CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

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, 2006	May 17, 2006	July 14, 2006

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

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	2-3
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	4
Government-wide Statement of Activities	5
Fund Financial Statements:	
Governmental Fund:	
Balance Sheet	6
Reconciliation of Balance Sheet of Governmental Fund to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	9
Notes to Financial Statements	10-14
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	15

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

May 17, 2006

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, 2006, 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, 2006, 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.

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, 2006

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, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled $255,856.00. Overall total capital assets remained approximately the same.

Overall revenues were $721,377.75.

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, five years on the loan for land and building Station #1, and seven 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, 2006

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 $137,320.84 for capital assets.

The Authority paid $132,850.22 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, 2006

	Governmental Activities
ASSETS:	
CURRENT ASSETS:	
Cash in bank	75 425 78
Total Current Assets	75 425 78
NON-CURRENT ASSETS:	
Capital Assets	1 638 389 86
Less: Accumulated Depreciation	(249 506 08)
Total Non-current Assets	1 388 883 78
TOTAL ASSETS	1 464 309 56
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	28 000 00
Total Current Liabilities	28 000 00
NON-CURRENT LIABILITIES:	
Notes payable	1 180 453 56
Total Non-current Liabilities	1 180 453 56
Total Liabilities	1 208 453 56
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	208 430 22
Unrestricted	47 425 78
Total Net Assets	255 856 00
TOTAL LIABILITIES AND NET ASSETS	1 464 309 56

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, 2006

		Program Revenue		Governmental Activities
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:				
Public safety	480 566 13	393 056 45	142 288 00	54 778 32
Interest on long-term debt	52 236 38	-	-	(52 236 38)
Total Governmental Activities	532 802 51	393 056 45	142 288 00	2 541 94
General Revenues:				
Interest				2 004 80
Miscellaneous				184 028 50
Total General Revenues				186 033 30
Change in net assets				188 575 24
Net assets, beginning of year				67 280 76
Net Assets, End of Year				255 856 00

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, 2006

	Total (General)
Assets	
Cash in bank	75 425 78
Total Assets	75 425 78
Liabilities and Fund Equity	
Liabilities:	
Accounts payable	28 000 00
Total liabilities	28 000 00
Fund equity:	
Fund balance:	
Unreserved:	
Undesignated	47 425 78
Total fund equity	47 425 78
Total Liabilities and Fund Equity	75 425 78

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, 2006

TOTAL FUND BALANCE – GOVERNMENTAL FUND	47 425 78
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	1 638 389 86
Accumulated depreciation	(249 506 08)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Notes payable	(1 180 453 56)
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	255 856 00

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, 2006

	Total (General)
Revenues:	
Federal Grant	128 988 00
State Grant	13 300 00
Charges for services – fire protection:	
Bingham Township	127 119 14
Greenbush Township	98 335 38
Victor Township	167 601 93
Interest	2 004 80
Miscellaneous	184 028 50
Total revenues	721 377 75
Expenditures:	
Public safety:	
Fire protection:	
Salaries, wages and payroll taxes	69 781 34
Supplies	128 687 05
Gas and oil	12 090 45
Telephone	3 216 92
Insurance	36 370 67
Utilities	8 747 52
Building maintenance	7 515 55
Equipment maintenance	10 817 29
Vehicle maintenance	17 904 05
Professional services	38 983 49
Training	5 881 24
Miscellaneous	24 858 37
Capital outlay	137 320 84
Debt service	185 086 60
Total expenditures	687 261 38
Excess (deficiency) of revenues over expenditures	34 116 37
Fund balance, April 1	13 309 41
Fund Balance, March 31	47 425 78

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, 2006

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND	34 116 37
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	(115 712 19)
Capital Outlay	137 320 84
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	132 850 22
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	188 575 24

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.

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	75 425 78

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

	Bank Balances
Insured (FDIC)	81 429 89
Uninsured and Uncollateralized	-
Total Deposits	81 429 89

The Clinton Area Fire and Rescue did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

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

	Balance 4/1/05	Additions	Deletions	Balance 3/31/06
Governmental Activities:				
Buildings	226 685 58	-	226 685 58	-
Vehicles and equipment	1 315 883 44	137 320 84	(41 500 00)	1 411 704 28
Total	1 542 569 02	137 320 84	(41 500 00)	1 638 389 86
Accumulated Depreciation	(175 293 89)	(115 712 19)	41 500 00	(249 506 08)
Net Capital Assets	1 367 275 13	21 608 65	-	1 388 883 78

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 4/1/05	Additions	Deductions	Balance 3/31/06
Note payable – land	140 000 00	-	20 000 00	120 000 00
Note payable – equipment	1 145 846 74	-	108 826 47	1 037 020 27
Note payable – vehicle	27 457 04	-	4 023 75	23 433 29
Total	1 313 303 78	-	132 850 22	1 180 453 56

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, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Federal grant	224 392 00	224 392 00	128 988 00	(95 404 00)
State grant	13 300 00	13 300 00	13 300 00	-
Charges for services-fire protection:				
Bingham Township	127 119 14	127 119 14	127 119 14	-
Greenbush Township	98 335 46	98 335 46	98 335 38	(08)
Victor Township	167 601 93	167 601 93	167 601 93	-
Interest	-	-	2 004 80	2 004 80
Miscellaneous	69 251 47	69 251 47	184 028 50	114 777 03
Total revenues	700 000 00	700 000 00	721 377 75	21 377 75
Expenditures:				
Public safety:				
Fire protection	370 000 00	370 000 00	364 853 94	(5 146 06)
Capital outlay	140 000 00	140 000 00	137 320 84	(2 679 16)
Debt service	190 000 00	190 000 00	185 086 60	(4 913 40)
Total expenditures	700 000 00	700 000 00	687 261 38	(12 738 62)
Excess (deficiency) of revenues over expenditures	-	-	34 116 37	34 116 37
Fund balance, April 1	-	-	13 309 41	13 309 41
Fund Balance, March 31	-	-	47 425 78	47 425 78

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 17, 2006

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, 2006. 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.

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, 2006.

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