

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2010

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

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INDEPENDENT AUDITOR'S REPORT

June 7, 2010

To the Fire Board
Clinton Area Fire and Rescue
Clinton County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Clinton Area Fire and Rescue, Clinton County, Michigan as of and for the year ended March 31, 2010, which collectively comprise the Fire and Rescue Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clinton Area Fire and Rescue's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Clinton Area Fire and Rescue, Clinton County, Michigan as of March 31, 2010, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Campbell, Kusterer & Co., P.C.

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

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2010

The Management's Discussion and Analysis report of the Clinton Area Fire and Rescue (CAFR) covers the Authority's financial performance during the year ended March 31, 2010.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2010 totaled \$320,689.85. Overall total capital assets remained approximately the same.

Overall revenues were \$453,723.39.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Authority and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Authority in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Authority as a whole using accounting methods used by private companies. The statement of net assets includes all of the Authority's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

All of the activities of CAFR are reported as governmental activities.

FUND FINANCIAL STATEMENTS

There are no fund financial statements provide more detailed information about the Authority's funds, focusing on significant (major) funds are required by law or bond covenants. The Authority board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

During the year, the Authority's financial position remained stable.

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2010

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2010</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2009</u>
Current Assets	21 716	9 449
Capital Assets	<u>1 050 160</u>	<u>1 130 484</u>
Total Assets	<u>1 071 876</u>	<u>1 139 933</u>
Current Liabilities	766	765
Non-current Liabilities	<u>750 420</u>	<u>860 000</u>
Total Liabilities	<u>751 186</u>	<u>860 765</u>
Net Assets:		
Invested in Capital Assets	299 740	270 484
Unrestricted	<u>20 950</u>	<u>8 684</u>
Total Net Assets	<u><u>320 690</u></u>	<u><u>279 168</u></u>

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2010</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2009</u>
Program Revenues:		
Fees and Charges for Services	289 105	379 355
General Revenues:		
Interest	60	68
Miscellaneous	<u>164 558</u>	<u>12 082</u>
Total Revenues	<u>453 723</u>	<u>391 505</u>
Program Expenses:		
Public Safety	379 607	412 308
Interest on Long-Term Debt	<u>32 594</u>	<u>33 662</u>
Total Expenses	<u>412 201</u>	<u>445 970</u>
Increase (Decrease) in Net Assets	41 522	(54 465)
Net Assets, April 1	<u>279 168</u>	<u>333 633</u>
Net Assets, March 31	<u><u>320 690</u></u>	<u><u>279 168</u></u>

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2010

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

The Townships are the major contributor to the Authority. Grants, donations, and fees for run reports making up the rest.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Authority paid \$0 for capital assets.

The Authority paid \$109,580.33 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Townships continue to grow so the Fire Department must keep up with the growth and changing rules and regulations.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide our investors and customers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the revenues it receives. IF you have any questions concerning this report, please contact the CAFR Secretary/Treasurer at 6843 Alward Road, Laingsburg, Michigan or by calling (517) 651-2094.

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2010

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	16 531 71
Accounts receivable	<u>5 184 13</u>
Total Current Assets	<u>21 715 84</u>
NON-CURRENT ASSETS:	
Capital Assets	1 638 389 86
Less: Accumulated Depreciation	<u>(588 230 04)</u>
Total Non-current Assets	<u>1 050 159 82</u>
TOTAL ASSETS	<u><u>1 071 875 66</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>766 14</u>
Total Current Liabilities	<u>766 14</u>
NON-CURRENT LIABILITIES	
Notes payable	<u>750 419 67</u>
Total Non-current Liabilities	<u>750 419 67</u>
Total Liabilities	<u>751 185 81</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	299 740 15
Unrestricted	<u>20 949 70</u>
Total Net Assets	<u>320 689 85</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 071 875 66</u></u>

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

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2010

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS		<u>Charges for Services</u>	
Governmental Activities:			
Public safety	379 607 48	289 105 18	(90 502 30)
Interest on long-term debt	<u>32 594 00</u>	<u>-</u>	<u>(32 594 00)</u>
Total Governmental Activities	<u>412 201 48</u>	<u>289 105 19</u>	<u>(123 096 30)</u>
General Revenues:			
Interest			59 89
Miscellaneous			<u>164 558 32</u>
Total General Revenues			<u>164 618 21</u>
Change in net assets			41 521 91
Net assets, beginning of year			<u>279 167 94</u>
Net Assets, End of Year			<u>320 689 85</u>

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

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND

March 31, 2010

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	16 531 71
Accounts receivable	<u>5 184 13</u>
Total Assets	<u><u>21 715 84</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>766 14</u>
Total liabilities	<u>766 14</u>
Fund equity:	
Fund balance:	
Unreserved:	
Undesignated	<u>20 949 70</u>
Total fund equity	<u>20 949 70</u>
Total Liabilities and Fund Equity	<u><u>21 715 84</u></u>

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

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
March 31, 2010

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	20 949 70
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 638 389 86
Accumulated depreciation	(588 230 04)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Notes payable	<u>(750 419 67)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>320 689 85</u></u>

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

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
Year ended March 31, 2010

	<u>Total (General)</u>
Revenues:	
Charges for services – fire protection:	
Bingham Township	106 593 08
Greenbush Township	79 330 46
Victor Township	103 181 64
Interest	59 89
Miscellaneous	<u>164 558 32</u>
Total revenues	<u>453 723 39</u>
Expenditures:	
Public safety:	
Fire protection:	
Salaries, wages and payroll taxes	89 562 32
Supplies	6 141 18
Gas and oil	11 119 82
Telephone	3 524 34
Insurance	31 995 06
Utilities	10 248 85
Building maintenance	7 716 55
Equipment maintenance	40 909 50
Vehicle maintenance	70 958 89
Professional services	14 836 55
Training	6 374 89
Miscellaneous	5 895 26
Debt service	<u>142 174 33</u>
Total expenditures	<u>441 457 54</u>
Excess (deficiency) of revenues over expenditures	12 265 85
Fund balance, April 1	<u>8 683 85</u>
Fund Balance, March 31	<u><u>20 949 70</u></u>

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

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2010

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND 12 265 85

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	(80 324 27)
Capital Outlay	-

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets

Principal payments on long-term debt	<u>109 580 33</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>41 521 91</u></u>
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The accompanying notes are an integral part of these financial statements.

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2010

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Clinton Area Fire and Rescue, Clinton County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Authority contain all the Authority funds that are controlled by or dependent on the Authority's executive or legislative branches.

The reporting entity is the Clinton Area Fire and Rescue. The Authority is governed by an appointed Fire Board. As required by generally accepted accounting principles, these financial statements present the Authority as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Authority's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

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

The Authority reports only one fund as follows:

- The General Fund is used to record the operations of the Authority which pertain to maintaining and operating the Authority. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Authority. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

The Authority does not levy any property taxes.

Encumbrances

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

Capital Assets

Capital assets are defined by the Authority as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	10- 50 years
Vehicles and equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Authority provides no post-employment benefits to past employees.

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Fire Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Board has designated two banks for the deposit of Authority funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2010

Note 3 – Deposits and Investments (continued)

The Authority's deposits and investments are in accordance with statutory authority.

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

	<u>Carrying Amounts</u>
Total Deposits	<u>16 531 71</u>

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

	<u>Bank Balances</u>
Insured (FDIC)	25 738 88
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>25 738 88</u>

The Clinton Area Fire and Rescue did not have any investments as of March 31, 2010.

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 Authority 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 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 do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Authority 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 Department'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 Authority'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.

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2010

Note 4 – Capital Assets

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

	Balance 4/1/09	Additions	Deletions	Balance 3/31/10
<u>Governmental Activities:</u>				
Buildings	226 685 58	-	-	226 685 58
Vehicles and equipment	1 411 704 28	-	-	1 411 704 28
Total	1 638 389 86	-	-	1 638 389 86
Accumulated Depreciation	(507 905 77)	(80 324 27)	-	(588 230 04)
Net Capital Assets	1 130 484 09	(80 324 27)	-	1 050 159 82

Note 5 – Deferred Compensation Plan

The Authority does not have a deferred compensation plan.

Note 6 – Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Authority has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 – Pension Plan

The Authority does not have a pension plan.

Note 8 – Changes in Long-Term Debt

The following is a summary of the changes in long-term debt'

	Balance 4/1/09	Additions	Deletions	Balance 3/31/10
<u>Governmental Activities:</u>				
Note payable – equipment and vehicle	860 000 00	-	109 580 33	750 419 67
Total	860 000 00	-	109 580 33	750 419 67

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2010

Note 9 – Note Payable – Equipment and Vehicle

On May 1, 2008, the Authority refinanced the note payable – equipment and the note payable – vehicle by obtaining a new loan from Fifth Third Bank in the principle amount of \$860,000.00, with interest at the rate of 3.79% per annum. The two original notes payable were paid off in the amount of \$852,608.69, including accrued interest.

The repayment schedule is as follows:

<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Amount</u>
5-1-10	113 733 42	28 440 91	142 174 33
5-1-11	118 043 92	24 130 41	142 174 33
5-1-12	122 517 79	19 656 54	142 174 33
5-1-13	127 161 21	15 013 12	142 174 33
5-1-14	131 980 62	10 193 71	142 174 33
5-1-15	<u>136 982 71</u>	<u>5 191 62</u>	<u>142 174 33</u>
Totals	<u><u>750 419 67</u></u>	<u><u>102 626 31</u></u>	<u><u>853 045 98</u></u>

Note 10 – Budget Variances

During the fiscal year ended March 31, 2010, Authority expenditures exceeded budgeted amounts in the activities as follows:

<u>Fund / Activity</u>	<u>Final Budget</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Fire protection	274 715 00	299 283 21	24 568 21

CLINTON AREA FIRE AND RESCUE
Clinton County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Charges for services – fire protection:				
Bingham Township	108 805 27	101 349 60	106 593 08	5 243 48
Greenbush Township	80 976 87	68 666 40	79 330 46	10 664 06
Victor Township	105 323 04	93 984 00	103 181 64	9 197 64
Interest	44 83	44 83	59 89	15 06
Miscellaneous	<u>159 849 06</u>	<u>17 719 55</u>	<u>164 558 32</u>	<u>146 838 77</u>
Total revenues	<u>454 999 07</u>	<u>281 764 38</u>	<u>453 723 39</u>	<u>171 959 01</u>
Expenditures:				
Public safety:				
Fire protection	287 254 00	274 715 00	299 283 21	24 568 21
Debt service	<u>142 174 34</u>	<u>142 174 34</u>	<u>142 174 33</u>	<u>(1)</u>
Total expenditures	<u>429 428 34</u>	<u>416 889 34</u>	<u>441 457 54</u>	<u>24 568 20</u>
Excess (deficiency) of revenues over expenditures	<u>25 570 73</u>	<u>(135 124 96)</u>	<u>12 265 85</u>	<u>147 390 81</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	25 570 73	(135 124 96)	12 265 85	147 390 81
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>8 683 85</u>	<u>8 683 85</u>
Fund Balance, March 31	<u><u>25 570 73</u></u>	<u><u>(135 124 96)</u></u>	<u><u>20 949 70</u></u>	<u><u>156 074 66</u></u>

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 7, 2010

To the Fire Board
Clinton Area Fire and Rescue
Clinton County, Michigan

We have audited the financial statements of the Clinton Area Fire and Rescue for the year ended March 31, 2010. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Clinton Area Fire and Rescue in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

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In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Fire Department'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 Department 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 Department 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.

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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 and Rescue Board's financial statements and this communication of these matters does not affect our report on the Fire and Rescue Board's financial statements for the year ended March 31, 2010.

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