

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2013

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA

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

TEL (989) 894-1040
FAX (989) 894-5494
campbell.co@sbcglobal.net

INDEPENDENT AUDITOR'S REPORT

May 14, 2013

To the Fire Board
Edwardsburg Joint Fire Board
Cass County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Edwardsburg Joint Fire Board, Cass County, Michigan as of and for the year ended March 31, 2013, which collectively comprise the Fire Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Edwardsburg Joint Fire Board'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 Edwardsburg Joint Fire Board, Cass County, Michigan as of March 31, 2013, 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.
Certified Public Accountants

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2013

The Management's Discussion and Analysis report of the Edwardsburg Joint Fire Board covers the Fire Board's financial performance during the year ended March 31, 2013.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2013, totaled \$1,562,893.29 for governmental activities.

Overall total revenues were \$301,693.56 from governmental activities. Governmental activities had a \$113,115.90 increase in net assets.

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 Fire Board 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 Fire Board 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 Fire Board as a whole using accounting methods used by private companies. The statement of net assets includes all of the Fire Board'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.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Fire Board are reported as governmental activities. This includes the General Fund.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2013

	Governmental Activities <u>2012</u>	Governmental Activities <u>2013</u>
Current Assets	649 503	711 022
Capital Assets	<u>806 054</u>	<u>852 481</u>
Total Assets	<u>1 455 557</u>	<u>1 563 503</u>
Current Liabilities	5 779	610
Non-current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>5 779</u>	<u>610</u>
Net Assets:		
Invested in Capital Assets	806 054	852 481
Unrestricted	<u>643 724</u>	<u>710 412</u>
Total Net Assets	<u><u>1 449 778</u></u>	<u><u>1 562 893</u></u>

	Governmental Activities <u>2012</u>	Governmental Activities <u>2013</u>
Program Revenues:		
Fees and Charges for Services	270 214	292 615
General Revenues:		
Interest	1 010	717
Miscellaneous	<u>4 469</u>	<u>8 361</u>
Total Revenues	<u>275 693</u>	<u>301 693</u>
Program Expenses:		
Public safety	<u>154 929</u>	<u>188 578</u>
Total Expenses	<u>154 929</u>	<u>188 578</u>
Change in Net Assets	120 764	113 115
Net Assets, April 1	<u>1 329 014</u>	<u>1 449 778</u>
Net Assets, March 31	<u><u>1 449 778</u></u>	<u><u>1 562 893</u></u>

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2013

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Fire Board's funds, focusing on significant (major) funds not the Board as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Fire Board also may create them. Funds are established to account for funding and spending or specific financial resources and to show proper expenditures of those resources.

The Fire Board has the following types of funds:

Governmental Funds: All of the Fire Board's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Fire Board's entity-wide statements and the fund financial statements are disclosed in the reconciling statements to explain the differences between them. The Fire Board's governmental funds include the General Fund.

FINANCIAL ANALYSIS OF THE FIRE BOARD AS A WHOLE

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE FIRE BOARD'S FUNDS

The General Fund pays for all of the Fire Board's governmental services.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Fire Board's governmental activities invested \$98,992.83 in capital assets.

The Fire Board's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

We continue to grow in taxable values.

CONTACTING THE FIRE BOARD'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Fire Board's finances and to demonstrate the Fire Board's accountability for the revenues it receives. If you have any questions concerning this report please contact the Fire Chief at 26771 U.S. 12, P.O. Box 181, Edwardsburg, Michigan 49112 or call 269-663-2160.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2013

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	493 109 29
Due from other units	<u>217 912 67</u>
Total Current Assets	<u>711 021 96</u>
NON-CURRENT ASSETS:	
Capital Assets	1 907 632 92
Less: Accumulated Depreciation	<u>(1 055 151 79)</u>
Total Non-current Assets	<u>852 481 13</u>
TOTAL ASSETS	<u><u>1 563 503 09</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>609 80</u>
Total Current Liabilities	<u>609 80</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>609 80</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	852 481 13
Unrestricted	<u>710 412 16</u>
Total Net Assets	<u>1 562 893 29</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 563 503 09</u></u>

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

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended March 31, 2013

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Public safety	<u>188 577 66</u>	<u>292 615 15</u>	<u>104 037 49</u>
Total Governmental Activities	<u><u>188 577 66</u></u>	<u><u>292 615 15</u></u>	<u><u>104 037 49</u></u>
General Revenues:			
Interest			716 78
Miscellaneous			<u>8 361 63</u>
Total General Revenues			<u>9 078 41</u>
Change in net assets			113 115 90
Net assets, beginning of year			<u>1 449 777 39</u>
Net Assets, End of Year			<u><u>1 562 893 29</u></u>

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

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND

March 31, 2013

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	493 109 29
Due from other units	<u>217 912 67</u>
Total Assets	<u><u>711 021 96</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>609 80</u>
Total liabilities	<u>609 80</u>
Fund equity:	
Fund balance:	
Unassigned	<u>710 412 16</u>
Total fund equity	<u>710 412 16</u>
Total Liabilities and Fund Equity	<u><u>711 021 96</u></u>

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

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
March 31, 2013

TOTAL FUND BALANCE – GOVERNMENTAL FUND	710 412 16
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	1 907 632 92
Accumulated depreciation	<u>(1 055 151 79)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>1 562 893 29</u></u>

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

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
Year ended March 31, 2013

	<u>Total (General)</u>
Revenues:	
Township of Ontwa	221 267 86
Township of Jefferson	29 140 64
Township of Milton	42 206 65
Interest	716 78
Miscellaneous	<u>8 361 63</u>
Total revenues	<u>301 693 56</u>
Expenditures:	
Public safety:	
Fire protection:	
Wages	23 500 00
Contracted services	20 000 00
Payroll taxes	2 350 99
Professional services	2 500 00
Training	3 424 95
Utilities	10 452 91
Telephone	1 485 75
Vehicle gas and oil	3 583 05
Supplies	29 158 30
Repairs and maintenance	18 310 78
Insurance	20 780 00
Miscellaneous	465 96
Capital outlay	<u>98 992 83</u>
Total expenditures	<u>235 005 52</u>
Excess (deficiency) of revenues over expenditures	66 688 04
Fund balance, April 1, 2012	<u>643 724 12</u>
Fund Balance, March 31, 2013	<u><u>710 412 16</u></u>

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

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2013

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND 66 688 04

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	(52 564 97)
Capital Outlay	<u>98 992 83</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 113 115 90

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

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2013

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Edwardsburg Joint Fire Board, Cass County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The Edwardsburg Joint Fire Board is comprised of the Townships of Jefferson, Milton, and Ontwa and the Village of Edwardsburg. The Board was created to provide fire protection primarily to these governmental units. The Board, which consists of members appointed by their respective local units, operates independently from its supporting units, and maintains control of all amounts collected, as well as all other acquired assets.

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 Fire Board'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.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

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

The Fire Board reports only one fund as follows:

The General Fund is used to record the operations of the Fire Board which pertain to maintaining and operating the Fire Board. 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 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.

Property Taxes

The Fire Board 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 Fire Board as assets with an initial cost of more than \$1,000.00 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	10-31.5 years
Equipment and vehicles	5- 10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Fire Board provides no post-employment benefits to past employees.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2013

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:

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

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

Public hearings are held to obtain taxpayer comments.

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

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

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

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

Budget appropriations lapse at the end of each fiscal year.

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 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 financial institution 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.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2013

Note 3 – Deposits and Investments (continued)

The Fire Board'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:

	<u>Carrying Amounts</u>
Total Deposits	<u>493 109 29</u>

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

	<u>Bank Balances</u>
Insured (FDIC)	250 000 00
Uninsured and Uncollateralized	<u>299 770 81</u>
Total Deposits	<u>549 770 81</u>

The Fire Board did not have any investments as of March 31, 2013.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Fire Board manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds that do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Fire Board contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Fire Board's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Fire Board's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2013

Note 4 – Capital Assets

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

	Balance 4/1/12	Additions	Deletions	Balance 3/31/13
<u>Governmental Activities:</u>				
Land	147 995 00	-	-	147 995 00
Building and improvements	612 302 04	-	-	612 302 04
Equipment	212 483 05	10 934 83	-	223 417 88
Vehicles	<u>835 860 00</u>	<u>88 058 00</u>	-	<u>923 918 00</u>
 Total	 1 808 640 09	 98 992 83	 -	 1 907 632 92
Accumulated Depreciation	<u>(1 002 586 82)</u>	<u>(52 564 97)</u>	-	<u>(1 055 151 79)</u>
Net Capital Assets	<u>806 053 27</u>	<u>46 427 86</u>	-	<u>852 481 13</u>

Note 5 – Deferred Compensation Plan

The Fire Board does not have a deferred compensation plan.

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 – Pension Plan

The Fire Board does not have a pension plan.

EDWARDSBURG JOINT FIRE BOARD
Cass County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Township of Ontwa	194 267 76	194 267 76	221 267 86	27 000 10
Township of Jefferson	31 394 85	31 394 85	29 140 64	(2 254 21)
Township of Milton	42 206 65	42 206 65	42 206 65	-
Interest	-	-	716 78	716 78
Miscellaneous	-	-	8 361 63	8 361 63
Total revenues	<u>267 869 26</u>	<u>267 869 26</u>	<u>301 693 56</u>	<u>33 824 30</u>
Expenditures:				
Public safety:				
Fire protection	151 500 00	156 600 00	136 012 69	(20 587 31)
Capital outlay	116 369 26	111 269 26	98 992 83	(12 276 43)
Total expenditures	<u>267 869 26</u>	<u>267 869 26</u>	<u>235 005 52</u>	<u>(32 863 74)</u>
Excess (deficiency) of revenues over expenditures	-	-	66 688 04	66 688 04
Fund balance, April 1, 2012	-	-	<u>643 724 12</u>	<u>643 724 12</u>
Fund Balance, March 31, 2013	<u>-</u>	<u>-</u>	<u>710 412 16</u>	<u>710 412 16</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA

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

TEL (989) 894-1040
FAX (989) 894-5494
campbell.co@sbcglobal.net

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 14, 2013

To the Fire Board
Edwardsburg Joint Fire Board
Cass County, Michigan

We have audited the financial statements of the Edwardsburg Joint Fire Board the year ended March 31, 2013. 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 Edwardsburg Joint Fire 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.

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
Edwardsburg Joint Fire Board
Cass 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 are available to review.

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

The Fire Board's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Fire Board cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Fire Board Members understand these circumstances when performing their oversight responsibilities.

PREPARATION OF FINANCIAL STATEMENTS

Government units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the governmental unit rests with the governmental unit's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many governmental units to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal control.

To the Fire Board
Edwardsburg Joint Fire Board
Cass County, Michigan

PREPARATION OF FINANCIAL STATEMENTS (cont.)

The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the governmental unit's annual financial statements and notes to the financial statements in accordance with GAAP. The governmental unit relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We do not recommend any changes to this situation at this time and we communicate this as required by professional standards.

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 for the year ended March 31, 2013.

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.
Certified Public Accountants