Tobin & Co.

Coldsprings-Excelsior Volunteer Fire and Rescue Department

Kalkaska County, Michigan

Audit Report

For the Year Ended March 31, 2004

Michigan Dept. of Treasury, Local Government Audit Division
L-3147 (Rev. 3-96)

AUDITING PROCEDURES REPORT

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

Local Government Name (Specify) ☐ City ☐ Township ☐ Village ☒ Other	Coldsprings-Excelsior Volunteer Fire & Rescue Department		County Kalkaska
Audit Date 3/31/04	Opinion Date 6/10/04	Date Accountant Report Submitted to State: 7/2/04	

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.

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LOCAL AUDIT & FINANCE DIV.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

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) TOBIN & CO., P.C.			
Street Address 400 E. EIGHTH ST.	City TRAVERSE CITY	State MI	ZIP 49686
Accountant Signature			

231 947-0151
38-2595 646

Table of Contents

	Page
INTRODUCTORY SECTION	
Comments and Recommendations	4 - 5
FINANCIAL SECTION	
Accountant's Report	7
Combined Financial Statements:	
Exhibit	
A - Combined Balance Sheet – All Fund Types and Account Groups	8
B - Statement of Revenues, Expenditures and Changes in Fund Balance – Special Revenue Fund	9
C - Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	10
Notes to the Financial Statements	11 - 16
SUPPLEMENTAL DATA SECTION	
Schedules	
General Operating Special Revenue Fund	
1 - Statement of Revenues, Expenditures and Changes in Fund Balance	18

INTRODUCTORY SECTION

Comments and Recommendations

We have audited the general purpose financial statements of the Coldsprings-Excelsior Volunteer Fire and Rescue Department, Kalkaska County, for the year ended March 31, 2004, and have issued our report thereon. As part of our examination, we made a study and evaluation of the joint Department's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the joint Department's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation, made for the limited purposes described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the joint Department taken as a whole. As a result of our examination, however, we deem it necessary to make the following comments and recommendations.

General

The Coldsprings-Excelsior Volunteer Fire and Rescue Department was organized by the two Township Boards to provide fire protection, ambulance and emergency rescue service to their respective residents. The Department is financed by a special voted tax, levied by each of the two townships. The Coldsprings Township Treasurer is the treasurer of the Department, receives and deposits all funds of the Department, and disburses funds on order of the joint Fire and Rescue Board.

Accounting Records

The accounting records were maintained in very good condition by the Clerk and Treasurer of the joint Department. The Uniform Chart of Accounts, developed by the State of Michigan, is being utilized. The Clerk maintains cash receipts and disbursements journals and a spreadsheet general ledger. Supporting documents and follow up procedures appeared adequate. Board minutes were maintained in good order.

Budgets and Procedures

A budget was adopted for the General Operating Special Revenue Fund of the Department, and we were pleased to note that no line item exceeded its original budget without amendment. The Department appears to be in compliance with the provisions of Act 621 of 1978 (Uniform Budgeting Act).

Comments and Recommendations

General Operating Special Revenue Fund

This Fund, presented on Schedule 1, is utilized to account for appropriations of the participating townships and contractual payments from other neighboring units. It reflects the general administrative expenses of the joint Department. Based on the Uniform Chart of Accounts, the Fund belongs in the Special Revenue Funds category and is treated as such in this report.

Revenues for the audit year totaled $166,403, while expenditures totaled $186,935. The Fund balance at March 31, 2004 was $234,734.

Payroll Records

Records reflect that Federal and State income taxes and Social Security tax are withheld where required and paid out to the proper agencies. Forms, records and reports appeared in good order.

General Fixed Assets

Note 4 of this report reflects additions and deletions of general fixed assets (land, buildings, vehicles, equipment) for the audit year. It is essential that the inventory of these assets be reviewed and updated at least annually.

Insurance and Surety Bond Coverage

Records indicate that the Department has such insurance coverage as equipment, workmen's compensation, liability, and crime. The Department Board President, Treasurer and Clerk are covered by security bonds.

Other Data

After the completion of our audit, we will mail the necessary copies of our audit report to the State Department of Treasury.

We appreciate the courtesy extended to our field auditor during the conduct of the audit. Your confidence is respected. Please contact us if questions or problems arise.

FINANCIAL SECTION

Tobin & Co.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Coldsprings-Excelsior Volunteer Fire and Rescue Department
Kalkaska County
Kalkaska, Michigan 49646

We have audited the accompanying general purpose financial statements of Coldsprings-Excelsior Volunteer Fire and Rescue Department as of and for the year ended March 31, 2004, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly in all material respects, the financial position of such funds of Coldsprings-Excelsior Volunteer Fire and Rescue Department at March 31, 2004, and the results of operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statement listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Coldsprings-Excelsior Volunteer Fire and Rescue Department. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Tobin & Co., P.C.

Tobin & Co., P.C.
June 10, 2004

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Certified Public Accountants

Tobin & Co.

Coldsprings-Excelsior Volunteer Fire and Rescue Department — Exhibit A

Combined Balance Sheet – All Fund Types and Account Groups

March 31, 2004

	Governmental Fund Types	Account Groups	
	Special Revenue Fund	General Fixed Assets	Total (Memo Only)
Assets			
Cash in Bank	$ 201,426	$ -	$ 201,426
Cash in Bank – Restricted Vehicle Purchases	26,911	-	26,911
Due from Other Units	6,397	-	6,397
Fire Fighting Equipment	-	779,243	779,243
Total Assets	$ 234,734	$ 779,243	$ 1,013,977
Liabilities and Fund Equity			
Liabilities:	$ -	$ -	$ -
Total Liabilities	-	-	-
Fund Equity:			
Investment in General Fixed Assets	-	779,243	779,243
Fund Balance – Reserved	26,911	-	26,911
Fund Balance – Unreserved	207,823	-	207,823
Total Fund Equity	234,734	779,243	1,013,977
Total Liabilities and Fund Equity	$ 234,734	$ 779,243	$ 1,013,977

The Notes to the Financial Statements are an integral part of this statement.

Coldsprings-Excelsior Volunteer Fire and Rescue Department — Exhibit B

Statement of Revenues, Expenditures and Changes in Fund Balance

Special Revenue Fund

For the Year Ended March 31, 2004

	Governmental Fund Types Special Revenue Fund
Revenue	
Contributions from Local Units	$ 143,823
Charges for Services	15,167
Interest and Rents	4,158
Other	3,255
Total	166,403
Expenditures	
Public Safety	186,935
Total	186,935
Excess Revenues (Expenditures)	(20,532)
Fund Balance – Beginning of Year	255,266
Fund Balance – End of Year	$ 234,734

The Notes to the Financial Statements are an integral part of this statement.

Coldsprings-Excelsior Volunteer Fire and Rescue Department — Exhibit C

Statement of Revenues, Expenditures and Changes in Fund Balance

Special Revenue Fund

For the Year Ended March 31, 2004

		Amended Budget	Actual	Favorable (Unfavorable)
Revenues				
Contributions from Local Units		$ 137,100	$ 143,823	$ 6,723
Charges for Services		14,450	15,167	717
Interest and Rents		3,000	4,158	1,158
Other		-	3,255	3,255
Total		154,550	166,403	11,853
Expenditures				
Public Safety		199,450	186,935	12,515
Total		199,450	186,935	12,515
Excess Revenues (Expenditures)	(1)	$ (44,900)	(20,532)	$ 24,368
Fund Balance – Beginning of Year			255,266	
Fund Balance – End of Year			$ 234,734	

(1) Budgeted from Fund Balance

The Notes to the Financial Statements are an integral part of this statement.

Coldsprings-Excelsior Volunteer Fire and Rescue Department

Notes to Financial Statements

March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Townships of Coldsprings and Excelsior, Kalkaska County, Michigan, organized a joint Fire and Rescue Department to service the two Townships and appointed a joint Board to oversee the operation. The Department is financed through a special voted tax levied by each Township.

The Department's general purpose financial statements include the accounts of all Department operations. The criteria for including organizations within the Department's reporting entity, as set forth in GASB No. 14, *"The Financial Reporting Entity"*, includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The financial activities of the Department are recorded in separate self-balancing funds and account groups, categorized and described as follows:

Governmental Funds

Special Revenue Funds – These Funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative actions.

Account Groups

General Fixed Assets – This Account Group presents the fixed assets of the Department utilized in its general operations (non-proprietary fixed assets).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivables when measurable and as revenue when available to finance current operations. Significant revenues susceptible to accrual include property taxes, expenditure reimbursement type grants, certain inter-governmental revenues and operating transfers. Expenditures are recorded when the liability is incurred, except for interest on long-term debt, which is recorded when paid.

D. Measurement Focus

The accounting and reporting treatments applied to a fund is determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

E. Budgets

The Special Revenue Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Department.

In the body of the financial statements, the actual and budgeted expenditures for the budgetary fund have been shown on an activity basis. The approved budget for this fund was adopted to the line item level.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain general fixed assets consisting of roads, bridges, curbs, gutters, streets, sidewalks, drainage systems and lighting systems are excluded from general fixed assets because such items are immovable and of value only to the Department. General fixes assets are not subject to annual depreciation expense. Interest incurred in the construction of fixed assets is not capitalized.

Fixed assets are recorded at historical cost. Donated fixed assets are valued and recorded at the fair market value at date of receipt.

G. Investments

Records reflect no investments for the audit year.

H. Total Column

The "total" columns on the combined financial statements are captioned "memo only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund transactions have not been eliminated in the aggregation of this data.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. There were no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.

B. All funds had positive fund balances at March 31, 2004.

C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2004, the Department complied with the provisions of Public Act 621 of 1978.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States.

2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

3. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.

4. Repurchase agreements consisting of instruments defined in (1) above.

5. In bankers' acceptances of United States Banks.

6. 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.

7. In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Department had $228,892 deposited with local banks at March 31, 2004, with a carrying value of $228,337. Interpreting the FDIC insurance coverage of $100,000 per demand deposit and $100,000 per time deposit accounts in each depository, the Township had $126,568 of uninsured deposits at March 31, 2004.

Coldsprings-Excelsior Volunteer Fire and Rescue Department

Notes to Financial Statements

March 31, 2004

NOTE 4 - STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

	Balance 3/31/03	Additions	Deletions	Balance 3/31/04
Fire Fighting and Rescue Vehicles and Equipment	$ 674,914	$ 116,829	$ (12,500)	$ 779,243

NOTE 5 - INVENTORIES

The Department does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expense at time of purchase.

NOTE 6 - PENSION PLAN

The Department does not sponsor a pension plan for its employees. All employees are covered by Social Security.

NOTE 7 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Department addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 8 - COMPENSATED ABSENCES

The Department does not provide for payment to employees for unused sick leave, accumulated leave, etc.

NOTE 9 - RELATED PARTY TRANSACTIONS

During the audit year the Department awarded $4,266 of contractual work to businesses owned and operated by Department officers. Bid procedures appear to have been properly followed.

NOTE 10 - CONTINGENT LIABILITY

As of March 31, 2004, a cases are pending before the Michigan Tax Tribunal in which taxpayers are is contesting property assessments for the 1999, 2000, 2001, 2002, and 2003 tax years. The outcome of the cases is uncertain. The Fire and Rescue Department's portion of the contributions from the affected unit amount to approximately $39,144.

SUPPLEMENTAL DATA SECTION

Coldsprings-Excelsior Volunteer Fire and Rescue Department — Schedule 1

Statement of Revenues, Expenditures and Changes in Fund Balance

General Operating Special Revenue Fund

For the Year Ended March 31, 2004

		Amended Budget	Actual	Favorable (Unfavorable)
Revenues				
Contributions from Local Units:				
Coldsprings Township		$ 86,900	$ 90,423	$ 3,523
Excelsior Township		50,200	53,400	3,200
Charges for Services:				
Contractual		14,450	15,167	717
Interest and Rents:				
Interest		3,000	4,158	1,158
Other:				
Refunds and Reimbursements		-	2,255	2,255
Sale of Fixed Assets		-	1,000	1,000
Total Revenues		154,550	166,403	11,853
Expenditures				
Salaries and Wages		31,500	26,825	4,675
Office Supplies		2,000	1,981	19
Operating Supplies		3,000	1,609	1,391
Gas and Oil		2,000	1,338	662
Training		2,020	2,017	3
Insurance		15,880	15,392	488
Utilities, Telephone and Snow Removal		9,000	8,983	17
Repairs and Maintenance		10,000	9,828	172
Other		250	80	170
Payroll Taxes		2,500	2,052	448
Capital Outlay		121,300	116,830	4,470
Total Expenditures		199,450	186,935	12,515
Excess Revenues (Expenditures)	(1)	$ (44,900)	(20,532)	$ 24,368
Fund Balance – Beginning of Year			255,266	
Fund Balance – End of Year			$ 234,734	

(1) Budgeted from Fund Balance

The Notes to the Financial Statements are an integral part of this statement.