b>	<b>\$ 456,600</b>	<b>\$ 137,916</b>	<b>\$ 995,879</b>

See accompanying notes to combined financial statements.

Ovid-Middlebury Emergency Services Authority

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
SPECIAL REVENUE FUND

Year Ended December 31, 2003

REVENUES	
Intergovernmental	
Townships and Village	\$ 26,830
Taxes	218,985
Charges for services	110,842
Interest	1,504
Other	<u>11,581</u>
 TOTAL REVENUES	 369,742
EXPENDITURES	
Current	
Salaries and wages	103,595
Fringe benefits	9,084
Continuing education	2,143
Contractual services	48,550
Supplies	18,385
Gas and oil	2,480
Telephone	2,747
Insurance	15,293
Repairs and maintenance	10,805
Refunds	569
Other	4,605
Capital outlay	42,472
Debt service	<u>27,337</u>
 TOTAL EXPENDITURES	 <u>288,065</u>
 EXCESS OF REVENUES OVER EXPENDITURES	  81,677
 Fund balance, beginning of year	 <u>76,184</u>
Fund balance, end of year	<u><u>\$ 157,861</u></u>

See accompanying notes to combined financial statements.

Ovid-Middlebury Emergency Services Authority

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET TO ACTUAL - SPECIAL REVENUE FUND

Year Ended December 31, 2003

	<u>Amended Budget</u>	<u>2003 Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Intergovernmental			
Townships and Village	\$ 33,000	\$ 26,830	\$ (6,170)
Taxes	202,432	218,985	16,553
Charges for services	100,000	110,842	10,842
Interest	500	1,504	1,004
Other	5,168	11,581	6,413
	<u>341,100</u>	<u>369,742</u>	<u>28,642</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Current			
Salaries and wages	110,200	103,595	6,605
Fringe benefits	8,927	9,084	(157)
Continuing education	3,600	2,143	1,457
Contractual services	48,200	48,550	(350)
Supplies	23,000	18,385	4,615
Gas and oil	3,000	2,480	520
Telephone	3,100	2,747	353
Insurance	15,500	15,293	207
Repairs and maintenance	11,000	10,805	195
Refunds	1,500	569	931
Other	6,300	4,605	1,695
Capital outlay	51,000	42,472	8,528
Debt service	39,000	27,337	11,663
	<u>324,327</u>	<u>288,065</u>	<u>36,262</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>			
	16,773	81,677	64,904
Fund balance, beginning of year	<u>76,184</u>	<u>76,184</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 92,957</u>	<u>\$ 157,861</u>	<u>\$ 64,904</u>

See accompanying notes to combined financial statements.

Ovid-Middlebury Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Ovid-Middlebury Emergency Services Authority was created on January 1, 2003 by a joint venture agreement between the Townships of Ovid and Middlebury and the Village of Ovid. Effective January 1, 2003 the Ovid-Middlebury Fire Board and the Ovid Area Ambulance Service transferred all their existing assets, liabilities, and remaining fund equity to the newly formed Ovid-Middlebury Emergency Services Authority. The Authority is considered a Municipal Emergency Service Authority as provided in the Emergency Services to Municipalities Act, 1988 PA57, MCL 124.601. The remaining formation and operating guidelines, etc. are detailed in the Authority's Articles of Incorporation and Bylaws and are maintained in the Authority's administrative offices. Each Township appoints three (3) members and the Village appoints one (1) member to the Board. The Chief oversees the day-to-day operations of the Authority.

The Authority has no stockholders and all monies received are to be used for certain specified purposes in accordance with the joint venture agreement between the constituent municipalities.

The Authority is intended to operate as much as possible from funds and income derived from operations. However, each township is responsible for remitting the portion of the emergency services property tax levy collected to the Authority. Other responsibilities including insurance coverage and procedures for termination of services are explicitly detailed in the joint venture agreement, bylaws, and articles of incorporation of the Authority.

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Ovid-Middlebury Emergency Services Authority. The Ovid-Middlebury Emergency Services Authority is considered a "joint venture" of the constituent municipalities.

2. Basis of Presentation

The accounts of the Authority are organized on the basis of funds and account groups, each of which is considered a separate 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. Authority 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. The fund and account groups reported in the financial statements are categorized and described as follows:

GOVERNMENTAL FUND

- a. Special Revenue Fund - This fund is used to account for all financial resources to be used for emergency and ambulance services provided to each participating municipality.

ACCOUNT GROUPS

- a. General Fixed Assets Account Group - The General Fixed Assets Account Group is used to maintain control and cost information for all fixed assets.
- b. General Long-Term Debt Account Group - This account group is used to record the outstanding long-term obligation of the capital leases.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues, which are considered measurable but not available, are recorded as a receivable and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

5. Accounts Receivable

Accounts receivable consists of amounts due from individuals and insurance agencies for fire protection services provided by the Emergency Services Authority.

6. Due from other Governmental Units

Due from other governmental units consists of amounts due from local units of government for emergency services provided within their boundaries that are still owed to the Authority.

7. Taxes Receivable

Due from other governmental units consists of amounts due from local units of government for property taxes collected that are still owed to the Board.

8. Property Taxes

The participating Townships levy and collect property taxes for the Board. As the Emergency Services tax is collected it is remitted by the Township Treasurers. At March 1 each year the Townships settle their delinquent taxes with their respective County Treasurers' and the unpaid real property tax is remitted to the Board by the County Treasurer in Clinton County and by the County Treasurer in Shiawassee County. Delinquent personal property taxes are retained by the Township Treasurers for subsequent collection. The Board is permitted to levy up to \$4 per \$1,000 of assessed valuation on property within the District, the portion of which is authorized above \$2 per \$1,000 may be levied for a period not to exceed 20 years. The property taxes levied December 1 are accrued as current tax receivable with the appropriate deferral and are budgeted as revenue in the subsequent year. For the year ended December 31, 2003, the Board levied for the 2002 levy 2.25 mills, which was recognized as revenue during 2003 and 2.2020 mills for the 2003 levy which will be recognized as revenue in 2004.

9. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in a General Fixed Assets Account Group, rather than in the governmental funds. Fixed assets with a historical unit cost of \$500 or more have been recorded in the General Fixed Asset Account Group. The general fixed assets are recorded as expenditures at the time of purchase in the governmental fund types.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF EMERGENCY SERVICES AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Fixed Assets and Long-Term Liabilities - continued

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

10. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

11. Budgets and Budgetary Accounting

The Special Revenue Fund budget shown in the financial statements was prepared on a basis not significantly different than the basis used to reflect actual results.

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

- a. Prior to January 1, the budget is legally adopted on a fund level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Board does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Board during the year. Individual amendments were appropriately approved by the Board, as required.

12. Total Columns on Combined Statements

Total Columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with accounting principals generally accepted in the United State of America. Neither is such data comparable to a consolidation.

**NOTE B: CASH**

Ovid-Middlebury Emergency Services Authority's deposits consist of a checking and savings account, which are reported as cash on the Balance Sheet.

In accordance with Michigan Compiled Laws, the Ovid-Middlebury Emergency Services Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

Ovid-Middlebury Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE B: CASH - CONTINUED**

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits of the Ovid-Middlebury Emergency Services Authority are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Ovid-Middlebury Emergency Services Authority.

As of December 31, 2003, the carrying amounts and bank balances for the checking and savings accounts were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ 45,169	\$ 53,390
Savings	<u>101,409</u>	<u>101,409</u>
	<u>\$ 146,578</u>	<u>\$ 154,799</u>

The bank balances as of December 31, 2003 were insured by the FDIC \$153,390. The amount of \$1,409 was uninsured and uncollateralized.

Ovid-Middlebury Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE C: FIXED ASSETS**

The following provides a summary of the changes in general fixed assets for the year ended December 31, 2003.

	<u>Balance Jan. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2003</u>
Equipment	\$ 219,128	\$ 8,117	\$ -	\$ 227,245
Vehicles	<u>195,000</u>	<u>34,355</u>	<u>-</u>	<u>229,355</u>
	<u>\$ 414,128</u>	<u>\$ 42,472</u>	<u>\$ -0-</u>	<u>\$ 456,600</u>

**NOTE D: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Authority for the year ended December 31, 2003.

	<u>Balance Jan. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2003</u>
Capital Lease	<u>\$ 157,099</u>	<u>\$ -0-</u>	<u>\$ 19,183</u>	<u>\$ 137,916</u>

Significant details regarding outstanding long-term debt are presented below:

Capital Lease

The Authority has entered into a lease purchase agreement, which qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of future minimum lease payments as of the date of inception. The following is additional details regarding the lease.

The Authority has entered into a lease for the purchase of a fire truck and related equipment. The cost of the truck and related equipment under the lease purchase agreement amounted to \$263,493.

Commitments under the lease agreement provide for minimum annual payments as follows:

	<u>Fire Truck</u>
2004	\$ 27,337
2005	27,337
2006	27,337
2007	27,337
2008	27,337
2009	<u>27,337</u>
	164,022
Less amount representing interest	<u>( 26,106 )</u>
	<u>\$ 137,916</u>

Ovid-Middlebury Emergency Services Authority

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE E: RISK MANAGEMENT**

The Authority is exposed to various risks of loss including commercial property, general liability, public official liability, auto, inland marine, crime coverage, and workers compensation for which the Authority carries commercial insurance.

**NOTE F: GASB STATEMENT NO. 34**

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Authority's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB Statement No. 34 must be implemented by the Authority no later than the fiscal year ending December 31, 2004; the retroactive reporting of infrastructures is optional. If the Authority elects to retroactively report infrastructure, it must be implemented no later than the year ending December 31, 2008.

Principals

Dale J. Abraham, CPA  
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Board Members of the Ovid-Middlebury  
Emergency Services Authority  
Ovid, Michigan

We have audited the general purpose financial statements of Ovid-Middlebury Emergency Services Authority for the year ended December 31, 2003, and have issued our report thereon dated March 22, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated December 15, 2003, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not an absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Ovid-Middlebury Emergency Services Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Ovid-Middlebury Emergency Services Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on overall compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Ovid-Middlebury Emergency Services Authority are described in Note A to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by Ovid-Middlebury Emergency Services Authority during the period that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Ovid-Middlebury Emergency Services Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Ovid-Middlebury Emergency Services Authority, either individually or in the aggregate, indicate matters that could have a significant effect on the Ovid-Middlebury Emergency Services Authority's financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the combined financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's combined financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

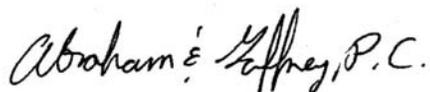
### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Ovid-Middlebury Emergency Services Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the management and members of the Board of Ovid-Middlebury Emergency Services Authority and should not be used for any other purpose.



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 22, 2004