

**MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED JUNE 30, 2007**

### Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY	County CALHOUN
Fiscal Year End 6/30/07	Opinion Date AUGUST 7, 2007	Date Audit Report Submitted to State 8/29/2007	

We affirm that:

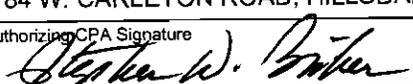
We are certified public accountants licensed to practice in Michigan.

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<br>NO | NO | <b>Check each applicable box below.</b> (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 type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) OSBOURNE, MARCH, CONDON & CO., P.C.		Telephone Number 517.439.9331	
Street Address 184 W. CARLETON ROAD, HILLSDALE, MI 49242		City HILLSDALE	State Zip MI 49242
Authorizing CPA Signature 		Printed Name STEPHEN W. BISHER	License Number 1101026492

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	i - ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii - viii
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	I
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS	
BALANCE SHEET – GOVERNMENTAL FUND	3
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET WITH THE STATEMENT OF NET ASSETS	4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUND	5
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES	6
NOTES TO FINANCIAL STATEMENTS	7 - 14
REQUIRED SUPPLEMENTAL INFORMATION	
BUDGETARY COMPARISON SCHEDULE	15
RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION	
ANALYSIS OF FUNDING PROGRESS - MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM	16
OTHER REPORTS	
GAO <i>GOVERNMENT AUDITING STANDARDS</i> REPORT	17 - 18



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

184 West Carleton Road

Hillsdale, Michigan 49242

Telephone: 517/439-9331

FAX: 517/439-1894

## INDEPENDENT AUDITOR'S REPORT

Authority Board  
Marshall Area Fire Fighters Ambulance Authority  
Marshall, Michigan

We have audited the accompanying financial statements of the governmental activity and major fund activity of the Marshall Area Fire Fighters Ambulance Authority, as of and for the year ended June 30, 2007, which collectively comprises the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marshall Area Fire Fighters Ambulance Authority 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity and major fund activity of the Marshall Area Fire Fighters Ambulance Authority, as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2007 on our consideration of Marshall Area Fire Fighters Ambulance Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages iii through viii and Page 15 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 method of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Osbourne, March, Condon & Co P.C.*

Certified Public Accountants

Hillsdale, Michigan  
August 7, 2007



## **Marshall Area Fire Fighters Ambulance Authority** **Management's Discussion and Analysis** **Year Ended June 30, 2007**

The following discussion and analysis of the financial performance for the Marshall Area Fire Fighters Ambulance Authority (the "Authority") provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Authority's financial statements.

### **General Information**

The Marshall Area Fire Fighters Ambulance Authority was established under Act 57 of Public Acts of 1988, on April 15, 2004, as a municipal authority to provide ambulance service to the Townships of Burlington, Clarendon, Convis, Eckford, Fredonia, Lee, Marengo, Marshall, Tekonsha, and the City of Marshall.

The Authority is governed by a 14 member Board of Directors comprised of members representing each municipality, three members from the Marshall Firefighters Association and one member from Oaklawn Hospital - Marshall, Michigan.

### **Financial Highlights**

The following represents the most significant financial highlights for the year ended June 30, 2007:

- The Authority was authorized by public vote on August 3, 2004 to levy 0.50 mills for a period of ten years. This levy generated \$338,836 in property tax revenue. An additional \$11,529 of property taxes captured by the Marshall Downtown Development Authority & Local Development Finance Authority was donated back to the Ambulance Authority.
- The Authority acquired new computer hardware and software totaling \$47,819 for the purpose of capturing patient care records and generation of patient billing based on the electronic patient care records.
- The Authority in partnership with Kellogg Community College sponsored a Medical First Responder course in the fall of 2006. The normal tuition costs of the course were subsidized for Fire Departments and residents serving the Authority area. The Authority provided the instructors for the course.

# Marshall Area Fire Fighters Ambulance Authority

---

## Managements Discussion and Analysis

### Year Ended June 30, 2007

#### **Financial Highlights (Concluded).**

- The Authority purchased four automatic external defibrillators in the amount of \$6,391. The automatic external defibrillators along with additional medical supplies were donated to Fire Departments within the Authority area to develop and maintain Medical First Responder agencies recognized by the State of Michigan.
- In contractual arrangement with Kellogg Community College the Authority provided an Instructor Coordinator to the Emergency Medical Services department at the college. The contract was fulfilled and the Authority was compensated \$8,087 for the instructor time.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Marshall Area Fire Fighters Ambulance Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business, and therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the Authority's finances and whether taxpayers have funded the full cost of providing government services. The first two statements are government-wide and include the following:

- The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *statement of activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick and vacation leave). The government-wide financial statements can be found on pages 1 and 2 of this report.

Marshall Area Fire Fighters Ambulance Authority  
Managements Discussion and Analysis  
Year Ended June 30, 2007

---

**Overview of the Financial Statements (concluded)**

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Marshall Area Fire Fighters Ambulance Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the Authority's operations in more detail than the government-wide financial statements. These statements present a shorter-term view and tell how taxpayer resources were spent during the year.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements tell how general government services were financed in the short-term as well as what remains for future spending. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Authority's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority adopts an annual appropriated budget for its fund activity. A budgetary comparison schedule has been provided for the Authority's fund activity.

The basic governmental fund statement can be found on pages 3 and 5 of this report.

**Financial Analysis of the Authority as a Whole**

The increase in the Authority's net assets is due to two primary factors:

1. Actual revenue for the period ended June 30, 2007 was \$1,504,400; this equals 10.5% above original budget.
2. Actual expenditures were \$1,375,641; this equals 2.61% below original budget.

Marshall Area Fire Fighters Ambulance Authority  
Managements Discussion and Analysis  
Year Ended June 30, 2007

**Financial Analysis of the Authority as a Whole (continued)**

The following table shows, in a condensed format, the net assets of the Marshall Area Fire Fighters Ambulance Authority as of June 30, 2006 and 2007.

TABLE 1 – Marshall Area Fire Fighters Ambulance Authority’s Net Assets

	2006	2007
Assets		
Current assets	\$ 535,554	\$ 695,812
Non-current capital assets	<u>271,190</u>	<u>244,505</u>
Total Assets	<u>\$ 806,744</u>	<u>\$ 940,317</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities	\$ 48,077	\$ 53,731
Other liabilities	8,666	19,957
Long term liabilities	<u>24,049</u>	<u>11,918</u>
Total Liabilities	<u>\$ 80,792</u>	<u>\$ 85,606</u>
Net Assets		
Invested in capital – net of related debt	\$ 236,890	\$ 221,187
Unrestricted	<u>489,062</u>	<u>633,524</u>
Total Net Assets	<u>\$ 725,952</u>	<u>\$ 854,711</u>
Total Liabilities and Net Assts	<u>\$ 806,744</u>	<u>\$ 940,317</u>

The following is the government-wide results of operations for the fiscal year ended June 30, 2007:

The Authority’s total revenues for the current year totaled \$1,504,400 that was comprised of (1) property taxes totaling 22.5%, and (2) ambulance service charges totaling 73.9%. Other revenues (donations, interest, special events, etc.) were 3.6%. The total cost to provide ambulance services for the fiscal year ended June 30, 2007 was \$1,375,641. The Authority’s expenses are comprised of a variety of expenses. The primary cost incurred in providing ambulance services is in personnel salaries/wages and benefits totaling \$951,443 which is 69.2% of total expenses.

Marshall Area Fire Fighters Ambulance Authority  
Managements Discussion and Analysis  
Year Ended June 30, 2007

**Financial Analysis of the Authority as a Whole (concluded)**

TABLE 2 – Changes in Marshall Area Fire Fighters Ambulance Authority’s Net Assets

	2006	2007
Revenue		
Program Revenue		
Charges for services	\$ 1,045,739	\$ 1,111,870
General Revenue		
Property taxes	328,797	338,836
Interest	1,901	16,840
Donations	12,386	12,291
In-kind occupancy	18,600	18,600
Other	<u>5,668</u>	<u>5,963</u>
Total Revenue	<u>\$ 1,413,092</u>	<u>\$ 1,504,400</u>
Program Expenses		
Ambulance services	<u>\$ 1,270,874</u>	<u>\$ 1,375,641</u>
Change in Net Assets	<u>\$ 142,218</u>	<u>\$ 128,759</u>

**Financial Analysis and Highlights of the Authority’s Fund**

The fund financial statements provide detailed information about the most significant funds, not the Authority as a whole. The Authority has only one fund that accounts for all of its operating and revenues and expenditures.

In fiscal year 2006/2007, the Authority recognized capital outlay expenditures totaling \$54,211 comprised of Board authorized disbursements to purchase computer hardware and software totaling \$47,819.

The Authority did not exceed its original budget for fiscal year 2006/2007.

As of June 30, 2007, the Authority reported fund balance in the amount of \$653,481 representing approximately 48.4% of fund operating expenditures.

Marshall Area Fire Fighters Ambulance Authority  
Managements Discussion and Analysis  
Year Ended June 30, 2007

**Capital Asset and Debt Administration**

At the end of fiscal year June 30, 2007, the authority had \$244,505 (net of depreciation) invested in rescue, imedical, and office equipment. Related to these assets is debt in the amount of \$23,318.

**Economic Factors and Next Year's Budget and Rates**

Property tax revenue is anticipated to increase at a rate of less than 1% for the 2007/2008 fiscal year. The anticipated millage rate for 2007 winter taxes is 0.5 mills. The Authority's budget constitutes twelve months of operations for 2007/2008. The budget plans for capital expenditures for the purchase of a new ambulance in the amount of \$125,000. Fuel costs, employee health insurance, workers compensation are expected to be higher in the next year resulting from economic forces. Increase costs are also expected in medical supplies, equipment, and training. A decrease in the fund balance is expected to approximate \$111,987 for the fiscal year ending June 30, 2008. This is primarily due to the costs associated with replacement of an ambulance.

**Contacting the Authority's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report, or need additional information, or would like to obtain financial statements, please contact the Authority's Director at 323 W. Michigan Avenue, Marshall, Michigan 49068.

## MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

## STATEMENT OF NET ASSETS

JUNE 30, 2007

ASSETS	GOVERNMENTAL ACTIVITY
Current Assets:	
Cash	\$ 522,547
Patient receivables - net of allowance for doubtful accounts and uncollectible insurance reimbursements in the amount of \$24,000	143,751
Inventory	4,228
Prepaid insurance	<u>25,286</u>
Total Current Assets	<u>\$ 695,812</u>
Noncurrent Assets:	
Capital assets	\$ 381,469
Less: accumulated depreciation	<u>(136,964)</u>
Total Noncurrent Assets	<u>\$ 244,505</u>
TOTAL ASSETS	<u><u>\$ 940,317</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	\$ 1,055
Current portion, long-term debt	11,400
Accrued payroll liabilities	35,454
Deferred memberships	<u>5,822</u>
Total Current Liabilities	<u>\$ 53,731</u>
Noncurrent Liabilities:	
Compensated absences	\$ 10,218
Pension benefit obligation	9,739
Long-term debt, net of current portion	<u>11,918</u>
Total Noncurrent Liabilities	<u>\$ 31,875</u>
TOTAL LIABILITIES	<u>\$ 85,606</u>
Net Assets:	
Invested in capital assets, net of related debt	\$ 221,187
Unrestricted	<u>633,524</u>
Total Net Assets	<u>\$ 854,711</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 940,317</u></u>

See accompanying notes to the basic financial statements.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

	<u>PROGRAM REVENUES</u>	<u>GOVERNMENTAL ACTIVITIES</u>
EXPENSES	CHARGES FOR SERVICES	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
GOVERNMENTAL ACTIVITIES		
General government	<u>\$ 1,111,870</u>	<u>\$ (263,771)</u>
	<u>\$ 1,375,641</u>	

GENERAL REVENUES		
Property taxes		\$ 338,836
Interest		16,840
Donations		12,291
In-kind occupancy		18,600
Other		<u>5,963</u>
TOTAL GENERAL REVENUES		<u>\$ 392,530</u>
CHANGE IN NET ASSETS		\$ 128,759
NET ASSETS - BEGINNING		<u>725,952</u>
NET ASSETS - ENDING		<u>\$ 854,711</u>

See accompanying notes to the basic financial statements.

## MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

## BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2007

ASSETS	
Cash	\$ 522,547
Patient receivables - net of allowance for doubtful accounts and uncollectible insurance reimbursements in the amount of \$24,000	143,751
Inventory	4,228
Prepaid insurance	25,286
	<hr/>
TOTAL ASSETS	\$ 695,812
	<hr/>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 1,055
Accrued payroll liabilities	35,454
Deferred membership	5,822
	<hr/>
Total Liabilities	\$ 42,331
	<hr/>
Fund Balances:	
Reserved:	
Inventory	\$ 4,228
Prepaid expenses	25,286
Unreserved:	
Designated for subsequent year budget	111,987
Undesignated	511,980
	<hr/>
Total Fund Balances	\$ 653,481
	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 695,812
	<hr/>

See accompanying notes to the basic financial statements.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY  
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
 WITH THE STATEMENT OF NET ASSETS

JUNE 30, 2007

GOVERNMENTAL FUND BALANCES \$ 653,481

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources, and are not reported in the funds.

The cost of the capital assets is	\$ 381,469	
Accumulated depreciation is	<u>(136,964)</u>	244,505

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Unfunded pension obligation	(9,739)	
Notes payable	(23,318)	
Compensated absences	<u>(10,218)</u>	

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 854,711

See accompanying notes to the basic financial statements.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -  
GOVERNMENTAL FUND

YEAR ENDED JUNE 30, 2007

REVENUES	
Taxes	\$ 338,836
Charges for services	1,111,870
Donations	12,291
Interest	16,840
In-kind occupancy	18,600
Other	<u>5,963</u>
TOTAL REVENUES	<u>\$ 1,504,400</u>
EXPENDITURES	
Salaries and wages	\$ 687,527
Employee benefits	263,916
Office supplies	7,718
Medical supplies	21,176
Operating supplies	5,222
Fuel	34,095
Uniforms	6,341
Utilities	13,446
Professional services	21,379
Advertising	2,570
Repair and maintenance	26,554
Insurance	26,590
Licenses and permits	584
Dues and memberships	2,411
Education and training	7,592
Bad debt expense	137,315
In-kind occupancy	18,600
Capital outlay	<u>54,211</u>
TOTAL EXPENDITURES	<u>\$ 1,337,247</u>
REVENUES OVER EXPENDITURES	<u>\$ 167,153</u>
OTHER FINANCING SOURCES (USES)	
Payments on long-term debt	<u>\$ (12,149)</u>
NET CHANGE IN FUND BALANCE	\$ 155,004
FUND BALANCE - BEGINNING	<u>498,477</u>
FUND BALANCE - ENDING	<u><u>\$ 653,481</u></u>

See accompanying notes to the basic financial statements.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE OF THE GOVERNMENTAL FUND  
 TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 155,004

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures and in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	\$	(68,692)	
Capital outlay		<u>47,819</u>	(20,873)

Repayment of notes payable obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the governmental activity. 10,982

In the statement of activities, compensated absences (Paid Time Off - PTO) are measured by the amounts earned during the year. Therefore, when PTO time is earned, it is recognized as expenditures in the statement of activities. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, PTO earned exceeds the amounts paid. (1,552)

Actuarial valuation of the pension benefit obligation that results in an increase in the obligation is not recorded in the governmental funds, but is recorded in the governmental activities as an increase in current year contributions to retirement. (8,990)

Losses incurred on the disposal of capital assets are reported in the governmental activities as an expense, but is not reported as an expense in governmental funds. (5,812)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 128,759

See accompanying notes to the basic financial statements.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Marshall Area Fire Fighters Ambulance Authority conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

FINANCIAL REPORTING ENTITY

The Marshall Area Fire Fighters Ambulance Authority (the "Authority") was established under Act 57 of the State of Michigan Public Acts of 1988, on April 15, 2004, by the Townships of Burlington, Clarendon, Convis, Eckford, Fredonia, Lee, Marengo, Marshall, Tekonsha, and the City of Marshall, all of which are located in Calhoun County, Michigan. The Authority provides ambulance and rescue services to the citizens residing in those localities. Additionally, the Authority provides training and educational services. The Authority is supported through real estate taxes, reimbursements from insurance billing claims, service charges, donations, and service subscriptions to citizens.

The Authority is governed by a fourteen member Board of Directors comprised of members representing each municipality, three members from the Marshall Fire Fighters Association and one member from Oaklawn Hospital - Marshall, Michigan.

ECONOMIC DEPENDENCY

The Authority is economically dependent on real estate taxes collected from a .5 mill levied in the jurisdictions it services. The Authority would not be able to sustain operations absent the levy.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the activities of the Authority. All the Authority's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes charges to patients who use the services of the Authority. Taxes, intergovernmental payments, in-kind contributions, and other items not included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The Authority only has one governmental fund, it's operating fund.

Government-Wide Statements

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. When expenses are incurred for purposes for which both restricted and unrestricted net assets are available, restricted net assets are used prior to unrestricted net assets. 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.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Based Statements

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 Authority considers revenue to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include patient billing revenues reported as charges for services. All other revenue items are considered to be available only when cash is received by the Authority.

The Authority accounts for all of its activity in only one governmental fund, a *Special Revenue Fund*. Since the Authority is not self-sustaining and because it receives real estate taxes that are legally restricted for the use of the specific purpose carried out by the Authority, governmental accounting standards require that such activity be accounted for in a special revenue fund.

BANK DEPOSITS

The Authority maintains a checking and savings account with three financial institutions that are comprised of cash deposits only.

INVENTORY

Inventory consists of medical supplies and is valued at cost using the FIFO (first-in, first-out) method.

Generally accepted accounting principles require that inventory be reported at cost. Management has elected to value inventory using the average cost method. The difference between the Authority's inventory valued at average cost and cost was not determined at June 30, 2007. However, because of the small dollar amount and high turnover of inventory, management does not expect the difference in methods to result in a material difference in valuation.

CAPITAL ASSETS

Capital assets that include office and medical equipment and rescue vehicles are reported in the government-wide financial statements. The Authority defines capital assets as those with an initial individual cost of more than \$2,000 and an estimated useful life in excess of 1 year. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the life of an asset are not capitalized but rather expensed in the period incurred. Depreciation expense is reported in general government expense on the statement of activities.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONCLUDED)

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

	YEARS
Equipment	3 - 7
Rescue vehicles	5

ACCOUNTS RECEIVABLE

The Authority uses the allowance method for valuing potentially delinquent accounts. The allowance is estimated based upon a review of outstanding receivables, historical collection information, billings, and existing economic conditions. Past due accounts greater than ninety days are considered delinquent and are reserved for in the allowance for doubtful accounts at June 30, 2007.

NET PATIENT SERVICE REVENUE

The Authority has agreements with third-party payers that provide payments to the Authority at amounts different from its established service rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered.

CONTRIBUTIONS

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or for a specific purpose by the donor are reported as restricted net assets. However, donor restricted contributions whose restrictions are met in the same accounting period are reported as unrestricted support. At June 30, 2007, the Authority did not have any restricted net assets.

Generally accepted accounting principles require that in-kind occupancy be recognized as contribution revenue in the period in which the contribution is received and expensed in the period the occupancy was used. Management has recognized the fair value of in-kind occupancy in its financial statements at June 30, 2007 in the amount of \$18,600.

PROPERTY TAX

Current property taxes are collected by various taxing entities and remitted to the Authority. Properties are assessed as of December 31, and the related property taxes are levied and become payable on July 1 of the following year for summer taxes and December 1 for winter taxes. Summer and winter taxes are due without penalty if paid by September 14 and February 14, respectively. The due date for property tax collections is February 14, after which time property tax bills become delinquent and are turned over to the respective county. Delinquent personal taxes are remitted to the Authority by the various taxing entities when the taxes are collected. Due to the uncertainty of when and if delinquent personal property taxes will be collected, the Authority does not accrue personal property tax revenue at the end of its fiscal year.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES

Full time employees are eligible to earn personal time off (PTO) upon completing a ninety day probationary period. PTO encompasses a variety of traditional leave time such as vacation, personal days, sick leave, military leave, birthday, and bereavement.

The rate of PTO earned is based on minutes for hours worked and increases with years of service. There is no limit on the amount of PTO that an employee can accumulate. However, an employee who resigns or retires from the Authority will be compensated for their accumulated PTO up to the maximum of 192 hours. For every five hours of earned PTO time accumulated, the employee will be compensated for one hour at their regular hourly rate at the time of separation. An employee who is terminated by the Authority is not entitled to payment for accumulated and unused PTO hours.

At June 30, 2007 employees accumulated unpaid PTO in the amount of \$10,218.

LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations are reported as liabilities in the government-wide statement of net assets. The face amount of issued debt is reported as other financing sources in the fund statement of revenues, expenditures and changes in fund balance.

FUND EQUITY

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

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BUDGETS AND BUDGETARY ACCOUNTING

The Authority's budgetary procedures in establishing budgetary data reflected in the financial statements are as follows:

1. The Authority's Director submits to the Authority Board a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is enacted through the passage of a resolution.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

BUDGETS AND BUDGETARY ACCOUNTING (CONCLUDED)

4. Formal budgetary integration is employed as a management control device during the year.
5. The budget is adopted on a basis consistent with generally accepted accounting principles, which is the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved or as amended by the Authority Board. The Authority's budget is adopted on a fund basis.
6. Any excess amount budgeted for expenditures are covered by a carryover in fund balance from previous years.
7. Budgeted revenues and expenditures are presented in the statement of revenues, expenditures and changes in fund balances - budget and actual - governmental fund, including any authorized amendments to the original budget as adopted.

ENCUMBRANCE ACCOUNTING

Encumbrances for goods and services are documented by requisitions or contracts. Appropriations lapse at June 30, and any encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at June 30, 2007.

NOTE 2: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

At year end, cash was comprised of the following:

Cash (checking, savings and certificate of deposit )	\$	522,347
Petty cash		<u>200</u>
Total	\$	<u>522,547</u>

The Authority deposits money with three financial institutions. The Authority's total bank deposits are \$522,669, of which \$328,288 is covered by federal depository insurance.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

NOTE 3: CAPITAL ASSETS

Capital asset activity of the Authority for the year was as follows:

	BALANCE JULY 1, 2006	ADDITIONS	DISPOSALS	BALANCE JUNE 30, 2007
Capital assets being depreciated:				
Medical equipment	\$ 57,091	\$	\$	\$ 57,091
Rescue vehicles	264,523		7,500	257,023
Office equipment and furnishings	<u>19,536</u>	<u>47,819</u>	<u></u>	<u>67,355</u>
Subtotal	<u>\$ 341,150</u>	<u>\$ 47,819</u>	<u>\$ 7,500</u>	<u>\$ 381,469</u>
Accumulated depreciation:				
Medical equipment	\$ 5,835	\$ 8,938	\$	\$ 14,773
Rescue vehicles	59,518	51,404	1,688	109,234
Office equipment and furnishings	<u>4,607</u>	<u>8,350</u>	<u></u>	<u>12,957</u>
Subtotal	<u>\$ 69,960</u>	<u>\$ 68,692</u>	<u>\$ 1,688</u>	<u>\$ 136,964</u>
Net Capital Assets	<u>\$ 271,190</u>	<u>\$ (20,873)</u>	<u>\$ 5,812</u>	<u>\$ 244,505</u>

NOTE 4: LONG-TERM DEBT

Long-term debt at June 30, 2007 consisted of the following:

Note payable – City of Marshall – the City obtained financing from a local financial institution for the purchase of an ambulance on behalf of the Authority. Both the City and the financial institution jointly hold title to the ambulance as secured lien holders. The note is payable in monthly installments of \$1,012 to the City, with interest at a rate of 3.98%, through June 1, 2009.

	\$ 23,318
Less: current portion	<u>11,400</u>
<b>TOTAL LONG-TERM DEBT</b>	<u><b>\$ 11,918</b></u>

The following is a summary of changes in long-term debt:

	BALANCE JULY 1, 2006	ADDITIONS	REDUCTIONS	BALANCE JUNE 30, 2007
City of Marshall	<u>\$ 34,300</u>	<u>\$</u>	<u>\$ 10,982</u>	<u>\$ 23,318</u>

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2007

NOTE 4: LONG-TERM DEBT (CONCLUDED)

The following is a schedule of principal and interest maturities:

	PRINCIPAL	INTEREST	TOTAL
2008	\$ 11,400	\$ 720	\$ 12,120
2009	<u>11,918</u>	<u>260</u>	<u>12,718</u>
	<u>\$ 23,318</u>	<u>\$ 980</u>	<u>\$ 24,298</u>

During the year ended June 30, 2007, the Authority incurred interest expense on long-term debt in the amount of \$1,167.

NOTE 5: DEFINED BENEFIT PENSION PLAN

Plan Description

The Authority participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple employer plan administered by the Retirement Board of MERS. The Plan provides retirement and disability benefits, annual cost of living adjustments and death benefits to Plan members and beneficiaries. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

Funding Policy

The Authority's annual contribution requirement is 4.22% and 3.89% of participating employee's covered payroll effective July 1, 2008 and 2007, respectively. Authority's participating employees are required to contribute 6.84% of their annual covered payroll. These contribution percentages are based on the actuarial valuation date as of December 31, 2006. The contribution requirements of the Authority are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Authority depending on the MERS contribution program adopted by the Authority.

Funding Progress

The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age normal actuarial method. The significant actuarial assumptions used include (a) a rate of return of the investment of present and future assets of 8%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to longevity and merit.

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

JUNE 30, 2007

NOTE 5: DEFINED BENEFIT PENSION PLAN (CONCLUDED)

Information related to funding of the pension benefit obligation as of December 31, 2006 actuarial valuation is as follows:

Pension Benefit Obligation

Actuarial Accrued Liability:	
Non-vested terminated employees	\$ 2,357
Current employees –	
Accumulated employee contributions	42,016
including allocated investment income	34,346
Employer financed	<u>34,346</u>
Total Actuarial Accrued Liability (AAL)	\$ 78,719
Net assets available for benefits at actuarial value (market value is \$69,945)	<u>68,980</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 9,739</u>

The actuarial value of MERS assets was determined on the basis of a method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at December 31, 2006 was 29 years.

Trend Information

YEAR ENDED JUNE 30,	PENSION COST (APC)	PERCENTAGE CONTRIBUTED	NET PENSION OBLIGATION
2006	\$ 14,009	94.67%	\$ 749
2007	14,473	61.83	9,739

The required supplementary information (see table of contents) contained in the additional information is designed to provide information about the plan's progress in accumulating sufficient assets to pay benefits when due.

NOTE 6: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, unemployment benefits, as well as medical and workmen's compensation benefits provided to employees. The Authority has purchased commercial insurance for general liability on buildings occupied, equipment damage and theft, employee theft, and limited tort claims.

In addition to carrying commercial insurance, the Authority participates in the Michigan Association of Ambulance Services (MAAS), Self-Insured Workers' Compensation Fund (the "Fund") for workers compensation. The Fund was established pursuant to the provisions of Act 45 of Michigan Public Acts of 1974. Premiums for coverage secured by the Authority are determined in accordance with rating guidelines, which provide funds sufficient to secure specific and aggregate reinsurance.

At June 30, 2007, there were no claims which exceeded insurance coverage, nor have any settled claims during the year exceeded insurance coverage. The Authority did not have any significant reduction in insurance coverage during the year.

REQUIRED SUPPLEMENTAL INFORMATION

## MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

## REQUIRED SUPPLEMENTAL INFORMATION

## BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2007

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES			
Taxes	\$ 320,000	\$ 320,000	\$ 338,836
Charges for services	1,024,500	1,024,500	1,111,870
Donations	9,500	9,500	12,291
Interest	1,000	1,000	16,840
In-kind occupancy			18,600
Other	6,000	6,000	5,963
TOTAL REVENUES	<u>\$ 1,361,000</u>	<u>\$ 1,361,000</u>	<u>\$ 1,504,400</u>
EXPENDITURES			
Salaries and wages	\$ 690,314	\$ 690,314	\$ 687,527
Employee benefits	274,466	283,566	263,916
Office supplies	8,500	8,700	7,718
Medical supplies	17,000	20,000	21,176
Operating supplies	7,000	6,000	5,222
Fuel	35,000	35,000	34,095
Uniforms	7,500	6,500	6,341
Utilities	16,000	15,000	13,446
Professional services	23,500	20,500	21,379
Advertising	4,500	4,500	2,570
Repair and maintenance	30,000	29,400	26,554
Insurance	28,000	27,000	26,590
Licenses and permits	750	750	584
Dues and memberships	2,000	2,500	2,411
Education and training	14,000	14,000	7,592
Bad debt expense	120,000	125,000	137,315
In-kind occupancy			18,600
Capital outlay	50,000	57,500	54,211
TOTAL EXPENDITURES	<u>\$ 1,328,530</u>	<u>\$ 1,346,230</u>	<u>\$ 1,337,247</u>
REVENUES OVER EXPENDITURES	<u>\$ 32,470</u>	<u>\$ 14,770</u>	<u>\$ 167,153</u>
OTHER FINANCING (USES)			
Payments on long-term debt	<u>\$ (12,200)</u>	<u>\$ (12,200)</u>	<u>\$ (12,149)</u>
NET CHANGE IN FUND BALANCE	\$ 20,270	\$ 2,570	\$ 155,004
FUND BALANCE - BEGINNING	<u>498,477</u>	<u>498,477</u>	<u>498,477</u>
FUND BALANCE - ENDING	<u>\$ 518,747</u>	<u>\$ 501,047</u>	<u>\$ 653,481</u>

MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

REQUIRED SUPPLEMENTAL INFORMATION

RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION  
ANALYSIS OF FUNDING PROGRESS

MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

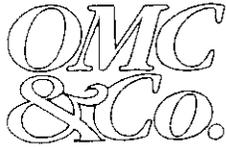
JUNE 30, 2007

SCHEDULE OF FUNDING PROGRESS

ACTUARIAL VALUATION DATE	(a) ACTUARIAL VALUE OF ASSETS	(b) ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE	(b-a) UNFUNDED AAL (UAAL)	FUNDED RATIO TOTAL	(c) COVERED PAYROLL	((b-a)/c) UAAL AS A PERCENTAGE OF COVERED PAYROLL
12/31/05	\$21,448	\$22,197	\$ 749	97%	\$402,450	0.2%
12/31/06	68,980	78,719	9,739	88	487,797	2

Analysis of the dollar amounts of net assets available for benefits, actuarial accrued liability (AAL) and unfunded "AAL" in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the "AAL" provides one indication of the retirement system's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded "AAL" and annual covered payroll are both affected by inflation. Expressing the unfunded "AAL" as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the retirement system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

OTHER REPORTS



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

184 West Carleton Road

Hillsdale, Michigan 49242

Telephone: 517/439-9331

FAX: 517/439-1894

## MARSHALL AREA FIRE FIGHTERS AMBULANCE AUTHORITY

### GAO GOVERNMENT AUDITING STANDARDS REPORT

#### INDEPENDENT AUDITOR'S 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*

Authority Board  
Marshall Area Fire Fighters Ambulance Authority  
Marshall, Michigan

We have audited the financial statements of the governmental activity and major fund of Marshall Area Fire Fighters Ambulance Authority, as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marshall Area Fire Fighters Ambulance Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 Authority'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 Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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 statement will not be prevented or detected by the Authority's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information of the Authority Board, management, and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.

*Osbourne, March, Condon & Co P.C.*

Certified Public Accountants

Hillsdale, Michigan  
August 7, 2007