

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Menominee & Ingallston Township Fire Dept		County Menominee
Audit Date 3/31/04	Opinion Date 6/3/04	Date Accountant Report Submitted to State: 8/24/04		

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.

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).
- 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.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Schenck SC			
Street Address 2200 Riverside Drive PO Box 23819		City Green Bay	State WI
		ZIP 54305-3819	
Accountant Signature <i>Schenck SC</i>		Date 8/24/04	

**MENOMINEE & INGALLSTON
TOWNSHIP FIRE DEPARTMENT**

MENOMINEE COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

MARCH 31, 2004

MENOMINEE & INGALLSTON TOWNSHIP FIRE DEPARTMENT
MENOMINEE COUNTY, MICHIGAN
March 31, 2004

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INDEPENDENT AUDITORS' REPORT ON GENERAL-PURPOSE FINANCIAL STATEMENTS

To the Menominee & Ingallston Township Fire Department Board
Menominee County, Michigan

We have audited the accompanying general-purpose financial statements of the Menominee & Ingallston Township Fire Department, Menominee County, Michigan, (a joint venture of the Townships of Menominee and Ingallston) 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 Menominee & Ingallston Township Fire 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 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Menominee & Ingallston Township Fire Department, Menominee County, Michigan, as of March 31, 2004, and the results of its operations 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 June 3, 2004 on our consideration of the Menominee & Ingallston Township Fire Department'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 an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Menominee & Ingallston Township Fire Department, Menominee County, Michigan, taken as a whole. The financial information listed in the table of contents as supplemental information is presented for purposes of additional analysis and are not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



Certified Public Accountants
Green Bay, Wisconsin
June 3, 2004

GENERAL-PURPOSE FINANCIAL STATEMENTS

MENOMINEE & INGALLSTON TOWNSHIP FIRE DEPARTMENT
MENOMINEE COUNTY, MICHIGAN
 Combined Balance Sheet - All Funds and Account Groups
 March 31, 2004
 With Comparative Amounts for March 31, 2003

	Governmental	Account	Totals	
	Fund Type	Group	(Memorandum Only)	
	General	General Fixed Assets	2004	2003
ASSETS				
Cash	\$ 15,549	\$ -	\$ 15,549	\$ 7,608
Investments - CD	21,085	-	21,085	-
Prepays	-	-	-	2,654
Fixed Assets				
Land	-	100	100	100
Buildings and improvements	-	66,861	66,861	66,861
Machinery and equipment	-	677,363	677,363	666,734
TOTAL ASSETS	\$ 36,634	\$ 744,324	\$ 780,958	\$ 743,957
LIABILITIES AND FUND EQUITY				
Liabilities				
Vouchers payable	\$ 963	\$ -	\$ 963	\$ 395
Fund Equity				
Investment in general fixed assets	-	744,324	744,324	733,695
Fund balance				
Designated for subsequent year budget	8,000	-	8,000	6,500
Undesignated	27,671	-	27,671	3,367
Total Fund Equity	35,671	744,324	779,995	743,562
TOTAL LIABILITIES AND FUND EQUITY	\$ 36,634	\$ 744,324	\$ 780,958	\$ 743,957

The notes to the general-purpose financial statements are an integral part of this statement.

MENOMINEE & INGALLSTON TOWNSHIP FIRE DEPARTMENT
MENOMINEE COUNTY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended March 31, 2004
With Comparative Amounts for Year Ended March 31, 2003

	2004	2003
Revenues		
Intergovernmental		
Menominee Township	\$ 42,000	\$ 35,000
Ingallston Township	18,000	15,000
Miscellaneous	21,153	5,367
Total Revenues	<u>81,153</u>	<u>55,367</u>
Expenditures		
Current		
Public safety	<u>55,349</u>	<u>54,397</u>
Excess of Revenues Over Expenditures	25,804	970
Fund Balance - April 1	<u>9,867</u>	<u>8,897</u>
Fund Balance - March 31	<u>\$ 35,671</u>	<u>\$ 9,867</u>

The notes to the general-purpose financial statements are an integral part of this statement.

MENOMINEE & INGALLSTON TOWNSHIP FIRE DEPARTMENT
MENOMINEE COUNTY, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended March 31, 2004
With Comparative Actual Amounts for Year Ended March 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
Revenues				
Intergovernmental				
Menominee Township	\$ 42,000	\$ 42,000	\$ -	\$ 35,000
Ingallston Township	18,000	18,000	-	15,000
Miscellaneous	-	21,153	21,153	5,367
Total Revenues	<u>60,000</u>	<u>81,153</u>	<u>21,153</u>	<u>55,367</u>
Expenditures				
Current				
Public safety	<u>66,100</u>	<u>55,349</u>	<u>10,751</u>	<u>54,397</u>
Excess of Revenues Over Expenditures	(6,100)	25,804	31,904	970
Fund Balance (Deficit) - April 1	<u>8,897</u>	<u>9,867</u>	<u>970</u>	<u>8,897</u>
Fund Balance - March 31	<u>\$ 2,797</u>	<u>\$ 35,671</u>	<u>\$ 32,874</u>	<u>\$ 9,867</u>

The notes to the general-purpose financial statements are an integral part of this statement.

MENOMINEE & INGALLSTON TOWNSHIP FIRE DEPARTMENT
MENOMINEE COUNTY, MICHIGAN
Notes to General-Purpose Financial Statements
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements to the Menominee & Ingallston Township Fire Department, Menominee County Michigan, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Menominee and Ingallston Township Fire Department are described below:

1. The Financial Reporting Entity

The Menominee and Ingallston Township Fire Department is a joint venture between Menominee and Ingallston Townships in Menominee County, Michigan, formed to provide fire protection to both Township's residents. The Townships are obligated by agreement to provide operating appropriations allocated 70% by Menominee Township and 30% by Ingallston Township. The Fire Department operates under a ten-member board consisting of the Menominee and Ingallston Township Board members.

2. Fund Accounting

The accounts of the Fire Department are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Financial transactions of the Fire Department and the results thereof are presented in the financial statements as follows:

GOVERNMENTAL FUND

General Fund - The general fund is the general operating fund of the fire department. It is used to account for all financial resources.

ACCOUNT GROUPS

Account groups are not funds as they reflect only financial position as of a certain date and do not involve the measurement of operations. The following account group is used by the Fire Department.

General Fixed Assets - the general fixed asset account group is used to account for fixed assets acquired principally for general government purposes.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The measurement focus and basis of accounting used for the Fire Department fund follows:

GOVERNMENTAL FUNDS

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

MENOMINEE & INGALLSTON TOWNSHIP FIRE DEPARTMENT
MENOMINEE COUNTY, MICHIGAN
Notes to General-Purpose Financial Statements
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amounts of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. All significant revenue sources are treated as "susceptible to accrual".

6. Budgets and Budgetary Accounting

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

- a. During March, the Fire Department Board proposes an operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the Menominee and Ingallston Township Boards, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget including authorized additions and deletions, is legally enacted by the Township Boards' action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device.
- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department or the Fire Department. Amendments to the budget during the year require approval by the Fire Department Board.
- e. Encumbrance accounting is not used by the Fire Department to record commitments related to unperformed contracts for goods and services.

5. Cash

Cash consists of demand deposits with financial institutions and is carried at cost.

6. Fund Equity

Under the provisions of GASB Statement No. 1, the Fire Department may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

7. General Fixed Assets

Fixed assets of the Fire Department are valued at either historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. Fixed assets are recorded in the general fixed asset account group and are not capitalized in the funds used to acquire or construct them. The expenditures for the acquisition and construction are reflected in government funds, and the related assets are reported in the general fixed assets account group. Assets in the general fixed assets account group are not depreciated.

MENOMINEE & INGALLSTON TOWNSHIP FIRE DEPARTMENT
MENOMINEE COUNTY, MICHIGAN
Notes to General-Purpose Financial Statements
March 31, 2004

NOTE B - CASH

The carrying value of cash of the Fire Department totaled \$15,549 on March 31, 2004, and consisted of demand deposits with financial institutions.

Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing deposits. The bank balances of the Fire Department's deposits totaled \$39,250 on March 31, 2004. All amounts were covered by FDIC insurance.

NOTE C - RISK MANAGEMENT

The Fire Department has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenditures in the general fund of the Fire Department.

NOTE D - CONTINGENT LIABILITIES

From time to time, the Fire Department is party to pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Fire Department's financial position or results of operations.

SUPPLEMENTAL INFORMATION

MENOMINEE & INGALLSTON TOWNSHIP FIRE DEPARTMENT
MENOMINEE COUNTY, MICHIGAN
 General Fund
 Detailed Comparison of Budgeted and Actual Expenditures
 For the Year Ended March 31, 2004
 With Comparative Actual Amounts for Year Ended March 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)	Prior Year Actual
Public safety				
Salaries and benefits	\$ 10,100	\$ 9,321	\$ 779	\$ 8,815
Insurance	12,500	13,789	(1,289)	11,999
Gas and supplies	1,200	3,742	(2,542)	2,324
Repairs	5,000	3,154	1,846	4,957
Telephone	1,200	1,191	9	1,015
Electricity	1,100	1,024	76	786
Heating	3,000	2,411	589	2,898
Training	2,500	2,974	(474)	3,890
Maintenance and cleaning	4,000	1,692	2,308	3,057
Professional services	-	850	(850)	825
Miscellaneous	3,000	2,072	928	1,776
Capital outlay	15,000	10,629	4,371	9,555
City of Menominee agreement	2,500	2,500	-	2,500
Contingency	5,000	-	5,000	-
Total Expenditures	<u>\$ 66,100</u>	<u>\$ 55,349</u>	<u>\$ 10,751</u>	<u>\$ 54,397</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR GENERAL-PURPOSE FINANCIAL STATEMENTS**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Menominee & Ingallston Township Fire Department Board
Menominee County, Michigan

We have audited the financial statements of the Menominee & Ingallston Township Fire Department, Menominee County, Michigan, as of and for the year ended March 31, 2004, and have issued our report thereon dated June 3, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Menominee & Ingallston Township Fire Department'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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Menominee & Ingallston Township Fire Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

The report is intended solely for the information and use of management and the Board, and is not intended to be and should not be used by anyone other than these specified parties.

Schleich SC

Certified Public Accountants
Green Bay, Wisconsin
June 3, 2004

June 3, 2004

To the Menominee and Ingallston Township
Fire Department Board
Menominee County, Michigan

As stated in our engagement letter dated March 9, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Menominee and Ingallston Township Fire Department. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. In connection with our audit of the financial statements, we have the following comments and observations as constructive suggestions for your consideration.

Reimbursements to Fire Department Employee Fund for Routine Expenses

During our audit we noted that the Fire Department employees have a separate cash account that is funded by donations and fund raisers. This cash account is routinely used to pay for supplies, travel and various other normal expenses of the fire department with a request for reimbursement submitted to the Menominee and Ingallston Township Fire Department Board at the end of each month.

This practice appears to be a duplication of duties already performed by the Treasurer of the Joint Fire Department. It also circumvents the approval process by the Joint Boards of Menominee and Ingallston Townships by requesting reimbursement after the disbursement is made.

Therefore, we recommend the Fire Department employees begin submitting their invoices to the Treasurer of the Joint Menominee and Ingallston Fire Department for approval prior to payment.

This information is intended solely for the use of the Menominee and Ingallston Township Fire Department Board and management of Menominee and Ingallston Township Fire Department, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to express our appreciation for the courtesy and cooperation extended to our representatives during the course of our engagement. Should you have any questions or wish to discuss our comments in more detail, please do not hesitate to call.

Schenck SC

Certified Public Accountants
Schenck SC
Green Bay, Wisconsin