

RECEIVED
DEPT. OF TREASURY
SEP - 2 2004
LOCAL AUDIT & FINANCE DIV.

VANDERBILT CORWITH FIRE AND
RESCUE BOARD
Otsego County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS

Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

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

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Vanderbilt Corwith Fire and Rescue Board	County Otsego
Audit Date March 31, 2004	Opinion Date July 27, 2004	Date Accountant Report Submitted to State: July 27, 2004	

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

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

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July 27, 2004

INDEPENDENT AUDITOR'S REPORT

To the Fire Board
Vanderbilt Corwith Fire and Rescue Board
Otsego County, Michigan

We have audited the accompanying general purpose financial statements of the Vanderbilt Corwith Fire and Rescue Board, Otsego County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Vanderbilt Corwith Fire Board'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. 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 the Vanderbilt Corwith Fire and Rescue Board, Otsego 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.

Campbell, Kusterer & Co., P.C.

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

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Type</u>	<u>Account Group</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>General Fixed Assets</u>	
<u>Assets</u>			
Cash in bank	31 432 82	-	31 432 82
Equipment	-	74 438 21	74 438 21
	<u>31 432 82</u>	<u>74 438 21</u>	<u>105 871 03</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	791 56	-	791 56
Total liabilities	<u>791 56</u>	<u>-</u>	<u>791 56</u>
Fund equity:			
Investment in general fixed assets	-	74 438 21	74 438 21
Fund balances:			
Unreserved:			
Undesignated	30 641 26	-	30 641 26
Total fund equity	<u>30 641 26</u>	<u>74 438 21</u>	<u>105 079 47</u>
Total Liabilities and Fund Equity	<u>31 432 82</u>	<u>74 438 21</u>	<u>105 871 03</u>

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

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Year Ended March 31, 2004

	Total (Memorandum Only) <hr style="border-top: 1px solid black;"/> General Fund
Revenues:	
Township of Corwith	39 900 00
Village of Vanderbilt	26 600 00
Interest	319 83
Miscellaneous	393 31
	<hr style="border-top: 1px solid black;"/>
Total revenues	67 213 14
Expenditures:	
Fire protection:	
Wages	28 444 01
Payroll taxes	2 170 01
Insurance	11 144 00
Audit	1 200 00
Repairs and maintenance	9 699 27
Supplies	5 947 86
Telephone	1 516 50
Utilities	3 258 96
Training	640 98
Miscellaneous	1 436 71
Capital outlay	3 686 54
	<hr style="border-top: 1px solid black;"/>
Total expenditures	69 144 84
Excess (deficiency) of revenues over expenditures	(1 931 70)
Fund balance, April 1, 2003	32 572 96
	<hr style="border-top: 1px solid black;"/>
Fund Balance, March 31, 2004	30 641 26
	<hr style="border-top: 3px double black;"/>

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

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND EXHIBIT C
Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Township of Corwith	39 900 00	39 900 00	-
Village of Vanderbilt	26 600 00	26 600 00	-
Interest	-	319 83	319 83
Miscellaneous	-	393 31	393 31
	<u>66 500 00</u>	<u>67 213 14</u>	<u>713 14</u>
Total revenues			
Expenditures:			
Fire protection:			
Wages	28 444 01	28 444 01	-
Payroll taxes	2 170 01	2 170 01	-
Insurance	11 144 00	11 144 00	-
Audit	1 200 00	1 200 00	-
Repairs and maintenance	9 699 45	9 699 27	(18)
Supplies	5 948 53	5 947 86	(67)
Telephone	1 517 00	1 516 50	(50)
Utilities	3 259 00	3 258 96	(04)
Training	641 00	640 98	(02)
Miscellaneous	1 437 00	1 436 71	(29)
Capital outlay	3 687 00	3 686 54	(46)
	<u>69 147 00</u>	<u>69 144 84</u>	<u>(2 16)</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	(2 647 00)	(1 931 70)	715 30
Fund balance, April 1, 2003	<u>2 647 00</u>	<u>32 572 96</u>	<u>29 925 96</u>
Fund Balance, March 31, 2004	<u>-</u>	<u>30 641 26</u>	<u>30 641 26</u>

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

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Vanderbilt Corwith Fire and Rescue Board, Otsego County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

The Fire Board was organized in 1992 and includes the Village of Vanderbilt and the Township of Corwith. The governing Fire Board consists of 5 members – two appointed by each local unit of government and the fifth member is appointed by the other members. The Fire Board provides fire protection services to the local units and is considered a separate reporting entity.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Fire Board contain all the Fire Board funds and account groups that are controlled by or dependent on the Fire Board's executive or legislative branches.

The reporting entity is the Vanderbilt Corwith Fire and Rescue Board. The Fire Board is governed by an elected Fire Board. As required by generally accepted accounting principles, these financial statements present the Fire Board as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from intergovernmental revenues.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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 revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Fixed Assets

Purchases of general fixed assets are recorded as expenditures in the General Fund at the time of purchase. Such assets are capitalized at cost in the General Fixed Assets Group of Accounts except for certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Gifts or contributions are recorded in general fixed assets at fair market value at the time of receipt. No depreciation has been provided on the general fixed assets. The Fire Board utilizes land, building and equipment that is owned by the organizing local units of government.

Investments

Investments are stated at market.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

Receivables have been recognized for all significant amounts due to the Fire Board. 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.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose 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.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

Encumbrances

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

Postemployment Benefits

The Fire Board provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire Board 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 one bank for the deposit of Fire Board 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 Fire Board's deposits and investments are in accordance with statutory authority.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

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

	<u>Carrying Amounts</u>
Total Deposits	<u>31 432 82</u>

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

	<u>Bank Balances</u>
Insured (FDIC)	31 984 99
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>31 984 99</u>

The Vanderbilt Corwith Fire and Rescue Board did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of the changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Equipment	<u>70 751 67</u>	<u>3 686 54</u>	<u>-</u>	<u>74 438 21</u>

Note 4 – Deferred Compensation Plan

The Fire Board does not have a deferred compensation plan.

Note 5 – Pension Plan

The Fire Board does not have a pension plan.

VANDERBILT CORWITH FIRE AND RESCUE BOARD
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 6 – Risk Management

The Fire Board is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Fire Board 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 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum 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 financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

CAMPBELL, KUSTERER & CO., P.C.

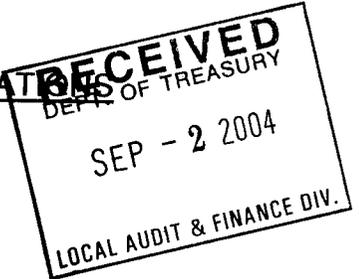
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



July 27, 2004

To the Fire Board
Vanderbilt Corwith Fire and Rescue Board
Otsego County, Michigan

We have audited the financial statements of the Vanderbilt Corwith Fire and Rescue Board, for the year ended March 31, 2004. 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 Vanderbilt Corwith Fire and Rescue Board 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.

To the Fire Board
Vanderbilt Corwith Fire and Rescue Board
Otsego County, Michigan

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.”

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.

To the Fire Board
Vanderbilt Corwith Fire and Rescue Board
Otsego County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Vanderbilt Corwith Fire and Rescue Board will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Fire Board will be 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 the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire Board's financial statements and this communication of these matters does not affect our report on the Fire Board's financial statements, dated March 31, 2004.

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