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LOCAL AUDIT & FINANCE DIV.

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

Michigan Dept. of Treasury, Local Audit & Finance Division
496 (3-98). Formerly L-3147

AUDITING PROCEDURES REPORT

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

Local Government Type	Local Government Name	County
☐ City ☐ Township ☐ Village ☒ Other	Clinton Area Fire and Rescue	Clinton

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
March 31, 2005	May 9, 2005	September 16, 2005

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 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 they 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)			
Campbell, Kusterer & Co., P.C.			
Street Address	**City**	**State**	**Zip**
512 N. Lincoln, Suite 100, P.O. Box 686	Bay City	MI	48707
Accountant Signature			
Campbell, Kusterer & Co., P.C.			

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

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May 9, 2005

INDEPENDENT AUDITOR'S REPORT

To the Fire Board
Clinton Area Fire and Rescue
Clinton County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Clinton Area Fire and Rescue, Clinton County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Fire and Rescue Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clinton Area Fire and Rescue's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Clinton Area Fire and Rescue, Clinton County, Michigan as of March 31, 2005, 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 1, the Fire and Rescue Board 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 of April 1, 2004.

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

Campbell, Kusterer & Co., P.C.

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

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Clinton Area Fire and Rescue (CAFR) covers the Authority's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled $67,280.76. Overall total capital assets remained approximately the same.

Overall revenues were $419,804.63.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Authority and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Authority in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Authority as a whole using accounting methods used by private companies. The statement of net assets includes all of the Authority's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

All of the activities of CAFR are reported as governmental activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Authority's funds, focusing on significant (major) funds are required by law or bond covenants. The Authority board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

We have five years left on the loan for the Ford Excursion, six years on the loan for land and building Station #1, and eight years left on the loan for the equipment.

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

The Townships are the major contributor to the Authority. Grants, donations, and fees for run reports making up the rest.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Authority paid $73,044.92 for capital assets.

The Authority paid $124,643.29 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Townships continue to grow so the Fire Department must keep up with growth and changing rules and regulations.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide our investors and customers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. If you have any questions concerning this report, please contact the CAFR Secretary/Treasurer at 6843 Alward Road, Laingsburg, Michigan, or by calling (517) 651-2094.

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	Governmental Activities
ASSETS:	
CURRENT ASSETS:	
Cash in bank	13 309 41
Total Current Assets	13 309 41
NON-CURRENT ASSETS:	
Capital Assets	1 542 569 02
Less: Accumulated Depreciation	(175 293 89)
Total Non-current Assets	1 367 275 13
TOTAL ASSETS	1 380 584 54
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	-
Total Current Liabilities	-
NON-CURRENT LIABILITIES:	
Notes payable	1 313 303 78
Total Non-current Liabilities	1 313 303 78
Total Liabilities	1 313 303 78
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	53 971 35
Unrestricted	13 309 41
Total Net Assets	67 280 76
TOTAL LIABILITIES AND NET ASSETS	1 380 584 54

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

CLINTON ARE FIRE AND RESCUE
Clinton County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

FUNCTIONS/PROGRAMS	Expenses	Program Revenue Charges for Services	Governmental Activities Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:			
Public safety	248 525 31	375 168 55	126 643 24
Interest on long-term debt	56 050 79	-	(56 050 79)
Total Governmental Activities	304 576 10	375 168 55	70 592 45
General Revenues:			
Interest			29
Miscellaneous			44 635 79
Total General Revenues			44 636 08
Change in net assets			115 228 53
Net assets, beginning of year			(47 947 77)
Net Assets, End of Year			67 280 76

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

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND
March 31, 2005

	Total (General)
Assets	
Cash in bank	13 309 41
Total Assets	13 309 41
Liabilities and Fund Equity	
Liabilities	-
Total liabilities	-
Fund equity:	
Fund balance:	
Unreserved:	
Undesignated	13 309 41
Total fund equity	13 309 41
Total Liabilities and Fund Equity	13 309 41

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

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCE – GOVERNMENTAL FUND	13 309 41
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 542 569 02
Accumulated depreciation	(175 293 89)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Notes payable	(1 313 303 78)
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	67 280 76

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

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
Year ended March 31, 2005

	Total (General)
Revenues:	
Charges for services – fire protection:	
Bingham Township	119 270 81
Greenbush Township	92 406 86
Victor Township	163 490 88
Interest	29
Miscellaneous	44 635 79
Total revenues	419 804 63
Expenditures:	
Public safety:	
Fire protection:	
Salaries, wages and payroll taxes	48 574 27
Supplies	12 710 22
Gas and oil	9 901 19
Telephone	1 385 68
Insurance	40 280 41
Utilities	9 044 31
Building maintenance	11 188 43
Equipment maintenance	10 719 51
Vehicle maintenance	15 496 30
Professional services	22 646 73
Training	4 153 31
Miscellaneous	4 547 14
Capital outlay	73 044 92
Debt service	180 694 08
Total expenditures	444 386 50
Excess (deficiency) of revenues over expenditures	(24 581 87)
Other financing sources (uses):	
Loan proceeds	27 457 04
Total other financing sources (uses)	27 457 04
Excess (deficiency) of revenues and other sources over expenditures and other uses	2 875 17
Fund balance, April 1	10 434 24
Fund Balance, March 31	13 309 41

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

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND	2 875 17
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(57 877 81)
Capital Outlay	73 044 92
Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets	
Principal payments on long-term debt	124 643 29
Repayment of debt principal in the form of loan proceeds is a financing source in the governmental funds, the receipt does not have an effect in the statement of activities but does increase the debt balance in the statement of net assets	
Principal receipts on long-term debt	(27 457 04)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	115 228 53

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

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Clinton Area Fire and Rescue, Clinton County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

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

The reporting entity is the Clinton Area Fire and Rescue. The Authority is governed by an appointed Fire Board. As required by generally accepted accounting principles, these financial statements present the Authority as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Authority reports only one fund as follows:

- The General Fund is used to record the operations of the Authority which pertain to maintaining and operating the Authority. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

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

Receivables

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

Inventories

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

Property Taxes

The Authority does not levy any property taxes.

Encumbrances

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

Capital Assets

Capital assets are defined by the Authority as assets with an initial cost of more than $3,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	10-50 years
Vehicles and equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

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

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Accounting Change

Effective April 1, 2004, the Authority 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). Changes to the Authority's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Authority's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling $1,367,275.13.

Note 2 – Budgets and Budgetary Accounting

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

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.

2. The proposed budgets include expenditures as well as the methods of financing them.

3. Public hearings are held to obtain taxpayer comments.

4. The budgets are adopted at the activity level by a majority vote of the Fire Board.

5. The budgets are adopted on the modified accrual basis of accounting.

6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.

7. The adopted budgets are used as a management control device during the year for all budgetary funds.

8. Budget appropriations lapse at the end of each fiscal year.

9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Board has designated two banks for the deposit of Authority funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

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

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

	Carrying Amounts
Total Deposits	13 309 41

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

	Bank Balances
Insured (FDIC)	14 057 10
Uninsured and Uncollateralized	-
Total Deposits	14 057 10

The Clinton Area Fire and Rescue did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

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

	Balance 4/1/04	Additions	Deletions	Balance 3/31/05
Governmental Activities:				
Buildings	226 685 58	-	-	226 685 58
Vehicles and equipment	1 242 838 52	73 044 92	-	1 315 883 44
Total	1 469 524 10	73 044 92	-	1 542 569 02
Accumulated Depreciation	(117 416 08)	(57 877 81)	-	(175 293 89)
Net Capital Assets	1 352 108 02	15 167 11	-	1 367 275 13

Note 5 – Deferred Compensation Plan

The Authority does not have a deferred compensation plan.

Note 6 – Risk Management

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

Note 7 – Pension Plan

The Authority does not have a pension plan.

Note 8 – Changes in Long-Term Debt

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

	Balance 4/1/04	Additions	Deductions	Balance 3/31/05
Note payable – land	160 000 00	-	20 000 00	140 000 00
Note payable – equipment	1 250 490 03	-	104 643 29	1 145 846 74
Note payable – vehicle	-	27 457 04	-	27 457 04
Total	1 410 490 03	27 457 04	124 643 29	1 313 303 78

Note 9 – Note Payable – Land

On December 14, 2001, the Authority entered into a contract to purchase land. The contract requires annual payments beginning May 1, 2002, through May 1, 2011, in the amount of $20,000.00 plus interest at the rate of 4.87% per annum.

Note 10 – Note Payable – Equipment

The Authority obtained a loan to purchase equipment. The contract requires annual payments beginning May 1, 2004, through May 1, 2013, in the amount of $153,399.90 including interest at the rate of 3.89% per annum.

Note 11 – Note Payable – Vehicle

The Authority obtained a loan to purchase a new rescue vehicle. The contract requires six annual payments in the amount of $5,369.14 including interest at the rate of 4.9% per annum.

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Charges for services – fire protection:				
Bingham Township	115 657 75	115 657 75	119 270 81	3 613 06
Greenbush Township	89 799 05	89 799 05	92 406 86	2 607 81
Victor Township	164 723 10	164 723 10	163 490 88	(1 232 22)
Interest	-	-	29	29
Miscellaneous	52 000 00	52 000 00	44 635 82	(7 364 18)
Total revenues	422 179 90	422 179 90	419 804 66	(2 375 24)
Expenditures:				
Public safety:				
Fire protection:				
Salaries, wages and payroll taxes	62 187 50	62 187 50	48 574 27	(13 613 23)
Supplies	9 275 00	9 275 00	12 710 22	3 435 22
Gas and oil	8 000 00	8 000 00	9 901 19	1 901 19
Telephone	1 500 00	1 500 00	1 385 68	(114 32)
Insurance	30 000 00	30 000 00	40 280 41	10 280 41
Utilities	9 750 00	9 750 00	9 044 31	(705 69)
Building maintenance	4 800 00	4 800 00	11 188 43	6 388 43
Equipment maintenance	9 500 00	9 500 00	10 719 51	1 219 51
Vehicle maintenance	8 500 00	18 500 00	15 496 30	(3 003 70)
Professional services	14 500 00	14 500 00	22 646 73	8 146 73
Training	4 000 00	4 000 00	4 153 31	153 31
Miscellaneous	15 900 00	15 900 00	4 547 14	(11 352 86)
Contingency	6 262 50	6 262 50	-	(6 262 50)
Capital outlay	84 300 00	74 300 00	73 044 92	(1 255 08)
Debt service	181 077 23	181 077 23	180 694 08	(383 15)
Total expenditures	449 552 23	449 552 23	444 386 50	(5 165 73)
Excess (deficiency) of revenues over expenditures	(27 372 33)	(27 372 33)	(24 581 84)	2 790 49
Other financing sources (uses):				
Loan proceeds	27 457 01	27 457 01	27 457 01	-
Total other financing sources (uses)	27 457 01	27 457 01	27 457 01	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	84 68	84 68	2 875 17	2 790 49
Fund balance, April 1	-	-	10 434 24	10 434 24
Fund Balance, March 31	84 68	84 68	13 309 41	13 224 73

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 9, 2005

To the Fire Board
Clinton Area Fire and Rescue
Clinton County, Michigan

We have audited the financial statements of the Clinton Area Fire and Rescue for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

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

We conducted our audit of the financial statements of the Clinton Area Fire and Rescue in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

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

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

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

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

To the Fire Board
Clinton Area Fire and Rescue
Clinton County, Michigan

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

SIGNIFICANT ACCOUNTING POLICIES

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

OTHER COMMUNICATIONS

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

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

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Clinton Area Fire and Rescue began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Fire and Rescue Board is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed no conditions that we would like to bring to your attention.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire and Rescue Board's financial statements and this communication of these matters does not affect our report on the Fire and Rescue Board's financial statements, dated March 31, 2005.

SUMMARY

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

Sincerely,

Campbell, Kusterer Co., P.C.

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